

Audit Committee

Agenda

Monday, October 28, 2024

1:30 p.m.

Via Videoconference

Committee Members: Deputy Mayor James Edwards, Chair
Councillor Earlene MacMullin
Councillor Glenn Paruch
Councillor Steve Parsons, Vice-Chair
Councillor Lorne Green
Mark Galley, Citizen Appointee
Vacant, Citizen Appointee

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CBRM Audit Committee

Agenda

Monday, October 28, 2022

1:30 p.m.

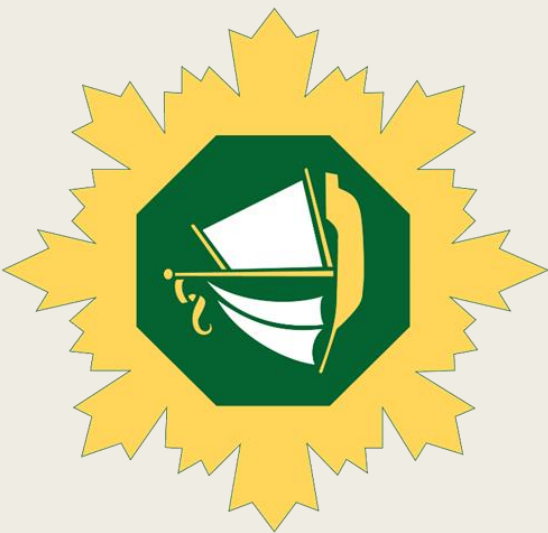
Via Videoconference

Roll Call

1. Approval of Minutes: (previously distributed)
 - September 29, 2021
 - October 18, 2022
2. Approval of Agenda: (Motion Required)
3. Presentations:
 - a) Annual Financial Report - Year Ended March 31, 2023: Jennifer Campbell, Chief Financial Officer (See page 4)
 - i. Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2023: (See page 33)
 - ii. Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2023: (See page 68)
 - b) Audit Findings Report to the Audit Committee for Year Ended March 31, 2023: Mr. Darren Chiasson, CPA, CA – MNP Partner, Business Advisor (See page 86)
 - c) Draft Management Letter: Mr. Darren Chiasson, CPA, CA – MNP Partner, Business (to be provided at the meeting)

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

Adjournment



Annual Financial Report

Year Ended March 31, 2023

CAPE BRETON
REGIONAL MUNICIPALITY

Cape Breton Regional Municipality

Year ended March 31, 2023


CAPITAL HIGHLIGHTS

- \$47.9m in Capital Project work
 - \$43.9m – Municipal
 - Wastewater treatment plants
 - Underground infrastructure
 - Roads and sidewalks
 - Parks, Trails, Arenas
 - Fire apparatus
 - Transit & Fleet
 - \$4.0m - Water

OPERATING HIGHLIGHTS

- FIONA!! (estimated \$7.2M in damages to Mar 31/23)
- INFLATION!!!
- Deed Transfer Tax
- Tax sale recoveries
- Ratification of CUPE 933 Collective Agreement
- First ever CBRM operating deficit

POLICY/PLANNING HIGHLIGHTS

- CBRM Forward
 - Transit study ongoing
-  Asset Retirement Obligation Standard Implementation

OPERATING RESULTS

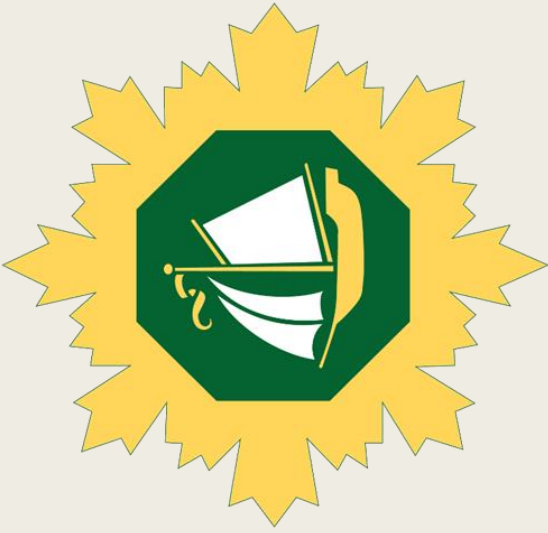
- CBRM Operating Fund Deficit (\$715k)
- Water Utility Operating Fund Surplus \$533k

Cape Breton Regional Municipality

Asset Retirement Obligations

Year ended March 31, 2023

ARO Assets		ARO Liabilities	
■ Buildings (27)	\$ 687,107	■ Buildings (34)	\$ 1,337,619
■ Wharves (1)	\$ 127,963	■ Wharves (2)	\$ 4,390,085
■ Refrigerants (3)	\$ 12,620	■ Refrigerants (3)	\$ 13,792
■ Fuel Tanks (9)	\$ 81,569	■ Fuel Tanks (9)	\$ 169,664
■ Landfill Post-Closure Monitoring	\$ 4,806,239	■ 7 Landfill Closure Obligations	\$30,618,459
CBRM Total	\$ 5,715,497	■ Landfill Post-Closure Monitoring	\$ 4,756,500
Water Tanks (6)	\$ 114,525	CBRM Total	\$41,286,119
		Water Tanks (6)	\$ 144,749



CAPE BRETON
REGIONAL MUNICIPALITY

Agenda page
references noted for
Audited F/S
• Schedules

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CBRM

Operating, Capital and Reserve Funds

Year Ended March 31, 2023

Cape Breton Regional Municipality Schedule of Operating Fund (Council)

Column1	Actuals 2022-23	Budget 2022-23	Column4 Variance
Revenue			
Total Taxes	\$ 119,087,257	\$ 117,421,345	\$ 1,665,912
Total Federal Government	3,039,478	3,083,539	(44,061)
Total Federal Government Agencies	730,415	726,854	3,561
Total Provincial Government	2,060,694	2,007,810	52,884
Total Provincial Government Agencies	3,565,465	3,386,739	178,726
Total Services to Other Local Government	1,266,723	979,909	286,814
Total Transit	2,109,901	2,100,000	9,901
Total Environmental Development Services	336,822	250,500	86,322
Total Licenses & Permits	137,494	151,000	(13,506)
Total Fines & Fees	725,755	862,422	(136,667)
Total Rentals	582,077	586,177	(4,100)
Total Concessions & Franchises	944,789	702,000	242,789
Total Interest	2,358,575	1,515,000	843,575
Total Finance Revenue	42,760	30,000	12,760
Total Solid Waste Revenue	2,849,716	2,825,000	24,716
Total Recreation & Cultural Service Programs	1,041,179	1,118,500	(77,321)
Total Water Utility Charges	4,951,510	4,951,510	(0)
Total Unconditional Transfers	15,851,979	15,835,838	16,141
Total Conditional Transfers	3,536,576	3,689,842	(153,266)
Total Extraordinary Revenue (Disaster Recovery)	6,213,342	-	6,213,342
Total Revenue	\$ 171,432,506	\$ 162,223,985	\$ 9,208,521
Expenditures			
Legislative	\$ 1,549,222	\$ 1,611,016	\$ 61,794
Administration	482,881	481,819	(1,062)
Finance	3,158,645	3,413,905	255,260
Legal	2,246,639	2,353,597	106,958
Human Resources	1,298,647	1,393,597	94,950
Technology & Communications	3,790,288	3,984,042	193,754
Municipal Clerk	517,716	571,000	53,284
Fiscal Services	31,681,253	32,363,405	682,152
Police Services	27,039,973	27,870,130	830,157
Fire Services (Incl EMO)	19,332,562	18,642,740	(689,822)
Engineering & Public Works	64,057,801	52,927,051	(11,130,750)
Planning	3,066,468	3,560,909	494,441
Facilities: Centre 200 & Arenas	4,193,882	3,496,797	(697,085)
Parks & Grounds	3,459,569	3,210,874	(248,695)
Buildings	3,648,953	3,489,843	(159,110)
Recreation	2,623,317	2,853,260	229,943
Total Expenditures	\$ 172,147,817	\$ 162,223,985	\$ (9,923,832)
Surplus / (Deficit) (FRAM)	\$ (715,310)		

Revenues

**Exceeded Budget
\$9,208,521***

\$2,995,180
excluding Fiona recovery

• Deed Transfer Tax
\$1.3m!

Includes bank interest \$725K

Tax Revenue	2022/23 Actuals	2022/23 Budget	Variance
Taxes on Assessment			
Residential Tax	79,893,619	79,368,998	524,621
Commercial Tax	30,252,791	30,364,802	(112,011)
Resource Tax	1,497,338	1,499,795	(2,457)
Commercial Area Rates (Fire/Sewer-Bylaw)	1,506,680	1,506,680	-
Total Taxes on Assessment	113,150,428	112,740,275	410,153
Bell	437,392	461,000	(23,608)
Wind Turbine	220,070	220,070	-
Deed Transfer Tax	5,279,367	4,000,000	1,279,367
Total Tax Revenue	119,087,257	117,421,345	1,665,912

Revenue	Column1		Column4	
	Actuals 2022-23	Budget 2022-23	Variance	Variance
Total Taxes	\$ 119,087,257	\$ 117,421,345	\$ 1,665,912	
Total Federal Government	3,039,478	3,083,539	(44,061)	
Total Federal Government Agencies	730,415	726,854	3,561	
Total Provincial Government	2,060,694	2,007,810	52,884	
Total Provincial Government Agencies	3,565,465	3,386,739	178,726	
Total Services to Other Local Government	1,266,723	979,909	286,814	
Total Transit	2,109,901	2,100,000	9,901	
Total Environmental Development Services	336,822	250,500	86,322	
Total Licenses & Permits	137,494	151,000	(13,506)	
Total Fines & Fees	725,755	862,422	(136,667)	
Total Rentals	582,077	586,177	(4,100)	
Total Concessions & Franchises	944,789	702,000	242,789	
Total Interest	2,358,575	1,515,000	843,575	
Total Finance Revenue	42,760	30,000	12,760	
Total Solid Waste Revenue	2,849,716	2,825,000	24,716	
Total Recreation & Cultural Service Programs	1,041,179	1,118,500	(77,321)	
Total Water Utility Charges	4,951,510	4,951,510	(0)	
Total Unconditional Transfers	15,851,979	15,835,838	16,141	
Total Conditional Transfers	3,536,576	3,689,842	(153,266)	
Total Extraordinary Revenue (Pandemic Recovery)	6,213,342	-	6,213,342	
Total Revenue	\$ 171,432,506	\$ 162,223,985	\$ 9,208,521	

Expenditures

Over budget
\$9,923,832

Fiona - related
Costs - \$7.2m
(and growing)

Fuel variance
\$1.5m

Vehicle repairs
\$900k

Expenditures	Actuals		Budget		Variance
	2022-23	\$	2022-23	\$	
Legislative	1,549,222	\$	1,611,016	\$	61,794
Administration	482,881		481,819		(1,062)
Finance	3,158,645		3,413,905		255,260
Legal	2,246,639		2,353,597		106,958
Human Resources	1,298,647		1,393,597		94,950
Technology & Communications	3,790,288		3,984,042		193,754
Municipal Clerk	517,716		571,000		53,284
Fiscal Services	31,681,253		32,363,405		682,152
Police Services	27,039,973		27,870,130		830,157
Fire Services (Incl EMO)	19,332,562		18,642,740		(689,822)
Engineering & Public Works	64,057,801		52,927,051		(11,130,750)
Planning	3,066,468		3,560,909		494,441
Facilities: Centre 200 & Arenas	4,193,882		3,496,797		(697,085)
Parks & Grounds	3,459,569		3,210,874		(248,695)
Buildings	3,648,953		3,489,843		(159,110)
Recreation	2,623,317		2,853,260		229,943
Total Expenditures	\$ 172,147,817		\$ 162,223,985		\$ (9,923,832)

Department	Actuals	Budget	Variance	Fiona	Inflation/other
Engineering and Admin	5,106,483	5,206,584	100,101	(197)	100,298
Divisional Operations	23,982,371	19,198,683	(4,783,688)	(4,653,019)	(130,669)
Solid Waste	17,971,465	14,431,318	(3,540,147)	(2,290,614)	(1,249,533)
Fleet	5,644,807	4,172,889	(1,471,918)	(131)	(1,471,787)
Transit	7,877,487	6,855,813	(1,021,674)	(23,262)	(998,412)
Waste Water	3,475,188	3,061,764	(413,424)	(40,350)	(373,074)
Department Totals	64,057,801	52,927,051	(11,130,750)	(7,007,573)	(4,123,177)

Majority of departments reported lower than budgeted expenses. Engineering & Public Works, particularly transit & fleet saw significant unbudgeted increases in costs of materials and fuel due to inflation.

Comparison by Expenditure Actual to Budget

Column1	Actuals	Budget	Column3
Expenditures	2022/23	2022/23	Variance
Wages and Benefits, Net of Cost Recovery/Employment Grants	\$ 72,505,247	\$ 72,974,130	(468,883)
Contracts/ Agreements/ Professional Service	20,791,257	19,545,178	1,246,079
Provincial Service Costs (includes PVSC)	20,492,720	20,411,560	81,160
Debt Servicing	10,087,243	10,276,394	(189,151)
Water Utility Hydrant Fee	7,076,391	7,076,384	7
Vehicle Maintenance/ Repair/ Fuel	8,238,840	5,817,000	2,421,840
Operational Equipment/ Materials/ Supplies/ Tools/ Uniforms/ Clothing	6,554,505	5,854,439	700,066
Grants to Organizations	4,396,994	4,421,962	(24,968)
Heat/ Electrical/ Water	3,269,068	2,949,100	319,968
Street Lights	2,355,685	2,355,500	185
Building Maintenance/ Repair/ Rental	1,772,085	1,624,482	147,603
Insurance	1,726,504	1,765,000	(38,496)
Office/ Computer Supplies/ Equipment	1,593,602	1,745,483	(151,881)
Allowance for Uncollectible Taxes/ Receivables/DUP	221,440	920,000	(698,560)
Telephone/ Communication Equipment	789,540	868,354	(78,814)
Cost Recovery	(963,727)	(708,460)	(255,267)
Security	463,647	487,200	(23,553)
Training/ Education/ Travel/ Conferences/ Meetings	862,565	1,042,668	(180,103)
Licenses/ Permits/ Easements	490,447	548,387	(57,940)
Community Events	319,586	335,000	(15,414)
Cost of Sales	511,130	300,000	211,130
Advertising/ Promotion	238,831	325,700	(86,869)
Postage/ Courier	227,746	236,150	(8,404)
Professional Membership Dues/ Fees/ Subscriptions	179,837	192,374	(12,537)
Low Income Rebate	729,709	860,000	(130,291)
FIONA	7,216,928	0	7,216,928
Total Expenditures	\$ 172,147,817	\$ 162,223,985	\$ 9,923,832
Expenditures (Excluding Fiona)	\$ 164,930,889	\$ 162,223,985	\$ 2,706,904

Comparison by Expenditure 2022/23 vs 2021/22

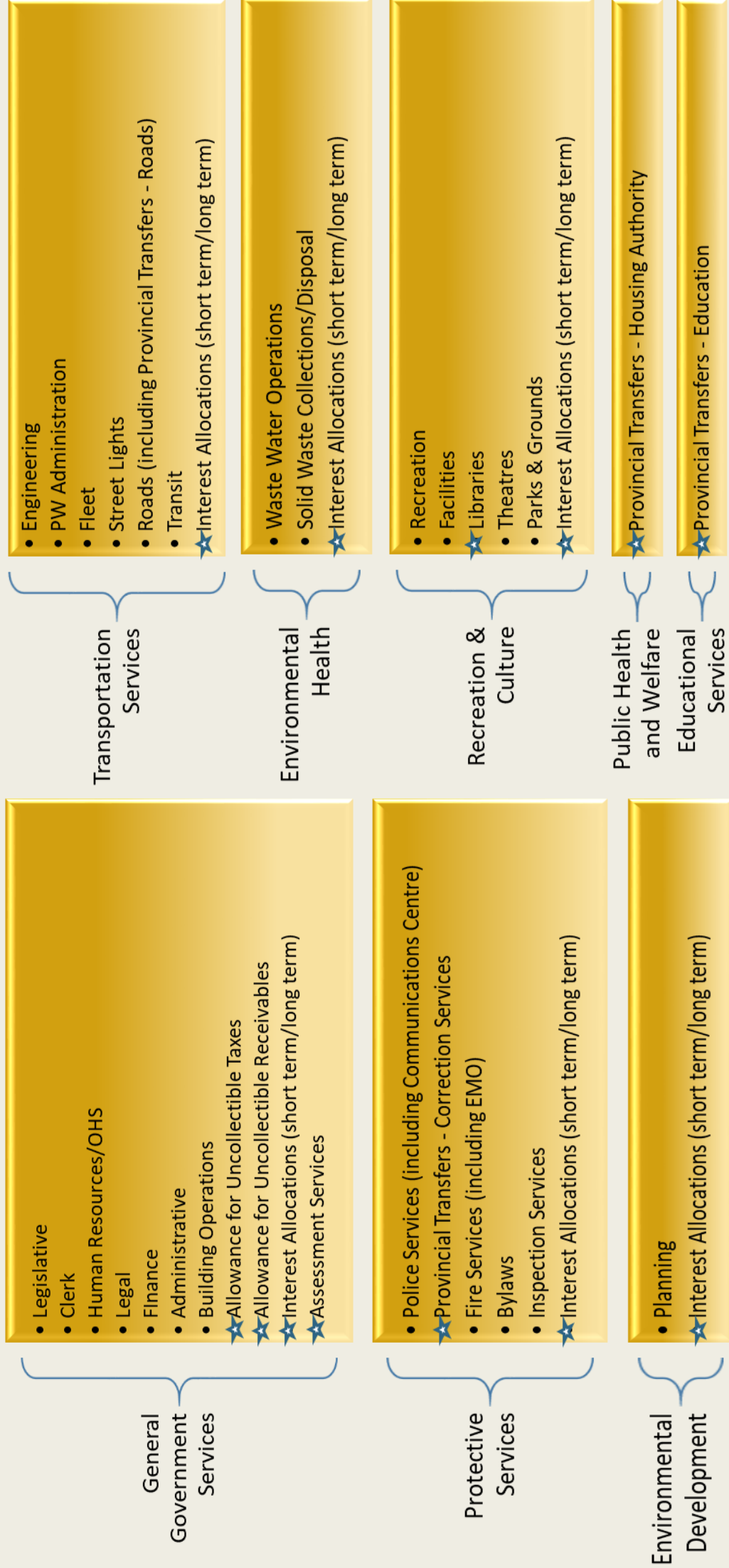
Column1	CY Actual 2022/23	PY Actual 2021/22	Variance
Expenditures			
Wages and Benefits, Net of Cost Recovery/Employment Grants	\$ 72,505,247	\$ 68,671,017	\$ 3,834,231
Contracts/ Agreements/ Professional Service	20,791,257	20,279,917	511,340
Provincial Service Costs (includes PVSC)	20,492,720	19,875,640	617,079
Debt Servicing	10,087,243	10,142,254	(55,011)
Water Utility Hydrant Fee	7,076,391	7,076,391	-
Vehicle Maintenance/ Repair/ Fuel	8,238,840	6,471,929	1,766,911
Operational Equipment/ Materials/ Supplies/ Tools/ Uniforms/ Clothing	6,554,505	6,016,190	538,315
Grants to Organizations	4,396,994	4,327,904	69,090
Heat/ Electrical/ Water	3,269,068	2,962,761	306,307
Street Lights	2,355,685	2,339,710	15,975
Building Maintenance/ Repair/ Rental	1,772,085	1,622,716	149,368
Insurance	1,726,504	1,561,853	164,651
Office/ Computer Supplies/ Equipment	1,593,602	1,406,049	187,553
Allowance for Uncollectible Taxes/ Receivables/DUP	221,440	914,071	(692,631)
Telephone/ Communication Equipment	789,540	861,163	(71,623)
Cost Recovery	(963,727)	(819,445)	(144,282)
Security	463,647	580,499	(116,852)
Training/ Education/ Travel/ Conferences/ Meetings	862,565	540,601	321,963
Licenses/ Permits/ Easements	490,447	519,041	(28,593)
Community Events	319,586	285,158	34,429
Cost of Sales	511,130	265,276	245,854
Advertising/ Promotion	238,831	216,011	22,820
Postage/ Courier	227,746	211,496	16,249
Professional Membership Dues/ Fees/ Subscriptions	179,837	162,716	17,121
Low Income Rebate	729,709	108,773	620,935
FIONA	7,216,928	-	7,216,928
Total Expenditures	\$ 172,147,817	\$ 156,599,690	\$ 15,548,127
Expenditures (Excluding Fiona)	\$ 164,930,889	\$ 156,599,690	\$ 8,331,199

CBRM Operating (Council)

FRAM

PSAB Presentation

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



CBRM Operating
(Council)



FRAM

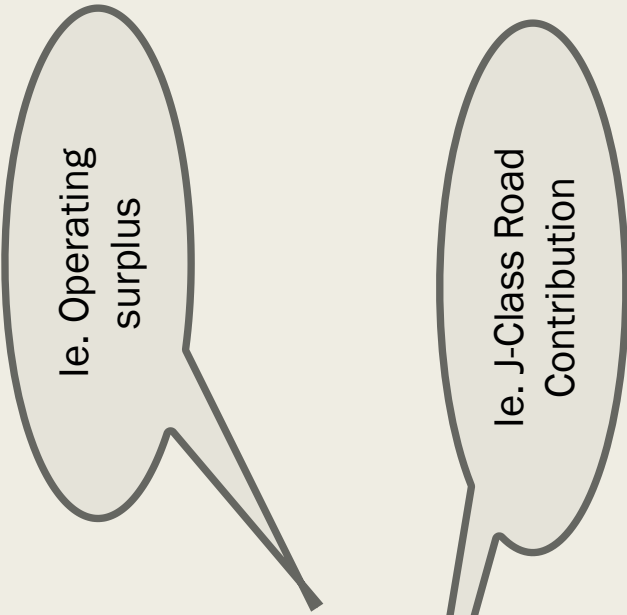


PSAB
Presentation

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

- ★ Debiture Principal Repayments
- ★ Amortization of Bond Discount
- ★ Transfers to/from Special Reserve Fund
- ★ Transfers to Capital Fund

Financing & Transfers



	2023	2022
Annual Surplus, Council Format	(715,389)	16,241,374
Surplus transfer to operating reserve	★ 715,389	(16,241,374)
Annual Surplus, FRAM	-	-

March 6, 2024
Special Council
Meeting

Motion

Moved by Councillor Eldon MacDonald, seconded by Councillor Gillespie, to approve Funding the 2022-23 Operating Deficit of \$715,389 from Operating Reserve.
Motion Carried

**CBRM Operating
(Council)**



FRAM



**PSAB
Presentation**

Legislative Requirements vs GAAP

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

CBRM (FRAM)

Accrued debenture interest

Vacation and sick benefit accrual

NEW ARO Standard (Asset Retirement Obligation)

- PSAB: Meets definition of liability and must be accrued.
- FRAM: Not required under legislation

WATER UTILITY (UARB)

Capital Contributions

- PSAB: Reported as revenue when received
- UARB: Deferred and amortized on the basis of the funded asset

Depreciation

- PSAB: Expense
- UARB: Depreciation Reserve

Step 3: Adjust accruals recognized under PSAB.

	2023	2022
PSAB ADJUSTMENTS		
Decrease (increase) in Landfill closure liability	56,294,281	(1,727,819)
Decrease (increase) in accrued interest	-	753,338
Decrease (increase) in accrued sick benefits	(1,694,156)	55,470
Decrease (increase) in accrued vacation entitlements	2,540,168	(154,148)
CHANGE IN FUND BALANCE (PSAB)	57,140,293	(1,073,159)

	2023	2022
PSAB FUND BALANCE COMPRISED OF:		
Landfill closure liability	*	(56,294,281)
Unfunded Deficit		-
Sick benefit accrual	(2,077,910)	(383,787)
Vacation accrual	(2,572,608)	(5,112,743)
	(4,650,518)	(61,790,811)

* The previously reported Landfill closure liability now falls under the Asset Retirement Obligation Standard and is now reported in the Capital Fund.

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Cape Breton Regional Municipality
Schedule of Operating Fund and Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES		
Taxes	\$ 119,087,257	\$ 118,064,148
Grants in lieu of taxes	9,396,051	9,436,816
Services provided to other governments	1,145,521	801,142
Sales of services	4,172,309	1,796,453
Revenue from own sources	11,826,538	11,211,569
Unconditional transfers from other governments	15,851,979	31,175,896
Conditional transfers from other governments	4,609,846	4,260,247
Extraordinary revenue	6,213,522	
	172,303,023	176,746,271
EXPENSES		
General government services	15,995,096	15,224,793
Protective services	54,701,383	53,053,536
Transportation services	43,239,884	35,242,511
Environmental health services	(34,841,492)	18,893,401
Public health and welfare services	2,721,969	2,320,861
Environmental development services	1,226,578	1,351,472
Recreation and cultural services	11,609,926	9,752,691
Educational services	15,534,623	15,282,089
	110,187,967	151,121,354
Excess of revenues over expenses before the following	62,115,056	25,624,917
FINANCING AND TRANSFERS		
Debture and term loan principal instalments	(8,506,443)	(7,965,269)
Transfer to special reserve funds	3,589,200	(16,821,368)
Transfer to general capital fund	-	(1,852,912)
Amortization of bond discount	(57,520)	(58,527)
	(4,974,763)	(26,698,076)
CHANGE IN FUND BALANCE	57,140,293	(1,073,159)
FUND BALANCE, BEGINNING OF YEAR	(61,790,811)	(60,717,652)
FUND BALANCE, END OF YEAR	\$ (4,650,518)	\$ (61,790,811)

Cape Breton Regional Municipality

Capital Fund

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

- The fund balance increases for the following:
 - Grants received for capital projects, such as ICIP, and other outside funding contributions.
 - Monies transferred from our own funds, such as capital out of operating, gas tax reserves, capital reserves.
 - Repayment of debentures.
 - As ARO obligations are no longer municipal responsibility (ie. Sale of property to a 3rd party).
- The fund decreases for depreciation, as well as the addition of any newly recognized asset retirement obligations under the new accounting standard.
- This year's results were impacted by the transition to the new ARO standard, particularly the recognition of the liability for landfill closures that was previously recognized in the operating fund.

Cape Breton Regional Municipality Capital Fund

* The previously reported Landfill closure liability now falls under the Asset Retirement Obligation Standard and is now reported in the Capital Fund.

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Cape Breton Regional Municipality Schedule of Capital Fund and Change in Fund Balance *For the year ended March 31, 2023 (Unaudited)*

	2023	2022
REVENUES		
Capital grants	\$ 18,220,293	\$ 14,463,770
Gain on disposal of assets	-	4,250,000
	18,220,293	18,713,770
EXPENSES		
General government services	945,054	278,932
Protective services	1,573,670	1,385,808
Transportation services	13,718,084	8,948,090
Environmental health services	33,747,977	3,084,859
Recreation and cultural services	1,668,250	1,805,834
Planning and development services	762,237	736,471
	52,415,272	16,239,994
Excess of revenues over expenses before the following	(34,194,979)	2,473,776
FINANCING AND TRANSFERS		
Transfer from reserve funds	16,963,712	10,253,779
Transfer from general operating fund	-	1,852,912
Transfer from water operating fund	650,000	650,000
Debt and term loan principal instalments	8,506,443	7,965,269
	26,120,155	20,721,960
CHANGE IN FUND BALANCE	(8,074,824)	23,195,736
FUND BALANCE, BEGINNING OF YEAR	291,696,589	268,500,853
FUND BALANCE, END OF YEAR	\$ 283,621,765	\$ 291,696,589

Contributions from Provincial and Federal Governments

\$14.2M - ICIP (Wastewater)

\$2.3M Charlotte St. Redevelopment

\$454K - Hawks Dream Field

\$425K - PTAP/ATAP (Transit)

\$300K - VFD equipment

\$541K - C200, Other facilities

Depreciation of assets & initial recognition of ARO Liabilities

Transfer from gas tax reserves, capital out of operating, other capital reserves.

Debt Repayments during fiscal year

Cape Breton Regional Municipality

Capital, Funding & Debt

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CBRM Capital Program 2022/23	Budget	Cost	Funding	Borrowing	Budgeted Borrowing	Variance
Land and buildings	\$ 4,363,900	\$ 1,519,474	\$ 224,715	\$ 1,294,759	\$ 3,373,900	\$ (2,079,141)
Centre 200 Revitalization	5,476,295			-	1,460,345	(1,460,345)
Fire Equipment/Apparatus	791,000	2,167,758	299,538	1,868,219	791,000	1,077,219
Streets and Sidewalks	13,645,350	11,570,426	10,619,100	951,326	2,587,480	(1,636,154)
Fleet Replacement	1,500,000	1,655,681	777,111	878,570	850,000	28,570
Waste Water/Storm Water	35,997,740	22,128,969	14,191,220	7,937,749	7,685,587	252,162
Parks, Grounds and Arenas	920,000	2,073,693	1,318,607	755,086	425,000	330,086
Active Transportation	-			-	-	-
Transit	1,725,000	2,791,107	513,700	2,277,407	906,300	1,371,107
Service Delivery Modernization	1,000,414				271,414	(271,414)
Library	7,500,000				2,000,000	(2,000,000)
Less Municipal Capacity Top up			\$ 7,890,013	\$ (7,890,013)	(11,851,026)	3,961,013
Total	\$72,919,699	\$ 43,907,109	\$ 35,834,005	\$ 8,073,103	\$ 8,500,000	\$ 426,897

Debt Repaid	-\$	8,506,443
New Debt	\$	8,073,103
Net Increase in Total Debt	\$	(433,340)

Cape Breton Regional Municipality

Schedule of Long-term Debt

For the year ended March 31, 2023

General Fund	Term (years)	Interest rate - %	Matures	Balance March 31/22	Issued	Redeemed	Balance March 31/23
M.F.C.							
32-B-1	10	0.000-3.160	2023	379,700	-	379,700	-
33-B-1	10	0.000-3.614	2023	936,534	-	468,269	468,265
34-B-1	10	1.200-3.190	2024	3,990,000	-	1,330,000	2,660,000
35-A-1	10-20	1.040-3.449	2030	2,840,000	-	560,000	2,280,000
36-A-1	10	1.150-2.506	2026	3,122,000	-	624,400	2,497,600
37-A-1	10	1.734-3.073	2027	4,964,400	-	827,400	4,137,000
38-A-1	10	2.490-3.389	2028	8,382,499	-	1,197,500	7,184,999
FCM-1	10	2.250	2028	700,000	-	100,000	600,000
39-A-1	10	2.015 - 2.561	2029	8,200,000	-	1,025,000	7,175,000
40-A-1	10	0.400 - 2.376	2031	8,808,140	-	880,814	7,927,326
41-A-1	10	0.500 - 2.259	2031	11,133,600	-	1,113,360	10,020,240
42-B-1	10	3.847-4.177	2032		7,593,205		7,593,205
				53,456,873	7,593,205	8,506,443	52,543,635

Long Term Debt - Capital Projects	2022/23	2021/22
Current Long Term Debt, Financial Statements	52,543,635	\$ 53,456,873
Short term borrowing (20/21 capital projects)		7,593,205
Short term borrowing (21/22 capital projects)	8,887,057	8,887,057
Short term borrowing (22/23 capital projects)	8,073,103	
Balance of Total Debt	\$ 69,503,795	\$ 69,937,135
Change in Total Debt	\$ (433,340)	\$ 20,863,528

Cape Breton Regional Municipality Reserve Fund

CBRM's Reserve fund represents:

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

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Cape Breton Regional Municipality Schedule of Reserve Funds and Change in Fund Balance For the year ended March 31, 2023 (Unaudited)

	2023	2022
REVENUES		
Investment income	\$ 789,888	\$ 112,329
Sale of properties	329,815	844,938
Grants	10,720,853	31,822,124
	<u>11,840,556</u>	<u>32,779,391</u>
FINANCING AND TRANSFERS		
Transfer from operating fund	(3,589,200)	16,821,368
Transfer to capital funds	(16,963,712)	(10,253,779)
	<u>(20,552,912)</u>	<u>(6,567,589)</u>
CHANGE IN FUND BALANCE	<u>(8,712,356)</u>	<u>39,346,980</u>
FUND BALANCE, BEGINNING OF YEAR	61,167,639	21,820,659
FUND BALANCE, END OF YEAR	<u>\$ 52,455,283</u>	<u>\$ 61,167,639</u>

- Interest earned during reporting period.
- Sale of equipment and other property required to be placed in reserve (MGA)
- Grants include advances on infrastructure funding, and federal gas tax allotment.

Transfers from operating fund include:

- Planned transfers \$3.84M
- Current year deficit funding - \$715K
- Unspent program funding (sustainability, studies, etc)
- Election reserve transfer
- Tax sale surplus and annual C200 CIF allocation

- Transfer to capital fund is gas tax spending and planned reserve spending for capital projects during fiscal year

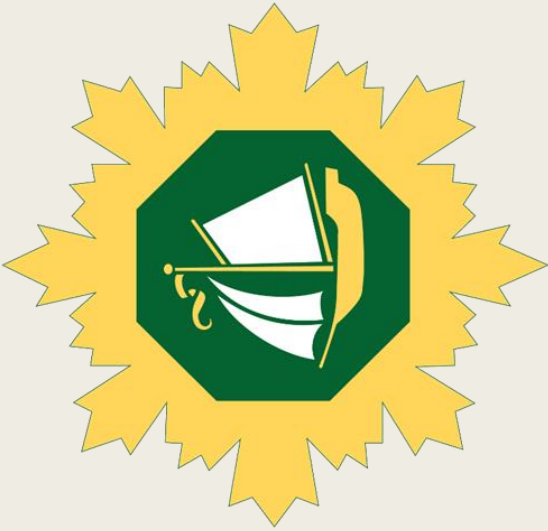


CBRM Water Utility

Operating, Capital and

Reserve Funds

Year Ended March 31, 2023



CAPE BRETON
REGIONAL MUNICIPALITY

Cape Breton Regional Municipality Water Utility - Operating Fund

Water Utility Consolidated (UARB)

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

For the year ended March 31, 2023

	2023		2022	
	Budget (Unaudited)	Actual	Actual	Actual
OPERATING REVENUES				
Metered sales	\$ 19,218,619	\$ 19,322,036	\$ 19,345,910	
Public fire protection	7,076,391	7,076,391	7,076,391	
Consumer's interest	350,000	769,932	661,977	
Service connections	66,000	230,693	111,796	
	26,711,010	27,399,052	27,196,074	
OPERATING EXPENSES				
Source of supply	537,541	502,819	500,111	
Power and pumping	1,982,563	1,820,919	1,827,573	
Water treatment	4,899,272	4,967,373	4,506,364	
Transmission and distribution	4,912,368	5,156,939	5,382,871	
Administration and general	3,362,110	3,206,353	2,856,054	
Depreciation	3,850,000	3,706,904	3,729,115	
Taxes	2,040,806	1,896,230	1,987,221	
	21,584,660	21,257,537	20,789,310	
Excess of operating revenues over expenses before the following	5,126,350	6,141,515	6,406,764	
NON-OPERATING REVENUES				
Amortization of deferred capital contributions	298,504	298,504	298,502	
NON-OPERATING EXPENSES				
Debt charges				
Provision for principal repayment	3,564,500	3,564,500	3,564,500	
Interest	1,065,842	1,041,977	1,065,842	
Amortization of debt discounts	37,112	24,540	32,545	
Bank fees/charges	204,081	25,605	24,151	
Capital expenditures out of operations	1,250,000	1,250,000	1,373,152	
	6,121,535	5,986,622	6,060,190	
CHANGE IN FUND BALANCE	\$ (696,681)	\$ 533,397	\$ 645,076	

Change in fund balance (UARB) \$533,397
 - Amort. Of Deferred Contributions (298,504)
 = Change in Fund Balance (PSAB) \$234,893

CBRM Consolidated (PSAB)

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

For the year ended March 31, 2023
(Unaudited)

	2023	2022
OPERATING REVENUES		
Metered sales	\$ 19,322,036	\$ 19,345,910
Public fire protection	7,076,391	7,076,391
Consumer's interest	769,932	661,977
	27,168,359	27,084,278
OPERATING EXPENSES		
Source of supply	502,819	500,111
Power and pumping	1,820,919	1,827,573
Water treatment	4,967,373	4,506,364
Transmission and distribution	4,506,939	4,732,871
Administration and general	3,206,353	2,856,054
Taxes	1,896,230	1,987,221
	16,900,633	16,410,194
Excess of revenues over expenses before the following	10,267,726	10,674,084
NON-OPERATING REVENUES		
Miscellaneous	230,693	111,796
NON-OPERATING EXPENSES		
Interest on debentures	1,041,977	1,065,842
Amortization of debt discounts	24,539	32,545
Other	25,605	24,151
Transfer to water capital fund	8,521,404	8,666,766
Transfer to general-capital fund	650,000	650,000
	10,263,525	10,439,304
CHANGE IN FUND BALANCE	234,894	346,576
FUND BALANCE, BEGINNING OF YEAR	6,914,927	6,568,351
FUND BALANCE, END OF YEAR	\$ 7,149,821	\$ 6,914,927

Difference between 2 reporting models is in how amortization of deferred contribution of \$298,504 is reported.

Cape Breton Regional Municipality

Water Utility Change in Fund Balance - Operating Fund

Water Utility Consolidated (UARB)

CBRM Consolidated (PSAB)

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Cape Breton Regional Municipality Water Utility Statement of Operating Fund Surplus (Deficit)

For the year ended March 31, 2023

	2023	2022
SURPLUS (DEFICIT), BEGINNING OF YEAR	\$ 2,631,979	\$ 1,986,903
Change in fund balance	533,397	645,076
SURPLUS (DEFICIT), END OF YEAR	\$ 3,165,376	\$ 2,631,979

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

Cape Breton Regional Municipality Schedule of Water Utility Operating Fund and Change in Fund Balance

*For the year ended March 31, 2023
(Unaudited)*

	2023	2022
OPERATING REVENUES		
Metered sales	\$ 19,322,036	\$ 19,345,910
Public fire protection	7,076,391	7,076,391
Consumer's interest	769,932	661,977
	<u>27,168,359</u>	<u>27,084,278</u>
OPERATING EXPENSES		
Source of supply	502,819	500,111
Power and pumping	1,820,919	1,827,573
Water treatment	4,967,373	4,506,364
Transmission and distribution	4,506,939	4,732,871
Administration and general	3,206,353	2,856,054
Taxes	1,896,230	1,987,221
	<u>16,900,633</u>	<u>16,410,194</u>
Excess of revenues over expenses before the following	<u>10,267,726</u>	<u>10,674,084</u>
NON-OPERATING REVENUES		
Miscellaneous	230,693	111,796
NON-OPERATING EXPENSES		
Interest on debentures	1,041,977	1,065,842
Amortization of debt discounts	24,539	32,545
Other	25,605	24,151
Transfer to water capital fund	8,521,404	8,666,766
Transfer to general capital fund	650,000	650,000
	<u>10,263,525</u>	<u>10,439,304</u>
CHANGE IN FUND BALANCE	<u>234,894</u>	<u>346,576</u>
FUND BALANCE, BEGINNING OF YEAR	<u>6,914,927</u>	<u>6,568,351</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,149,821</u>	<u>\$ 6,914,927</u>

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

Water Utility Consolidated (UARB)

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Statement of Investment in Capital Assets
For the year ended March 31, 2023

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 91,661,927	\$ 86,724,275
Term debt retired	3,564,500	3,564,500
Capital out of operations	1,250,000	1,373,152
Total	\$4,814,500	
BALANCE, END OF YEAR	\$ 96,476,427	\$ 91,661,927

- Capital Projects funded through depreciation reserve
- NO New Debt, however 27-A-1 refinanced for final 5 year term.
- Debt Balance **\$18,372,500**

CBRM Consolidated (PSAB)

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Cape Breton Regional Municipality
Municipality of Water Utility Capital Fund and Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES	\$	\$
Capital grants	-	-
EXPENSES	3,736,304	3,729,115
Amortization		
Deficiency of revenues over expenses before the following	3,736,304	(3,729,115)
FINANCING AND TRANSFERS	8,521,404	8,666,766
Transfer from water operating fund		
CHANGE IN FUND BALANCE	4,785,100	4,937,651
FUND BALANCE, BEGINNING OF YEAR	101,557,631	96,619,980
FUND BALANCE, END OF YEAR	\$ 106,342,731	\$ 101,557,631

Change in fund balances equal under each standard in 2022. For 2023, the difference between the change in fund balances under each standard is due to the recognition and amortization of ARO assets and liabilities for water tanks.

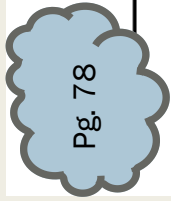
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Cape Breton Regional Municipality Water Utility
Schedule B - Capital Debt Charges
For the year ended March 31, 2023

Municipal Finance Corporation	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2022	Issued	Redeemed	Balance March 31, 2023
27-A-1	2007	2022	4.745 - 4.770	\$ 5,487,000	\$ -	\$ 5,487,000	\$ -
28-A-1	2008	2023	4.949 - 5.088	4,900,000	-	700,000	4,200,000
30-A-1	2010	2025	4.500 - 4.875	6,750,000	-	750,000	6,000,000
33-A-1	2013	2023	2.454 - 2.979	1,600,000	-	800,000	800,000
34-A-1	2014	2029	2.516 - 3.792	3,200,000	-	400,000	2,800,000
42-A-1	2022	2027	2.575 - 3.290	-	4,572,500	-	4,572,500
				\$ 21,937,000	\$ 4,572,500	\$ 8,137,000	\$ 18,372,500

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

Water Utility Consolidated (UARB)

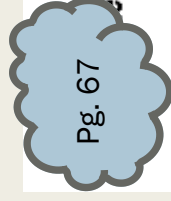


Cape Breton Regional Municipality Water Utility Statement of Special Reserve

For the year ended March 31, 2023

	2023		2022	
Non-shareable debt expenditure	\$ 55,368	\$ 936,695	\$ 339,626	\$ 716,245
Future capital expenditure		2,971	1,222	-
Watershed land acquisition				4,368
Sysco waterline maintenance				(242)
Total				(242)
BALANCE, BEGINNING OF YEAR				\$ 2,048,176
Interest on investments	175	2,971	1,222	-
BALANCE, END OF YEAR	\$ 55,543	\$ 939,666	\$ 340,848	\$ 716,245
				\$ 2,047,934

CBRM Consolidated (PSAB)



Cape Breton Regional Municipality Statement of Water Utility Reserve Funds and Change in Fund Balance

For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES		
Investment income	\$ 4,367	\$ (242)
CHANGE IN FUND BALANCE	4,367	(242)
FUND BALANCE, BEGINNING OF YEAR	2,047,934	2,048,176
FUND BALANCE, END OF YEAR	\$ 2,052,301	\$ 2,047,934

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

Cape Breton Regional Municipality
Schedule of Port of Sydney Development Corporation Operating Fund and
Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	Budget (Unaudited)	2023	2022
REVENUES			
Wharfage and berthage	\$ 650,043	\$ 696,742	\$ 427,711
Passenger tax	785,623	876,697	-
Events	96,750	89,606	51,763
Security	219,642	279,740	65,679
Storage and rental	241,944	255,864	144,380
Craft market	36,473	67,278	-
Sundry	4,600	35,945	13,557
Government funding	10,000	144,177	371,710
	2,045,075	2,446,049	1,074,800
EXPENSES			
Advertising and promotion	17,750	15,924	10,860
Bad debts	2,000	1,752	1,655
Cruise activities	22,000	55,222	321
Dues and fees	23,540	29,226	8,564
Events	52,600	13,562	2,149
Insurance	56,800	68,094	52,070
Interest and bank charges	3,870	5,212	3,990
Miscellaneous	24,770	16,292	5,830
Office and administration	8,087	12,034	8,167
Professional fees	41,828	11,381	129,013
Rent	52,320	52,320	52,320
Repairs and maintenance	245,021	225,119	105,527
Security	160,436	179,831	45,115
Travel	27,740	21,119	10,992
Utilities	169,320	223,085	173,452
Wages and benefits	786,834	815,895	613,059
	1,694,916	1,746,068	223,084
Excess of revenues over expenses before the following	350,159	699,981	148,284)
Amortization of capital assets	(400,000)	(331,946)	(363,172)
Gain on disposal of assets		6,500	
CHANGE IN FUND BALANCE	\$ (49,841)	374,535	(511,456)
FUND BALANCE, BEGINNING OF YEAR		4,018,078	4,529,534
FUND BALANCE, END OF YEAR		\$ 4,392,613	\$ 4,018,078

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The Port of Sydney is accountable to the CBRM for the administration of their financial affairs and resources, as they are owned and controlled by the Municipality. As such, the PSDC's financial results are consolidated with CBRM's own funds to form the CBRM Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS

CBRM

Operating Fund
Capital Fund
Reserve Fund



CBRW

Operating Fund
Capital Fund
Reserve Fund



PSDC

Operating Fund

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Cape Breton Regional Municipality Consolidated Statement of Financial Activities

For the year ended March 31, 2023

	Budget (Unaudited)	2023	2022
REVENUES			
Taxes	\$ 117,421,345	\$ 119,087,257	\$ 118,064,148
Grants in lieu of taxes	9,204,942	9,396,051	9,436,816
Services provided to other governments	801,140	1,145,521	801,142
Sales of services	3,950,500	4,172,309	1,796,453
Revenue from own sources	5,937,677	6,875,028	6,260,059
Unconditional transfers from other governments	15,835,838	15,851,979	31,175,896
Conditional transfers from other governments	4,352,027	4,754,023	4,631,957
Capital grants	28,941,146	28,941,146	46,285,894
Water Utility revenue	19,634,619	20,322,661	20,119,683
Investment income	794,255	794,255	112,102
Port of Sydney Development Corporation	2,045,075	2,301,872	703,090
Gain on sale of properties	336,330	336,330	5,094,938
Extraordinary revenue	6,213,522	6,213,522	-
	179,183,163	220,191,954	244,482,178
EXPENSES			
General government services	19,862,080	16,940,165	15,503,740
Protective services	49,822,515	49,198,662	47,362,953
Transportation services	39,678,273	56,957,968	44,190,601
Environmental health services	18,293,390	(1,093,515)	21,978,260
Public health and welfare services	2,575,632	2,721,969	2,320,861
Environmental development services	1,439,798	1,226,578	1,351,472
Recreation and cultural services	11,764,237	13,278,176	11,558,525
Planning and development services	762,237	736,471	736,471
Educational services	15,534,507	15,534,623	15,282,089
Port of Sydney Development Corporation	1,694,916	2,078,014	1,586,256
Water Utility expenses	14,053,073	16,753,009	16,277,792
	174,718,421	174,357,886	178,149,020
Excess of revenues over expenses before the following	4,464,742	45,834,068	66,333,158
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(135,112)	(82,059)	(91,072)
CHANGE IN FUND BALANCES	\$ 4,329,630	45,752,009	66,242,086
FUND BALANCES, BEGINNING OF YEAR		405,611,987	339,369,901
FUND BALANCES, END OF YEAR	\$ 451,363,996	\$ 451,363,996	\$ 405,611,987

Consolidated Results	CBRM		CBRW		PSDC	Total		
	Operating	Capital	Reserve	Operating	Capital		Reserve	Operating
Change in Fund Balance	57,140,293	(8,074,824)	(8,712,341)	234,894	4,785,100	4,367	374,535	45,752,009
Fund Balance, Beginning of Year	(61,790,811)	291,696,589	61,167,639	6,914,927	101,557,631	2,047,934	4,018,078	405,611,987
Fund Balance, End of Year	(4,650,518)	283,621,765	52,455,298	7,149,821	106,342,731	2,052,301	4,392,613	451,363,996

Cape Breton Regional Municipality

Other Schedules

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Cape Breton Regional Municipality Schedule of Remuneration and Reportable Expenses of Council

For the year ended March 31, 2023

Council	Annual Remuneration	Travel Expenses
D. Bruckschwaiger	\$ 52,626	\$ 3,898
J. Edwards (Deputy Mayor)	\$ 54,728	\$ 4,471
L. Green	\$ 52,626	\$ 4,900
S. Gillespie	\$ 52,626	\$ -
C. MacDonald	\$ 52,626	\$ 1,360
E. MacDonald	\$ 52,626	\$ 7,740
G. D. MacDonald	\$ 52,626	\$ 7,814
E. MacMullin (Deputy Mayor)	\$ 55,717	\$ 7,949
A. McDougall (Mayor)	\$ 153,848	\$ 23,911
D. O'Quinn	\$ 52,626	\$ 2,305
S. Parsons	\$ 52,626	\$ 2,940
G. Paruch	\$ 52,626	\$ 3,344
K. Tracey	\$ 52,626	\$ 4,429

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Cape Breton Regional Municipality Schedule of Remuneration and Reportable Expenses of Senior Staff

For the year ended March 31, 2023

Senior Staff	Annual Remuneration	Reportable Expenses
D. Campbell-Ryan	\$ 110,384	\$ 4,623
J. Campbell	\$ 125,961	\$ 3,806
K. Durning	\$ 94,652	\$ 941
D. Evely	\$ 125,961	\$ 1,867
D. Kachafanas	\$ 125,961	\$ 1,344
W. MacDonald	\$ 133,574	\$ 4,241
J. MacKinnon	\$ 178,814	\$ 9,144
M. Ruus	\$ 125,330	\$ 3,613
M. Seth	\$ 148,139	\$ 8,451
M. Walsh	\$ 220,461	\$ 10,071
R. Walsh	\$ 164,647	\$ 1,915

5.2.2(e) Audit Committee Policy:

Review the overall reasonableness of CAO, Mayor and Council travel and hospitality expenses.

Amounts also disclosed for senior staff.

Cape Breton Regional Municipality Financial Condition Index (Draft)

Indicator Name	2022-23	2021-22	2020-21	2019-20	2018-19
Reliance on Government Transfers	15.1%	22.7%	15.9%	12.1%	12.4%
Uncollected Taxes	14.4%	15.2%	13.8%	14.8%	14.5%
3 Year Change in Tax Base	7.3%	7.8%	9.0%	7.1%	8.8%
Reliance on Single Business or Institution	1.1%	1.1%	1.5%	1.6%	1.7%
Residential Tax Effort	2.7%	2.6%	3.0%	2.9%	2.8%
# of Deficits in the Last 5 Years	0 out of 5 years	0 out of 5 years	0 out of 5 years	0 out of 5 years	0 out of 5 years
Years with a Budget Accuracy within + or - 5% in the last five years	N/A	N/A	5 out of 5 years	5 out of 5 years	5 out of 5 years
Liquidity	1.7	2.2	2.8	1.3	1.2
Operating Reserve	9.0%	12.7%	9.6%	7.8%	6.1%
Debt Service Cost	19.8%	20.4%	10.4%	10.3%	10.4%
Outstanding Operating Debt	10.7%	19.5%	33.1%	8.2%	8.2%
Undepreciated Assets	60.2%	60.0%	60.3%	60.5%	59.9%
Combined Operating & Capital Reserves	31.89%	39.9%	14.8%	11.5%	8.7%

Cape Breton Regional Municipality Financial Condition Index (Draft)

Set by DMA



Indicator	Formula	Inputs	Value	Indicator Threshold
Reliance on Gov't Transfers	Total Government Transfers Total Revenue	21,593,231 143,403,223	15.1%	< 15% 15 - 20% > 20%
Indicative of the degree of reliance on government transfers to sustain services/programs.				
Uncollected Taxes	Taxes Receivable (net of allowance) Total Taxes Billed	16,332,757 113,150,427	14.4%	< 10% 10 - 15% > 15%
Indicative of the degree of difficulty the Municipality is experiencing in its tax revenue collection.				
3-Year Change in Tax Base	Current UA - UA 3 years prior UA 3 years ago	346,520,823 4,750,144,857	7.3%	growth is = > change in CPI growth is < change in CPI negative growth
Is the Municipality's tax base growing at a pace sufficient to sustain services/programs.				
Reliance on Single Business/Institution	Taxable assessment value of largest business/institution Uniform Assessment	53,861,400 5,096,665,680	1.1%	< 10% 10 - 15% > 15%
Is Municipality dependant on the taxes of a single business/institution?				
Residential Tax Effort	Residential Taxes / # dwelling units Median Household Income	1,669 62,400	2.7%	< 4% 4 - 6% > 6%
Helps Council assess the affordability of residential taxes in relation to current service levels.				
# of Deficits in the Last 5 Years	Surplus/ Deficit - 4 years ago Surplus/ Deficit - 3 years ago Surplus/ Deficit - 2 years ago Surplus/ Deficit - 1 year ago Surplus/ Deficit - Current Year	359,662 11,940 - 3,912,794 11,851,026	0 of 5	0 of 5 1 or more of 5 1 or more of 2
Indicative of the municipality's ability to meet its needs in a balanced manner and maintain a balanced budget as an indication of financial health.				
The Municipality is able to meet its needs in a balanced manner and maintain a balanced budget.				

Cape Breton Regional Municipality Financial Condition Index (Draft)

Set by DMA



Indicator	Formula	Inputs	Value	Indicator Threshold
Liquidity	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	$\frac{50,063,781}{30,155,778}$	1.7	> 1.5 1 - 1.5 < 1
Indicative of cash flow concern by assessing the municipality's ability to meet its current obligations.				The result indicates that the Municipality does not have a cash flow problem and can manage its service obligation.
Operating Reserve	$\frac{\text{General Operating Reserve}}{\text{Total Expenses (including debenture payments)}}$	$\frac{13,802,700}{153,868,710}$	9.0%	> 20% 10 - 20% < 10%
The value of funds set aside for planned or unexpected future needs.				The Municipality has not set aside sufficient funds to help mitigate unforeseen risks or future needs.
Debt Service Cost	$\frac{\text{Principal/Interest on LTD}}{\text{Total Own Source Revenue}}$	$\frac{24,065,489}{121,809,992}$	19.8%	< 10% 10 - 15% > 15%
Indicative of the flexibility to increase borrowing levels for future capital expenditures.				The Municipality has limited flexibility to increase borrowing.
Outstanding Operating Debt	$\frac{\text{Total Operating Debt}}{\text{Total Net Taxes \& PILT, GIL, Uncon. and Con. Transfers}}$	$\frac{14,084,299}{131,418,438}$	10.7%	< 25% 25 - 50% > 50%
Indicative of the severity of operating debt a Municipality is carrying at year end.				The Municipality is carrying operating debt.
Undepreciated Assets	$\frac{\text{Total NBV of Capital Assets}}{\text{Total Gross Cost of Capital Assets}}$	$\frac{388,719,271}{646,239,617}$	60.2%	> 50% 35 - 50% < 35%
Indicates the remaining useful life of the Municipality's recognized capital assets to assess degree of infrastructure challenges.				The Municipality is experiencing less of an infrastructure challenge than other municipalities.
Combined Reserve (Operating & Capital)	$\frac{\text{Total reserve fund balance}}{\text{Total operating expenses (incl Depreciation)}}$	$\frac{52,455,298}{164,499,838}$	31.9%	> 40% 30 - 40% < 30%
Assesses the Municipality's long term sustainability by measuring its ability to address both unexpected events or provide flexibility to address future infrastructure projects by comparing the value of funds held in reserves compared to 1 year's operating costs (including amortization).				The Municipality does not appear to have sufficient reserves needed to address unexpected events or the flexibility to address future projects.

Cape Breton Regional Municipality

Year Ended March 31, 2023

“Crippled and crazy, we hobble toward the finish line, pen in hand.”

Siri Hustvedt

“There is no finish line. When you reach one goal, find a new one.”

Chuck Norris

DRAFT

**Cape Breton Regional Municipality
Consolidated Financial Statements**

March 31, 2023

Cape Breton Regional Municipality
Consolidated Financial Statements

For the year ended March 31, 2023

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Cape Breton Regional Municipality (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 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 MNP LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Jennifer Campbell, Chief Financial Officer

**Cape Breton Regional Municipality
Consolidated Statement of Financial Position**

As at March 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	\$ 52,428,301	\$ 80,022,594
Taxes receivable (note 4)	16,332,757	17,072,389
Accounts receivable (note 5)	33,868,127	21,643,656
Due from trust fund	-	737,817
	102,629,185	119,476,456
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 6)	37,883,065	32,194,541
Due to trust funds	17,064	-
Deferred revenue	682,576	314,089
Accrued employee benefits	6,186,993	7,080,477
Solid waste management facilities liabilities	-	56,294,281
Asset retirement obligation (note 7)	41,430,768	-
Capital lease (note 8)	486,232	44,949
Long-term debt (note 9)	85,000,433	103,562,470
	171,687,131	199,490,807
NET DEBT	(69,057,946)	(80,014,351)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10)	466,939,369	456,001,228
Work in progress	49,265,230	25,880,644
Properties acquired at tax sale	1,585,197	1,585,197
Inventory, prepaid expenses and other	2,632,146	2,159,269
	520,421,942	485,626,338
FUND BALANCES (note 11)	\$ 451,363,996	\$ 405,611,987

Contingencies (note 14)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

Mayor

Clerk

Cape Breton Regional Municipality
Consolidated Statement of Financial Activities
For the year ended March 31, 2023

	Budget	2023	2022
REVENUES			
Taxes	\$ 117,421,345	\$ 119,087,257	\$ 118,064,148
Grants in lieu of taxes	9,204,942	9,396,051	9,436,816
Services provided to other governments	801,140	1,145,521	801,142
Sales of services	3,950,500	4,172,309	1,796,453
Revenue from own sources	5,937,677	6,875,028	6,260,059
Unconditional transfers from other governments	15,835,838	15,851,979	31,175,896
Conditional transfers from other governments	4,352,027	4,754,023	4,631,957
Capital grants	-	28,941,146	46,285,894
Water Utility revenue	19,634,619	20,322,661	20,119,683
Investment income	-	794,255	112,102
Port of Sydney Development Corporation	2,045,075	2,301,872	703,090
Gain on sale of properties	-	336,330	5,094,938
Disaster recovery	-	6,213,522	-
	<u>179,183,163</u>	<u>220,191,954</u>	<u>244,482,178</u>
EXPENSES			
General government services	19,862,080	16,940,165	15,503,740
Protective services	49,822,515	49,198,662	47,362,953
Transportation services	39,678,273	56,957,968	44,190,601
Environmental health services	18,293,390	(1,093,515)	21,978,260
Public health and welfare services	2,575,632	2,721,969	2,320,861
Environmental development services	7,439,798	1,226,578	1,351,472
Recreation and cultural services	11,764,237	13,278,176	11,558,525
Planning and development services	-	762,237	736,471
Educational services	15,534,507	15,534,623	15,282,089
Port of Sydney Development Corporation	1,694,916	2,078,014	1,586,256
Water Utility expenses	14,053,073	16,753,009	16,277,792
	<u>174,718,421</u>	<u>174,357,886</u>	<u>178,149,020</u>
Excess of revenues over expenses before the following	4,464,742	45,834,068	66,333,158
NET FINANCING AND TRANSFERS			
Amortization of bond/discount	(135,112)	(82,059)	(91,072)
CHANGE IN FUND BALANCES	<u>\$ 4,329,630</u>	<u>45,752,009</u>	<u>66,242,086</u>
FUND BALANCES, BEGINNING OF YEAR		405,611,987	339,369,901
FUND BALANCES, END OF YEAR	<u>\$</u>	<u>\$ 451,363,996</u>	<u>\$ 405,611,987</u>

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2023

	2023	2022
CHANGE IN FUND BALANCES	\$ 45,752,009	\$ 66,242,086
Tangible capital assets		
Acquisition of tangible capital assets	(31,820,918)	(45,265,735)
Proceeds on disposal of tangible capital assets	336,330	5,094,938
Amortization of tangible capital assets	20,882,777	20,332,281
Gain on disposal of tangible capital assets	(336,330)	(5,094,938)
	<u>(10,938,141)</u>	<u>(24,933,454)</u>
Other non-financial assets		
Decrease (increase) in work in progress	(23,384,586)	6,534,360
Decrease (increase) in inventory, prepaid expenses and other	(472,877)	69,456
	<u>(23,857,463)</u>	<u>6,603,816</u>
DECREASE IN NET DEBT	10,956,405	47,912,448
NET DEBT, BEGINNING OF YEAR	(80,014,351)	(127,926,799)
NET DEBT, END OF YEAR	<u>\$ (69,057,946)</u>	<u>\$ (80,014,351)</u>

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Consolidated Statement of Cash Flows

For the year ended March 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	\$ 45,752,009	\$ 66,242,086
Items not involving cash		
Amortization of tangible capital assets	20,882,777	20,332,281
Gain on disposal of tangible capital assets	(336,330)	(5,094,938)
Change in non-cash working capital		
Taxes receivable	739,632	(1,934,621)
Accounts receivable	(12,224,471)	(3,596,542)
Inventory, prepaid expenses and other	(472,877)	69,456
Accounts payable and accrued liabilities and accrued interest	5,688,524	3,035,607
Solid waste management facilities liability	(56,294,281)	1,727,819
Deferred revenue	368,487	(4,270)
Accrued employee benefits	(893,484)	88,772
Asset retirement obligation	41,430,768	-
	44,640,754	80,865,650
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in due from trust fund	754,881	(748,635)
Issuance of long-term debt	12,165,705	19,941,740
Principal payments on long-term debt	(30,727,742)	(25,614,068)
Repayment of capital lease	(127,111)	(66,036)
	(17,934,267)	(6,486,999)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(31,252,524)	(45,265,735)
Proceeds on disposal of tangible capital assets	336,330	5,094,938
Decrease (increase) in work in progress	(23,384,586)	6,534,360
	(54,300,780)	(33,636,437)
INCREASE IN CASH AND CASH EQUIVALENTS	(27,594,293)	40,742,214
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	80,022,594	39,280,380
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 52,428,301	\$ 80,022,594
SUPPLEMENTAL CASH FLOW INFORMATION		
Tangible capital assets acquired through capital leases	\$ 568,394	\$ -

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

1. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2022, the Municipality adopted PS3280 – Asset retirement obligations as set out in the Canadian public sector accounting standards. The new accounting standard addresses the reporting of legal or contractual obligations associated with the retirement of certain capital assets and replaces existing standard PS3270 – Solid Waste Landfill Closure and Post-Closure Liability. In accordance with the transition provision of PS3280, the change in policy was adopted on the prospective basis as of April 1, 2022.

In accordance with this new standard, the Municipality has reflected the following adjustments as of April 1, 2022:

- A decrease to the solid waste management facilities liabilities of \$56,294,281 under the former standard with an offsetting decrease to environmental health service expenses.
- An increase to asset retirement obligation of \$41,627,954, an increase to tangible capital assets of \$6,323,835 for liabilities associated with assets still in use and an increase to expenses of \$35,304,119 for assets which are not considered to have a future useful life.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements of the Cape Breton Regional Municipality (the "Municipality") have been prepared, in all material respects, in accordance with Canadian public sector accounting standards.

(b) Basis of consolidation

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

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

(c) Segment information

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment information (continued)

General government services

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

Port of Sydney Development Corporation

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

Protective services

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

Transportation services

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

Environmental services

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

Recreation and cultural services

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

Planning and development services

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

Educational services

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

Water Utility

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

Cape Breton Regional Municipality

Notes to Consolidated Financial Statements

For the year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) School boards

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

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

(e) Trust funds

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

(f) Fund accounting

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

(g) Basis of accounting

Revenues and 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.

(h) Cash and cash equivalents

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

(i) Financial instruments

Initial measurement

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

Financial instruments consist of cash and cash equivalents, taxes and other receivables, accounts payables and accruals and long-term debt.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement

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

Impairment

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

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

(i) **Tangible capital assets**

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

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

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(j) Reserve funds

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

(k) Government transfers

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.

(l) Deferred revenue

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

(m) Taxation and related revenues

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

(n) Port of Sydney Development Corporation revenue recognition

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee future benefits

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

(p) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenue and expenses in the consolidated financial statements and accompanying notes.

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

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

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

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

(q) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal or contractual obligation for the Municipality to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at Mar 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

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

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements

For the year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

3. CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT)

	2023	2022
Operating funds	\$ 11,301,878	\$ 45,680,283
Reserves funds	74,487,157	61,250,926
Capital funds	(34,397,172)	(27,639,589)
Port of Sydney Development Corporation	1,036,438	730,974
	\$ 52,428,301	\$ 80,022,594

4. TAXES RECEIVABLE

	2023	2022
Gross taxes receivable, beginning of year	\$ 20,147,280	\$ 17,661,396
Current year's levy of property taxes	113,370,498	112,194,126
Subtotal	133,517,778	129,855,522
Less		
Current year's collections	113,380,421	110,150,733
Reduced taxes	729,709	108,773
Allowance	838,344	(551,264)
Gross taxes receivable, end of year	18,569,304	20,147,280
Less		
Allowance for uncollectible taxes	2,236,547	3,074,891
Taxes receivable, net	\$ 16,332,757	\$ 17,072,389

5. ACCOUNTS RECEIVABLE

	2023	2022
Federal government	\$ 11,259,662	\$ 5,316,719
Provincial government	10,689,564	5,332,467
Due from general public	2,556,768	2,212,058
Water rates receivable	10,830,329	10,571,319
	35,336,323	23,432,563
Less allowance for doubtful accounts		
Operating	598,638	893,578
Water rates	869,558	895,329
	1,468,196	1,788,907
	\$ 33,868,127	\$ 21,643,656

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade accounts payable	\$ 27,743,971	\$ 21,869,497
Payroll and related	1,770,039	1,892,191
Accrued liabilities	5,069,883	5,433,583
Tax sale trust	3,299,172	2,999,270
	\$ 37,883,065	\$ 32,194,541

7. ASSET RETIREMENT OBLIGATIONS

(a) Solid Waste Management Facilities Liabilities

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

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

Two of the larger landfills, Sydney landfill and the No. 11 landfill in Glace Bay were considered properly closed in the 1990's, however, there are still 4 somewhat major landfills and several small sites that 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 \$35,374,959 which have been discounted to the present value using a discount rate of 4.00% per annum. The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations and discounted to current values.

(b) Asbestos obligation

The Municipality owns and operates several buildings that were constructed prior to 1991 which have been included under PS3280-Asset retirement obligations as it is unknown if asbestos is present. The uncertainty could present a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280, the Municipality recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at March 31, 2023. The estimated cost for removal of asbestos have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

7. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

(c) Wharves

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

(d) Refrigerant

The municipality operates several facilities that fall within PS 3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact by removing and disposing of ozone depleting refrigerant materials. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value.

(e) Fuel tanks

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

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

	2023
Opening balance	\$ -
Acquired upon adoption	41,627,954
Accretion expense	52,813
Liabilities settled	(249,999)
	\$ 41,430,768

8. CAPITAL LEASE

	2023	2022
Bank of Montreal, 2.50%, repaid during the year	\$ -	\$ 44,949
Bank of Montreal, 5.53%, repayable in monthly instalments of principal and interest of \$10,720 commencing July 2022, maturing June, 2027, secured by equipment with a net book value of \$470,038.	486,232	-
	\$ 486,232	\$ 44,949

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

8. CAPITAL LEASE (CONTINUED)

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

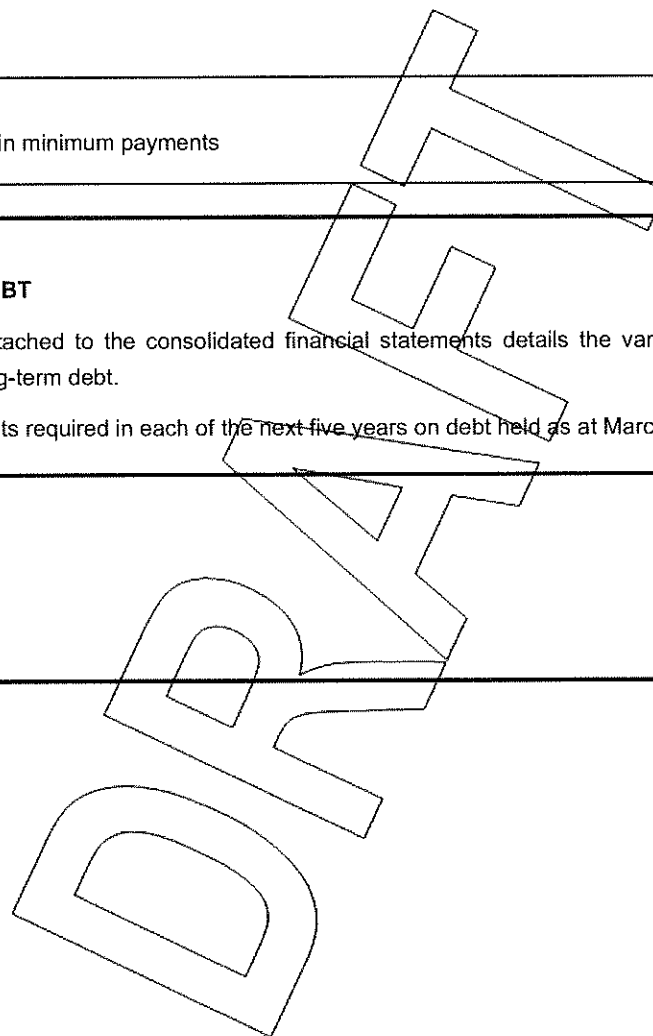
Year ended March 31,		\$	
2024			128,642
2025			128,642
2026			128,642
2027			128,642
2028			32,160
			546,728
Interest included in minimum payments			60,496
			\$ 486,232

9. LONG-TERM DEBT

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

Principal payments required in each of the next five years on debt held as at March 31, 2023 are as follows:

		\$	
2024			15,950,565
2025			10,482,295
2026			12,902,295
2027			7,902,295
2028			7,277,895
			7,277,895



Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

10. TANGIBLE CAPITAL ASSETS, GENERAL CAPITAL

	2023					2022				
	Cost Beginning of Year	Additions and Transfers	Disposals and Write-downs	Cost End of Year	Amortization Beginning of Year	Additions	Disposals	Amortization End of Year	Net Book Value	Net Book Value
Land	\$ 14,077,203	\$ 185,142	\$ -	\$ 14,262,345	\$ -	-	-	\$ -	\$ 14,262,345	\$ 14,077,203
Buildings	9,733,954	617,672	-	10,351,626	3,733,301	267,363	-	3,994,664	6,356,962	6,000,653
General government services	18,959,407	349,599	-	19,309,006	2,834,839	486,449	-	3,323,288	15,985,718	16,124,568
Protective services	11,441,645	192,547	-	11,634,192	3,789,673	292,027	-	3,481,700	8,152,492	8,251,972
Transportation services	33,238,344	22,630	-	33,260,974	12,446,388	831,525	-	13,277,913	19,983,061	20,791,956
Environmental services	29,271,865	28,041	-	29,299,906	7,201,606	733,670	-	7,935,276	21,364,630	22,070,259
Recreation and cultural services	1,084,104	-	-	1,084,104	556,712	27,103	-	583,815	500,289	527,392
Industrial parks	-	699,727	-	699,727	-	-	-	-	699,727	-
Asset retirement obligation	103,729,319	1,910,216	-	105,639,535	29,962,519	2,634,137	-	32,596,656	73,042,879	73,766,800
Equipment	3,007,560	-	-	3,007,566	2,908,024	33,179	-	2,941,203	66,357	99,536
General government services	19,168,195	2,145,758	-	21,313,953	17,972,528	1,085,221	-	18,462,749	2,851,204	1,790,667
Protective services	46,640,219	4,116,777	-	50,756,996	33,230,743	3,513,052	-	36,743,795	14,013,201	13,409,476
Public works	13,850,203	15,272	-	13,865,476	13,794,609	17,135	-	13,811,744	53,731	55,594
Environmental health services	1,921,819	-	-	1,921,819	1,728,479	61,936	-	1,790,415	131,404	193,340
Recreation and cultural services	84,587,996	6,277,807	-	90,865,803	69,039,383	4,710,523	-	73,749,906	17,115,897	15,548,613
Other	742,494	-	-	742,494	742,494	-	-	742,494	-	-
General government services	204,095,551	9,146,321	-	213,228,876	78,112,784	5,576,085	-	83,688,869	129,553,003	125,982,767
Road transport	111,695,546	4,526,420	-	116,221,966	32,572,869	2,330,597	-	34,903,466	81,318,500	79,122,677
Environmental health services	24,968,333	579,496	-	25,547,829	23,424,961	871,471	-	24,296,432	1,251,397	1,543,372
Recreation and cultural services	8,975,401	173,777	-	9,149,178	4,471,404	184,235	-	4,655,639	4,493,539	4,503,997
Waterfront development	1,697,526	831,078	-	2,528,604	438,071	55,875	-	493,946	2,034,658	1,259,455
Downtown development	22,253,546	-	-	22,253,546	1,977,678	495,024	-	2,472,702	19,780,844	20,275,868
Wharf - Sydney Marine Terminal	180,701,268	2,924,976	-	183,626,244	65,253,819	3,706,905	-	68,960,724	114,665,520	115,447,449
Water utility assets	11,190,694	249,915	-	11,440,609	6,717,667	317,925	-	7,035,592	4,405,017	4,473,027
Port of Sydney Development Corporation assets	-	5,015,770	-	5,015,770	-	-	-	-	5,015,770	-
Asset retirement obligation - landfill	566,320,359	23,447,753	-	589,768,112	213,711,747	13,538,117	-	227,249,864	362,518,248	352,608,612
	\$ 768,714,877	\$ 31,820,918	\$ -	\$ 800,522,499	\$ 312,713,649	\$ 20,882,777	\$ -	\$ 333,596,426	\$ 486,939,369	\$ 456,001,228

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

11. FUND BALANCES

	2023	2022
General operating fund	\$ (4,650,518)	\$ (61,790,811)
Water operating fund	7,149,821	6,914,927
General capital fund	283,621,765	291,696,589
Water capital fund	106,342,731	101,557,631
Port of Sydney Development Corporation	4,392,613	4,018,078
	396,856,412	342,396,414
Reserves set aside by council	54,507,584	63,215,573
	\$ 451,363,996	\$ 405,611,987

12. EMPLOYEE FUTURE BENEFITS

a) Defined benefit plan

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

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

Contributions to the Plan are required by both the employer and its employees. Total employer contributions for 2023 were \$4,866,840 (2022 - \$4,792,753) and are recognized as an expense in the period.

b) Defined Contribution Plan

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

The contributions for 2023 were to \$132,672 (2022 - \$149,024).

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.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

12. EMPLOYEE FUTURE BENEFITS (CONTINUED)

d) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for 2023 was \$188,157 (2022 - \$181,631).

13. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2023 are \$5,017,091 (2022 - nil).

14. CONTINGENCIES

- a) As of March 31, 2023, 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, 2023 is \$1,123,471 (2022 - \$1,155,548).
- d) The Municipality has guaranteed working capital borrowing on behalf of Seaview Manor Corporation at March 31, 2023 up to \$200,000 (2022 - \$200,000).
- e) Canadian Environmental Guidelines

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

As at March 31, 2023, the Municipality is not in compliance with certain CCME requirements.

15. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS

(a) Cape Breton Island Housing Authority

The Municipality shared in the operations of the Authority for the year ended March 31, 2023 in the amount of \$2,534,623 (2022 - \$2,136,004).

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2023

15. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS (CONTINUED)

(b) Assessment Services

The Municipality is required to pay a share of the cost of operating the provincial assessment system based on the total provincial assessment cost times the average of the Municipality's share of the Uniform Assessment and the Municipality's share of assessment accounts. For the year ended March 31, 2023, the Municipality's share of these costs was \$1,369,058 (2022 - \$1,390,867).

(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, 2023, the Municipality's contribution for these costs was \$1,054,547 (2022 - \$1,066,680).

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

The Municipality provided a mandatory contribution in the amount of \$15,534,623 (2022 - \$15,282,089) to the Cape Breton-Victoria Regional Centre for Education.

16. PORT OF SYDNEY DEVELOPMENT CORPORATION TRUST

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

As of March 31, 2023, \$178,185 (2022 - \$173,694) is being held in trust.

17. FINANCIAL INSTRUMENTS

(a) Fair values

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

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

(b) Credit risk

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

17. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

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

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

18. SUBSEQUENT EVENT

On June 1, 2023, the Municipality acquired the deed and related assets of the Northside Community Civic Centre for \$1. In exchange, the Municipality has assumed all operations, including present and future obligations arising from the continued operation of the facility.

19. COMPARATIVE FIGURES

Certain 2022 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
For the year ended March 31, 2023

	Term (years)	Interest rate - %	Matures	Balance March 31/22	Issued	Redeemed	Balance March 31/23
General Fund							
M.F.C.							
32-B-1	10	0.000-3.160	2023	379,700	-	379,700	-
33-B-1	10	0.000-3.614	2023	936,534	-	468,269	468,265
34-B-1	10	1.200-3.190	2024	3,990,000	-	1,330,000	2,660,000
35-A-1	10-20	1.040-3.449	2030	2,840,000	-	560,000	2,280,000
36-A-1	10	1.150-2.506	2026	3,122,000	-	624,400	2,497,600
37-A-1	10	1.734-3.073	2027	4,964,400	-	827,400	4,137,000
38-A-1	10	2.490-3.389	2028	8,382,499	-	1,197,500	7,184,999
FCM-1	10	2.250	2028	700,000	-	100,000	600,000
39-A-1	10	2.015 - 2.561	2029	8,200,000	-	1,025,000	7,175,000
40-A-1	10	0.400 - 2.376	2031	8,808,140	-	880,814	7,927,326
41-A-1	10	0.500 - 2.259	2031	11,133,600	-	1,113,360	10,020,240
42-B-1	10	3.847-4.177	2032	-	7,593,205	-	7,593,205
				53,456,873	7,593,205	8,506,443	52,543,635
M.F.C.							
Promissory note							
	3	1.100	2024	28,168,597	-	14,084,299	14,084,298
Water Fund							
M.F.C.							
27-A-1	15	4.385-4.770	2023	5,487,000	-	5,487,000	-
28-A-1	15	3.750-5.088	2023	4,900,000	-	700,000	4,200,000
30-A-1	15	1.510-4.875	2025	6,750,000	-	750,000	6,000,000
33-A-1	10	1.330-2.979	2023	1,600,000	-	800,000	800,000
34-A-1	15	1.245-3.792	2029	3,200,000	-	400,000	2,800,000
42-A-1	5	2.575-3.290	2027	-	4,572,500	-	4,572,500
				21,937,000	4,572,500	8,137,000	18,372,500
				\$ 103,562,470	\$ 12,165,705	\$ 30,727,742	\$ 85,000,433

Cape Breton Regional Municipality
Consolidated Schedule of Segment Disclosure
For the year ended March 31, 2023

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

The following schedule provides segment information for the 2023 and 2022 fiscal years. Segment results represent the activities of that segment and are based on the same accounting policies as described in the Significant Accounting Policies as described in Note 1. The Municipality has determined that the following segments represent the major activities of government.

Year ended March 31, 2023	General Government Services	Port of Sydney Corporation	Protective Services	Transportation Services	Environmental Services	Recreational and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
REVENUES										
Taxation	\$ 77,043,160	\$ -	\$ 18,432,369	\$ 8,077,105	\$ -	\$ -	\$ -	\$ 15,534,623	\$ -	\$ 119,087,257
Grants in lieu of taxes	9,396,051	-	-	-	-	-	-	-	-	9,396,051
Services provided to other governments	-	-	1,145,521	-	-	-	-	-	-	1,145,521
Sales of services	76,440	-	-	2,109,901	-	1,985,966	57,821	-	-	4,172,309
Revenue from own sources	3,243,042	2,301,872	724,649	-	2,849,716	-	-	-	-	9,176,900
Unconditional transfers from other governments	15,851,979	-	-	-	-	-	-	-	-	15,851,979
Conditional transfers from other governments	-	144,177	4,508,846	-	23,333,486	629,339	-	-	-	4,754,023
Capital grants	9,222	-	-	4,969,099	-	-	-	-	19,322,036	28,941,146
Metered sales	-	-	-	-	-	-	-	-	1,000,625	1,000,625
Other water revenues	794,255	-	-	-	-	-	-	-	-	794,255
Investment income	329,830	-	-	-	-	-	-	-	-	329,830
Gain on sale of properties	6,213,522	-	-	-	-	-	-	-	-	6,213,522
Disaster financial assistance	-	-	-	-	-	-	-	-	-	-
	112,957,501	2,452,549	24,912,385	15,156,105	26,183,202	2,615,307	57,821	15,534,623	20,322,661	220,191,954
EXPENSES										
Salaries, wages and benefits	8,211,528	815,895	33,974,351	18,720,288	4,428,572	5,498,749	825,763	-	2,312,078	74,787,224
Interest on long-term debt	435,225	-	205,591	430,479	188,263	265,589	-	-	1,041,877	2,565,124
Materials, goods, supplies and utilities	952,636	473,800	1,773,752	5,728,185	2,158,639	2,600,971	18,175	-	5,479,049	19,225,407
Contracted services	865,718	11,381	830,139	6,526,537	10,735,969	4,002,582	172,544	-	1,658,290	21,206,180
Other operating expenses	4,157,946	444,992	9,786,612	11,834,375	3,901,147	2,040,235	210,096	-	2,525,310	34,900,713
External transfers and grants	4,091,026	-	1,054,547	-	-	803,900	-	15,534,623	-	21,483,996
ARO adjustment	650,512	-	-	4,350,218	(257,455,561)	1,172	-	-	30,124	(20,693,535)
Amortization	294,543	331,946	1,573,670	9,367,866	3,179,256	1,667,078	762,237	-	3,706,181	20,882,777
	19,662,134	2,078,014	49,198,662	56,957,968	(1,083,515)	13,278,176	1,988,815	15,534,623	16,753,009	174,357,886
ANNUAL SURPLUS (DEFICIT)	\$ 93,295,367	\$ 374,535	\$ (24,286,277)	\$ (41,801,863)	\$ 27,276,717	\$ (10,662,869)	\$ (1,931,194)	\$ -	\$ 3,569,652	\$ 45,834,068

Cape Breton Regional Municipality
Consolidated Schedule of Segment Disclosure
For the year ended March 31, 2022

Year ended March 31, 2022	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
REVENUES										
Taxation	\$ 76,469,852	-	\$ 18,295,207	\$ 8,017,000	\$ -	\$ -	\$ -	\$ 15,282,089	\$ -	\$ 118,064,148
Grants in lieu of taxes	9,436,816	-	-	-	-	-	-	-	-	9,436,816
Services provided to other governments	-	-	801,142	-	-	-	-	-	-	801,142
Sales of services	51,608	-	-	750,332	-	994,513	-	-	-	1,796,453
Revenue from own sources	2,788,861	703,090	539,118	-	2,900,470	-	61,610	-	-	6,963,149
Unconditional transfers from other governments	31,175,896	-	-	-	-	-	-	-	-	31,175,896
Conditional transfers from other governments	-	371,710	4,260,247	-	-	-	-	-	-	4,631,957
Capital grants	9,222	-	-	9,219,099	36,428,233	629,340	-	-	-	46,285,894
Metered sales	-	-	-	-	-	-	-	-	19,345,910	19,345,910
Other water revenues	-	-	-	-	-	-	-	-	773,773	773,773
Investment income	112,102	-	-	-	-	-	-	-	-	112,102
Gain on sale of properties	144,938	-	4,950,000	-	-	-	-	-	-	5,094,938
	120,159,295	1,074,800	28,845,714	17,966,431	39,328,703	1,623,853	61,610	15,282,089	20,119,683	244,482,178
EXPENSES										
Salaries, wages and benefits	8,150,429	613,060	32,927,030	18,114,949	4,051,267	4,629,336	896,685	-	2,422,635	71,805,391
Interest on long-term debt	372,139	-	165,084	585,204	102,775	139,738	-	-	1,065,842	2,430,762
Materials, goods, supplies and utilities	884,170	289,295	1,468,739	5,867,914	1,954,577	1,942,484	11,787	-	4,500,254	16,949,220
Contracted services	772,140	129,013	733,309	7,194,720	10,682,925	576,213	240,598	-	1,822,035	22,152,953
Other operating expenses	3,655,063	191,716	9,586,303	3,479,724	2,704,857	1,689,120	202,402	-	2,737,911	23,614,096
External transfers and grants	3,711,728	-	1,066,680	-	-	803,890	-	-	-	20,864,297
Amortization	278,932	363,172	1,365,808	8,949,090	3,084,859	1,895,834	736,471	-	3,729,115	20,332,281
	17,824,601	1,586,256	47,362,963	44,190,601	21,978,260	11,566,525	2,087,943	15,282,089	16,277,792	178,149,020
ANNUAL SURPLUS (DEFICIT)	\$ 102,334,694	\$ (511,456)	\$ (18,517,239)	\$ (26,204,170)	\$ (77,350,443)	\$ (9,934,672)	\$ (2,026,333)	\$ -	\$ 3,841,891	\$ 66,333,158

Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Council

For the year ended March 31, 2023

Council	Annual Remuneration	Travel Expenses
D. Bruckschwaiger	\$ 52,626	\$ 3,898
J. Edwards (Deputy Mayor)	\$ 54,728	\$ 4,471
L. Green	\$ 52,626	\$ 4,900
S. Gillespie	\$ 52,626	\$ -
C. MacDonald	\$ 52,626	\$ 1,360
E. MacDonald	\$ 52,626	\$ 7,740
G. MacDonald	\$ 52,626	\$ 7,814
E. MacMullin (Deputy Mayor)	\$ 55,717	\$ 7,949
A. McDougall-Merrill (Mayor)	\$ 153,848	\$ 23,911
D. O'Quinn	\$ 52,626	\$ 2,305
S. Parsons	\$ 52,626	\$ 2,940
G. Paruch	\$ 52,626	\$ 3,344
K. Tracey	\$ 52,626	\$ 4,429

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Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Senior Staff
For the year ended March 31, 2023

Senior Staff	Annual Remuneration	Reportable Expenses
D. Campbell-Ryan	\$ 110,384	\$ 4,623
J. Campbell	\$ 125,961	\$ 3,806
K. Durning	\$ 94,652	\$ 941
D. Evely	\$ 125,961	\$ 1,867
D. Kachafanas	\$ 125,961	\$ 1,344
W. MacDonald	\$ 133,574	\$ 4,241
J. MacKinnon	\$ 178,814	\$ 9,144
M. Ruus	\$ 125,330	\$ 3,613
M. Seth	\$ 148,139	\$ 8,451
M. Walsh	\$ 220,461	\$ 10,071
R. Walsh	\$ 164,647	\$ 1,915

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Cape Breton Regional Municipality
Schedule of Operating Fund and Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES		
Taxes	\$ 119,087,257	\$ 118,064,148
Grants in lieu of taxes	9,396,051	9,436,816
Services provided to other governments	1,145,521	801,142
Sales of services	4,172,309	1,796,453
Revenue from own sources	11,826,538	11,211,569
Unconditional transfers from other governments	15,851,979	31,175,896
Conditional transfers from other governments	4,609,846	4,260,247
Disaster recovery	6,213,522	-
	<u>172,303,023</u>	<u>176,746,271</u>
EXPENSES		
General government services	15,995,096	15,224,793
Protective services	54,701,383	53,053,536
Transportation services	43,239,884	35,242,511
Environmental health services	(34,841,492)	18,893,401
Public health and welfare services	2,721,969	2,320,861
Environmental development services	1,226,578	1,351,472
Recreation and cultural services	11,609,926	9,752,691
Educational services	15,534,623	15,282,089
	<u>110,187,967</u>	<u>151,121,354</u>
Excess of revenues over expenses before the following	62,115,056	25,624,917
FINANCING AND TRANSFERS		
Debenture and term loan principal instalments	(8,506,443)	(7,965,269)
Transfer to special reserve funds	3,589,200	(16,821,368)
Transfer to general capital fund	-	(1,852,912)
Amortization of bond discount	(57,520)	(58,527)
	<u>(4,974,763)</u>	<u>(26,698,076)</u>
CHANGE IN FUND BALANCE	57,140,293	(1,073,159)
FUND BALANCE, BEGINNING OF YEAR	(61,790,811)	(60,717,652)
FUND BALANCE, END OF YEAR	<u>\$ (4,650,518)</u>	<u>\$ (61,790,811)</u>

Cape Breton Regional Municipality
Schedule of Water Utility Operating Fund and Change in Fund Balance

For the year ended March 31, 2023
(Unaudited)

	2023	2022
OPERATING REVENUES		
Metered sales	\$ 19,322,036	\$ 19,345,910
Public fire protection	7,076,391	7,076,391
Consumer's interest	769,932	661,977
	<u>27,168,359</u>	<u>27,084,278</u>
OPERATING EXPENSES		
Source of supply	502,819	500,111
Power and pumping	1,820,919	1,827,573
Water treatment	4,967,373	4,506,364
Transmission and distribution	4,506,939	4,732,871
Administration and general	3,206,353	2,856,054
Taxes	1,896,230	1,987,221
	<u>16,900,633</u>	<u>16,410,194</u>
Excess of revenues over expenses before the following	10,267,726	10,674,084
NON-OPERATING REVENUES		
Miscellaneous	230,693	111,796
NON-OPERATING EXPENSES		
Interest on debentures	1,041,977	1,065,842
Amortization of debt discounts	24,539	32,545
Other	25,605	24,151
Transfer to water capital fund	8,521,404	8,666,766
Transfer to general capital fund	650,000	650,000
	<u>10,263,525</u>	<u>10,439,304</u>
CHANGE IN FUND BALANCE	234,894	346,576
FUND BALANCE, BEGINNING OF YEAR	6,914,927	6,568,351
FUND BALANCE, END OF YEAR	<u>\$ 7,149,821</u>	<u>\$ 6,914,927</u>

Cape Breton Regional Municipality
Schedule of Capital Fund and Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES		
Capital grants	\$ 18,220,293	\$ 14,463,770
Gain on disposal of assets	-	4,250,000
	<u>18,220,293</u>	<u>18,713,770</u>
EXPENSES		
General government services	945,054	278,932
Protective services	1,573,670	1,385,808
Transportation services	13,718,084	8,948,090
Environmental health services	33,747,977	3,084,859
Recreation and cultural services	1,668,250	1,805,834
Planning and development services	762,237	736,471
	<u>52,415,272</u>	<u>16,239,994</u>
Excess of revenues over expenses before the following	(34,194,979)	2,473,776
FINANCING AND TRANSFERS		
Transfer from reserve funds	16,963,712	10,253,779
Transfer from general operating fund	-	1,852,912
Transfer from water operating fund	650,000	650,000
Debenture and term loan principal instalments	8,506,443	7,965,269
	<u>26,120,155</u>	<u>20,721,960</u>
CHANGE IN FUND BALANCE	(8,074,824)	23,195,736
FUND BALANCE, BEGINNING OF YEAR	291,696,589	268,500,853
FUND BALANCE, END OF YEAR	\$ 283,621,765	\$ 291,696,589

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Cape Breton Regional Municipality
Schedule of Water Utility Capital Fund and Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES		
Capital grants	\$ -	\$ -
EXPENSES		
Amortization	3,736,304	3,729,115
Deficiency of revenues over expenses before the following	3,736,304	(3,729,115)
FINANCING AND TRANSFERS		
Transfer from water operating fund	8,521,404	8,666,766
CHANGE IN FUND BALANCE	4,785,100	4,937,651
FUND BALANCE, BEGINNING OF YEAR	101,557,631	96,619,980
FUND BALANCE, END OF YEAR	\$ 106,342,731	\$ 101,557,631

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

For the year ended March 31, 2023
(Unaudited)

	Budget (Unaudited)	2023	2022
REVENUES			
Wharfage and berthage	\$ 650,043	\$ 696,742	\$ 427,711
Passenger tax	785,623	876,697	-
Events	96,750	89,606	51,763
Security	219,642	279,740	65,679
Storage and rental	241,944	255,864	144,380
Craft market	36,473	67,278	-
Sundry	4,600	35,945	13,557
Government funding	10,900	144,177	371,710
	<u>2,045,075</u>	<u>2,446,049</u>	<u>1,074,800</u>
EXPENSES			
Advertising and promotion	17,750	15,924	10,860
Bad debts	2,000	1,752	1,655
Cruise activities	22,000	55,222	321
Dues and fees	23,540	29,226	8,564
Events	52,600	13,562	2,149
Insurance	56,800	68,094	52,070
Interest and bank charges	3,870	5,212	3,990
Miscellaneous	24,770	16,292	5,830
Office and administration	8,087	12,034	8,167
Professional fees	41,828	11,381	129,013
Rent	52,320	52,320	52,320
Repairs and maintenance	245,021	225,119	105,527
Security	160,436	179,831	45,115
Travel	27,740	21,119	10,992
Utilities	169,320	223,085	173,452
Wages and benefits	786,834	815,895	613,059
	<u>1,694,916</u>	<u>1,746,068</u>	<u>1,223,084</u>
Excess of revenues over expenses before the following	350,159	699,981	(148,284)
Amortization of capital assets	(400,000)	(331,946)	(363,172)
Gain on disposal of assets		6,500	
CHANGE IN FUND BALANCE	\$ (49,841)	374,535	(511,456)
FUND BALANCE, BEGINNING OF YEAR		4,018,078	4,529,534
FUND BALANCE, END OF YEAR		\$ 4,392,613	\$ 4,018,078

Cape Breton Regional Municipality
Schedule of Reserve Funds and Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES		
Investment income	\$ 789,888	\$ 112,329
Sale of properties	329,815	844,938
Grants	10,720,853	31,822,124
	<u>11,840,556</u>	<u>32,779,391</u>
FINANCING AND TRANSFERS		
Transfer from operating fund	(3,589,200)	16,821,368
Transfer to capital funds	(16,963,712)	(10,253,779)
	<u>(20,552,912)</u>	<u>(6,567,589)</u>
CHANGE IN FUND BALANCE	(8,712,356)	39,346,980
FUND BALANCE, BEGINNING OF YEAR	61,167,639	21,820,659
FUND BALANCE, END OF YEAR	\$ 52,455,283	\$ 61,167,639

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Cape Breton Regional Municipality
Schedule of Water Utility Reserve Funds and Change in Fund Balance
For the year ended March 31, 2023
(Unaudited)

	2023	2022
REVENUES		
Investment income	\$ 4,367	\$ (242)
CHANGE IN FUND BALANCE	4,367	(242)
FUND BALANCE, BEGINNING OF YEAR	2,047,934	2,048,176
FUND BALANCE, END OF YEAR	\$ 2,052,301	\$ 2,047,934

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

March 31, 2023

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

For the year ended March 31, 2023

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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 MNP LLP, independent external auditors appointed by the Water Utility. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Water Utility's financial statements.

Jennifer Campbell, Chief Financial Officer

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

As at March 31, 2023

	2023	2022
ASSETS		
Cash	\$ 1,884,638	\$ 2,550,750
Water rates receivable (less allowance for doubtful accounts \$869,558 (2022 - \$896,329))	10,239,062	10,451,906
Sundry receivables	158,513	109,762
Inventories	427,972	394,636
	\$ 12,710,185	\$ 13,507,054
LIABILITIES		
Payables and accruals	\$ 4,525,206	\$ 4,945,245
Unearned revenue	1,353,430	1,384,337
Due to Cape Breton Regional Municipality General section, operating fund	–	–
General section, capital fund	–	693,440
Due to water utility, capital fund	3,666,173	3,852,053
	9,544,809	10,875,075
SURPLUS	3,165,376	2,631,979
	\$ 12,710,185	\$ 13,507,054

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility:

_____ Mayor

_____ Clerk

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

For the year ended March 31, 2023

	2023	2022	
	Budget (Unaudited)	Actual	Actual
OPERATING REVENUES			
Metered sales	\$ 19,218,619	\$ 19,322,036	\$ 19,345,910
Public fire protection	7,076,391	7,076,391	7,076,391
Consumer's interest	350,000	769,932	661,977
Service connections	66,000	230,693	111,796
	26,711,010	27,399,052	27,196,074
OPERATING EXPENSES			
Source of supply	537,541	502,819	500,112
Power and pumping	1,982,563	1,820,919	1,827,573
Water treatment	4,899,272	4,967,373	4,506,364
Transmission and distribution	4,912,368	5,156,939	5,382,871
Administration and general	3,362,110	3,206,353	2,856,054
Depreciation	3,850,000	3,706,904	3,729,115
Taxes	2,040,806	1,896,230	1,987,221
	21,584,660	21,257,537	20,789,310
Excess of operating revenues over expenses before the following	5,126,350	6,141,515	6,406,764
NON-OPERATING REVENUES			
Amortization of deferred capital contributions	298,504	298,502	298,502
NON-OPERATING EXPENSES			
Debt charges			
Provision for principal repayment	3,564,500	3,564,500	3,564,500
Interest	1,065,842	1,041,977	1,065,842
Amortization of debt discounts	37,112	24,540	32,545
Bank fees/charges	204,081	25,603	24,151
Capital expenditures out of operations	1,250,000	1,250,000	1,373,152
	6,121,535	5,906,620	6,060,190
CHANGE IN FUND BALANCE	\$ (696,681)	\$ 533,397	\$ 645,076

See accompanying notes to financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Operating Fund Surplus

For the year ended March 31, 2023

	2023	2022
SURPLUS, BEGINNING OF YEAR	\$ 2,631,979	\$ 1,986,903
Change in fund balance	533,397	645,076
SURPLUS, END OF YEAR	\$ 3,165,376	\$ 2,631,979

See accompanying notes to financial statements.

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Cape Breton Regional Municipality Water Utility
Statement of Cash Flows – Operating Fund

For the year ended March 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ 533,397	\$ 645,076
Change in non-cash operating working capital		
Water rates receivable	212,844	(1,372,515)
Sundry receivables	(48,751)	100,769
Inventories	(33,336)	(2,877)
Payables and accruals	(420,039)	1,005,494
Unearned revenue	(30,907)	(326,101)
	213,208	49,846
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to Cape Breton Regional Municipality, operating fund	-	(1,291,694)
Increase (decrease) in due to Cape Breton Regional Municipality, capital fund	(693,440)	693,440
Increase (decrease) in due to water utility, capital fund	(185,880)	280,846
	(879,320)	(317,408)
DECREASE IN CASH AND CASH EQUIVALENTS	(666,112)	(267,562)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,550,750	2,818,312
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,884,638	\$ 2,550,750

See accompanying notes to non-consolidated financial statements.

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

As at March 31, 2023

	2023	2022
ASSETS		
Cash	\$ 4,530,994	\$ 6,287,355
Cash – depreciation reserve (note 2)	3,457,630	480,170
HST receivable	152,015	41,124
	8,140,639	6,808,649
Due from water utility, operating fund	3,666,173	3,852,053
Due from general operating fund	–	–
Unamortized debt discount	61,098	58,201
Capital assets		
Utility plant in service (Schedule A)	183,475,826	180,526,292
Work in progress	2,599,293	128,585
Properties adjoining watershed	174,977	174,977
	186,250,096	180,829,854
	\$ 198,118,006	\$ 191,548,757
LIABILITIES		
Accounts and holdbacks payable	\$ 1,786,192	\$ 72,578
Due to Cape Breton Regional Municipality		
General section, capital fund	300,772	371,101
Asset retirement obligation (Note 4)	139,086	–
Term debt (Schedule B)	18,372,500	21,937,000
	20,598,550	22,380,679
DEFERRED CAPITAL CONTRIBUTIONS	12,082,306	12,252,332
RESERVES		
Accumulated allowance for depreciation of utility plant (note 3)	68,960,723	65,253,819
FUND BALANCE	96,476,427	91,661,927
	\$ 198,118,006	\$ 191,548,757

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility:

_____ Mayor

_____ Clerk

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

For the year ended March 31, 2023

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 3,457,630	\$ 480,170
Depreciation	3,706,904	3,729,115
Amortization of capital contributions	(298,502)	(298,502)
Capital purchases	(3,971,731)	(453,153)
Fund, end of year	2,894,301	3,457,630
Amount over (under) funded	563,329	(2,977,460)
CASH, END OF YEAR	\$ 3,457,630	\$ 480,170

Statement of Accumulated Allowance for Depreciation

For the year ended March 31, 2023

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 65,253,819	\$ 61,524,704
Depreciation for the year	3,706,904	3,729,115
BALANCE, END OF YEAR	\$ 68,960,723	\$ 65,253,819

Statement of Investment in Capital Assets

For the year ended March 31, 2023

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 91,661,927	\$ 86,724,275
Term debt retired	3,564,500	3,564,500
Capital out of operations	1,250,000	1,373,152
BALANCE, END OF YEAR	\$ 96,476,427	\$ 91,661,927

See accompanying notes to non-consolidated financial statements.

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

As at March 31, 2023

	2023	2022
ASSETS		
Cash	\$ 1,166,626	\$ 1,166,626
Term deposit	885,676	881,308
	\$ 2,052,302	\$ 2,047,934
RESERVE		
Special reserve	\$ 2,052,302	\$ 2,047,934

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility

_____ Mayor

_____ Clerk

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Cape Breton Regional Municipality Water Utility
Statement of Special Reserve

For the year ended March 31, 2023

	2023		2022			
	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 55,368	\$ 936,695	\$ 339,626	\$ 716,245	\$ 2,047,934	\$ 2,048,176
Interest on investments	175	2,971	1,222	-	4,368	(242)
BALANCE, END OF YEAR	\$ 55,543	\$ 939,666	\$ 340,848	\$ 716,245	\$ 2,052,302	\$ 2,047,934

See accompanying notes to financial statements.

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Cape Breton Regional Municipality Water Utility

Notes to Financial Statements

For the year ended March 31, 2023

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 Canadian Public Sector Accounting Standards 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

For the year ended March 31, 2023

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.

(g) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal or contractual obligation for the Water Utility to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at Mar 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

Cape Breton Regional Municipality Water Utility

Notes to Financial Statements

For the year ended March 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Asset retirement obligation

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

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

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

(h) Financial instruments

Initial measurement

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

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

Subsequent measurement

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

Impairment

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

Cape Breton Regional Municipality Water Utility

Notes to Financial Statements

For the year ended March 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

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

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 \$8,350,828 (2022 - \$7,981,249).
- d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to \$7,076,391 (2022 - \$7,076,391). The charge is governed by the Nova Scotia Utility and Review Board.
- e) The water utility is not exempt from municipal taxation within the Cape Breton Regional Municipality.
- f) The various funds of the Cape Breton Regional Municipality Water Utility and the Municipality include a series of interfund balances as noted in the respective funds. All interfund balances will be settled within the next fiscal period. No interest has been charged or paid on the interfund balances outstanding.

3. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2023, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 5.8% (2022 - 6.2%).

4. ASSET RETIREMENT OBLIGATIONS

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

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

	2023
Opening balance	\$ -
Acquired upon adoption	139,086
	\$ 139,086

Cape Breton Regional Municipality Water Utility
Notes to Financial Statements

For the year ended March 31, 2023

5. FINANCIAL INSTRUMENTS

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

The carrying value of inter-fund balances and due to/from Cape Breton Regional Municipality approximates its fair value due to special conditions attached thereto.

The carrying value of long-term debt approximates its fair value due to the terms and conditions being the same or similar to current market rates available to the Water Utility.

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

For the year ended March 31, 2023

	2023	2022
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	1,435,550	1,376,122
Power and pumping land	343,374	343,374
Transmission land	157,021	157,021
	<u>1,935,945</u>	<u>1,876,517</u>
Structures and improvements		
Source of supply	19,012,595	19,012,595
Power and pumping	7,515,156	7,386,572
Purification structures	2,791,214	2,791,214
Distribution and storage	5,336,968	5,336,968
Shop	299,817	299,817
Asset retirement obligation	139,086	-
	<u>35,094,836</u>	<u>34,827,166</u>
Equipment		
Electrical pumping equipment	3,776,122	3,776,122
Diesel pumping equipment	543,261	543,261
Purification equipment	24,134,313	23,933,954
Office furniture and equipment	362,453	362,453
Transportation equipment	309,945	309,945
Meter shop equipment	30,689	30,689
Tools and work equipment	268,948	268,948
Motor operated tools	680,584	680,584
Other	690,072	690,072
	<u>30,796,387</u>	<u>30,596,028</u>
Mains		
Transmission	31,579,074	31,579,074
Distribution	52,596,129	50,890,151
	<u>84,175,203</u>	<u>82,469,225</u>
Services	15,260,313	14,871,281
Meters	12,101,272	11,896,759
Hydrants	4,037,708	3,915,154
	<u>\$ 183,475,826</u>	<u>\$ 180,526,292</u>

**Cape Breton Regional Municipality Water Utility
Schedule B - Capital Debt Charges**
For the year ended March 31, 2023

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2022	Issued	Redeemed	Balance March 31, 2023
Municipal Finance Corporation							
27-A-1	2007	2022	4.745 - 4.770	\$ 5,487,000	\$ -	\$ 5,487,000	\$ -
28-A-1	2008	2023	4.949 - 5.088	4,900,000	-	700,000	4,200,000
30-A-1	2010	2025	4.500 - 4.875	6,750,000	-	750,000	6,000,000
33-A-1	2013	2023	2.454 - 2.979	1,600,000	-	800,000	800,000
34-A-1	2014	2029	2.516 - 3.792	3,200,000	-	400,000	2,800,000
42-A-1	2022	2027	2.575 - 3.290	-	4,572,500	-	4,572,500
				\$ 21,937,000	\$ 4,572,500	\$ 8,137,000	\$ 18,372,500

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

2024	\$ 7,064,500
2025	\$ 2,064,500
2026	\$ 5,814,500
2027	\$ 1,314,500
2028	\$ 1,314,500



Cape Breton Regional Municipality

2023 Audit Findings

Report to the Audit Committee

March 31, 2023

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Wherever business takes you

MNP.ca

October 28, 2024

Members of the Audit Committee of Cape Breton Regional Municipality

Dear Audit Committee:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of Cape Breton Regional Municipality and its subsidiaries (the "Municipality") and financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility") as at March 31, 2023 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Audit Committee.

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

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

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

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

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

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

Sincerely,

The signature is written in a bold, black, cursive font. The letters 'M', 'N', and 'P' are large and connected, with 'LLP' written in a smaller, more spaced-out font to the right.

Chartered Professional Accountants

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Introduction

As auditors, we report to the Mayor and Council on the results of our examination of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") and financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility" as at and for the year ended March 31, 2023. The purpose of this Audit Findings Report is to assist you, as members of the Audit Committee, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

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

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

Engagement Status

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

- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Audit Committee;
- Mayor and Council's review and approval of the consolidated financial statements.

Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on October 30, 2024.

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

Significant Audit, Accounting and Reporting Matters

Audit and Reporting Matters

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

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

Area	Comments
	appropriate in the preparation of the financial statements, adequacy of related disclosures, etc.
Matters Arising from Discussions With Management	<p>We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Municipality.</p> <p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p>
Significant Differences	One significant adjustment was proposed to management with respect to the March 31, 2023 consolidated financial statements.
Final Materiality	<p>Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Municipality, and is affected by our assessment of materiality and audit risk.</p> <p>Final materiality used for our audit was \$5,678,000 for March 31, 2023.</p>

Auditor's Views of Significant Accounting Practices

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

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

Area	Comments
Accounting Policies	<p>We noted the following newly adopted, and changes in, accounting policies:</p> <ul style="list-style-type: none"> The Municipality adopted PS3280 - Asset Retirement Obligations as described in Note 1 to the financial statements. The adoption of PS3280 replaced PS3270 - Solid Waste Landfill Closure and Post-Closure Liability.
Accounting Estimates	The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenue and expenses in the consolidated financial statements and accompanying notes.

Area	Comments
	<p>Amortization is based on the estimated useful lives of capital assets.</p> <p>Taxes, rates and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.</p> <p>Asset retirement obligations are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.</p> <p>By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.</p>
Financial Statement Disclosures	<p>The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.</p>

Other Matters

Management Representations

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

Auditor Independence

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

Appendix A - MNP Audit Process

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

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

During the course of our audit, we have:

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

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

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

Appendix B - Significant and Higher Risk Areas and Responses

Significant Risk Areas and Responses

Significant Risk Area	Response and Conclusion
<p>Revenues</p> <p>Revenue is a presumed fraud risk and therefore considered a significant risk.</p>	<p>Tax and water utility revenue -MNP performed substantive analytical procedures as well as a test of details using a random selection based on a significant risk factor.</p> <p>Government grants, transfers, grants-in-lieu and other revenue -MNP reviewed supporting documentation for individual items exceeding our significant value threshold as well as a test of details of the remaining population using a random selection based on a significant risk factor.</p>
<p>Management override of internal controls</p> <p>There is a presumed fraud risk of management override of internal control</p>	<p>MNP performed a review of journal entries for unusual entries and obtained supporting documentation for high risk entries identified.</p>

Higher Risk Areas and Responses

Higher Risk Area	Response and Conclusion
<p>Asset retirement obligation</p> <p>The liability is subject to significant management judgement and estimate uncertainty.</p>	<p>MNP obtained management's assessment of the liability. We have recalculated the balance, reviewed assumptions used, such as inflation and discount rates, and agreed to collaborative information.</p>
<p>Accrued employee benefits</p> <p>The information used to calculate portions of the liability are not compiled annual and therefore subject to significant management judgement and estimate uncertainty.</p>	<p>MNP obtained management's assessment of the liability. We have recalculated the balance, reviewed assumptions used, such as inflation and discount rates, and agreed to collaborative information.</p>

Appendix C - Summary of Significant Differences

Significant Unadjusted Differences

Differences Noted	Statement of Financial Position	Statement of Financial Activities
To record accrual of principal and interest payment on debt in the water utility	\$ 169,650	\$ (169,650)
Uncorrected opening differences	\$ 205,774	\$ (205,774)
Total Unadjusted Differences		\$ (375,424)

Canadian generally accepted auditing standards require that we request of management and the Audit Committee that identified unadjusted differences be corrected. We have made this request of management, however based on both quantitative and qualitative considerations management has decided not to correct those identified differences that remain unadjusted. They have represented to us that in their judgment the unadjusted differences are, both individually and in the aggregate, not material to the consolidated financial statements.

We concur with management's representation that the unadjusted differences are not material to the consolidated financial statements and, accordingly, these unadjusted differences have no effect on our Independent Auditor's Report.

Draft Independent Auditor's Report

(See Attached)

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

Opinion

We have audited the consolidated financial statements of Cape Breton Regional Municipality and its subsidiaries (the "Municipality"), on pages 2-26, which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of financial activities, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at March 31, 2023, and the results of its consolidated financial position, changes in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on pages 27 - 33 is presented for the purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion on the audit of the consolidated financial statements as a whole.

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

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

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

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

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

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

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

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

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

Sydney, Nova Scotia

Chartered Professional Accountants

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

We have audited the financial statements of Cape Breton Regional Municipality Water Utility (the "Water Utility"), which comprise the statement of financial position as at March 31, 2023, and the statements of financial activities, operating fund surplus, change in cash - depreciation reserve, accumulated allowance for depreciation, investment in capital assets, special reserve and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water Utility as at March 31, 2023, and the results of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Sydney, Nova Scotia

Chartered Professional Accountants

Management Representations

(See Attached)

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

October 28, 2024

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

To Whom It May Concern:

In connection with your audit of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") as at March 31, 2023 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

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

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

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 6, 2023, for the preparation and fair presentation of the Municipality's consolidated financial statements in accordance with Canadian public sector accounting standards. We believe these consolidated financial statements are complete and present fairly, in all material respects, the financial position of the Municipality as at March 31, 2023 and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards.
2. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Municipality's consolidated financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the consolidated financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the consolidated financial statements.

4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.
5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.
6. The assumptions relevant to accounting estimates and disclosures appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
7. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of Canadian public sector accounting standards.
8. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.
9. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the consolidated financial statement effects of the entries.
10. We believe the effects of those uncorrected consolidated financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. A summary of these differences has been attached to this written representation.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
12. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the consolidated financial statements.
13. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the consolidated financial statements in accordance with Canadian public sector accounting standards.

14. All liabilities, both known and contingent, requiring recognition or disclosure in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
15. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
16. All assets, wherever located, to which the Municipality had satisfactory title at the year-end, have been fairly stated and recorded in the consolidated financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the consolidated financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the consolidated financial statements.
17. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the consolidated financial statements.
18. All cash accounts have been appropriately recorded in the consolidated financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.
19. Accounts and contributions receivable are correctly described in the records and represent valid claims as at March 31, 2023. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
20. Inventory is correctly recorded in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.
21. All charges to tangible capital assets and additions under capital leases represent capital expenditures. No expenditures of a capital nature were charged to operations of the Municipality. Amortization of tangible capital assets and equipment under capital leases has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the consolidated financial statements.
22. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.
23. All long-term debt and capital lease obligations has been appropriately recorded in the consolidated financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt and capital lease obligations is appropriately classified. All terms and conditions have been fully disclosed in the consolidated financial statements. We have provided you with the most current debt and financing agreements.
24. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Municipality is not entitled to the proceeds.

25. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards.
26. We have identified all asset retirement obligations and the costs associated with the retirement of the assets have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards..
27. We have identified all known or potential contaminated sites and the costs associated with the remediation of these sites have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards.

Information Provided

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

9. The previous year's representation letter dated October 25, 2022 is still applicable to the prior year's consolidated financial statements, and no matters have arisen that require restatement of those consolidated financial statements.
10. There are no discussions with your firm's personnel regarding employment with the Municipality.

Professional Services

1. We acknowledge the engagement letter dated July 6, 2023, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Municipality's audit.

Sincerely,

Cape Breton Regional Municipality

Signature

Title

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

October 28, 2024

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

To Whom It May Concern:

In connection with your audit of the financial statements of Cape Breton Regional Municipality Water Utility (the "Water Utility") as at March 31, 2023 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

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

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

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 6, 2023, for the preparation and fair presentation of the Water Utility's financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia. We believe these financial statements are complete and present fairly, in all material respects, the financial position of the Water Utility as at March 31, 2023 and the results of its operations and its cash flows, in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Water Utility's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia, and are applied consistently throughout the financial statements.

4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.
5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.
6. The assumptions relevant to accounting estimates and disclosures appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
7. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
8. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.
9. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.
10. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these differences has been attached to this written representation.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
12. All events or transactions that have occurred subsequent to the statement of financial position and for which Accounting and Reporting Handbook for Water Utilities in Nova Scotia require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.
13. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

14. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia have been adjusted or disclosed as appropriate.
15. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
16. All assets, wherever located, to which the Water Utility had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.
17. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.
18. All cash accounts have been appropriately recorded in the financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.
19. Accounts and contributions receivable are correctly described in the records and represent valid claims as at March 31, 2023. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
20. Inventory is correctly recorded in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.
21. All charges to tangible capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the Water Utility. Amortization of tangible capital assets has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.
22. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.
23. All long-term debt has been appropriately recorded in the financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt is appropriately classified. All terms and conditions have been fully disclosed in the financial statements. We have provided you with the most current debt and financing agreements.
24. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Water Utility is not entitled to the proceeds.

25. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
26. We have identified all asset retirement obligations and the costs associated with the retirement of the assets have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards..

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements, and related data and minutes of the meetings of Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the Water Utility and all related party relationships and transactions of which we are aware.
8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
9. The previous year's representation letter dated October 25, 2022 is still applicable to the prior year's financial statements, and no matters have arisen that require restatement of those financial statements.

10. There are no discussions with your firm's personnel regarding employment with the Water Utility.

Professional Services

1. We acknowledge the engagement letter dated July 6, 2023, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Water Utility's audit.

Sincerely,

Cape Breton Regional Municipality Water Utility

Signature

Title

Independence Communication

(See Attached)

October 28, 2024

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

Dear Sirs/Mesdames:

We have been engaged to audit the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") as at March 31, 2023 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Municipality and its related entities or persons in financial reporting oversight roles at the Municipality and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

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

We are not aware of any relationship between the Municipality and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from November 7, 2022 to October 28, 2024.

We hereby confirm that MNP is independent with respect to the Municipality within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Nova Scotia as of October 28, 2024.

The total fees charged to the Municipality during the period from November 7, 2022 to October 28, 2024 for audit services were \$75,000 and for indirect tax services were \$5,000.

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

Sincerely,

