

Audit Committee

Agenda

Wednesday, September 29, 2021

10:00 a.m.

**VIA
VIDEO CONFERENCING**

Committee Members: Deputy Mayor Earlene MacMullin, Chair
Councillor Cyril MacDonald
Councillor Glenn Paruch
Councillor Steve Parsons, Vice-Chair
Councillor Lorne Green
Mark Galley, Citizen Appointee
Rakesh Kochhar, Citizen Appointee

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CBRM Audit Committee

Agenda

Wednesday, September 29, 2021

10:00 a.m.

Via
Video/Teleconferencing

Roll Call

1. **Approval of Minutes:** (previously distributed)
 - July 6th, 2021
2. **Approval of Agenda:** (Motion Required)
3. **Presentations:**
 - a) **Annual Financial Report - Year Ended March 31, 2021:** Jennifer Campbell, Chief Financial Officer (See page 4)
 - i. **Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2021:** (See page 33)
 - ii. **Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2021:** (See page 67)
 - b) **Audit Findings Report to the Audit Committee for Year Ended March 31, 2021:** Mr. Darren Chiasson, CPA, CA – MNP Partner, Business Advisor (See page 83)
 - c) **Draft Management Letter:** Mr. Darren Chiasson, CPA, CA – MNP Partner, Business (to be provided at the meeting)
4. **Audit Services – Request for Proposals:** Jennifer Campbell, Chief Financial Officer (See page 89)

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

Adjournment



CAPE BRETON
REGIONAL MUNICIPALITY

Annual Financial Report

Year Ended March 31, 2021

Cape Breton Regional Municipality

Year ended March 31, 2021

CAPITAL HIGHLIGHTS

- \$42m in Capital Project work
 - \$38.5m – Municipal
 - Waste water treatment plants
 - Underground infrastructure
 - Roads and sidewalks
 - Glace Bay Miners Forum
 - Sydney Fire Station
 - Transit Fleet
 - \$2.8m - Water

POLICY/PLANNING HIGHLIGHTS

- CBRM Forward underway!
- Police Review

OPERATING HIGHLIGHTS

- Corona Virus Pandemic - March 2020-present
 - Safe restart funding – operating reserves in tact
 - Ongoing uncertainty of tax base implications
 - Uninterrupted service delivery
 - Infection free-workplace
 - \$42M operating loan
- Unanticipated Provincial cost sharing requirements
- Unseasonal Winter
- Deed Transfer Tax!
- Repayment of Compost Screening Plant Lease

OPERATING RESULTS

- CBRM Operating Fund Surplus \$3.9m
- Water Utility Operating Fund Surplus \$2.6m*



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, 2021

Cape Breton Regional Municipality Schedule of Operating Fund (Council)

	Actuals	Budget	
	2020/21	2020/21	Variance
Revenue			
Total Taxes	\$ 114,286,696	\$ 112,388,973	\$ 1,897,723
Total Federal Government	3,244,187	3,150,525	93,662
Total Federal Government Agencies	771,167	771,168	(1)
Total Provincial Government	2,114,939	2,300,284	(185,345)
Total Provincial Government Agencies	3,388,601	3,315,481	73,120
Total Services to Other Local Government	948,683	958,415	(9,732)
Total Transit	256,713	147,500	109,213
Total Environmental Development Services	296,473	246,200	50,273
Total Licenses & Permits	129,786	151,000	(21,214)
Total Fines & Fees	689,589	474,218	215,371
Total Rentals	584,062	587,162	(3,100)
Total Concessions & Franchises	68,982	280,000	(211,018)
Total Interest on Taxes	1,358,983	1,949,700	(590,717)
Total Finance Revenue	30,083	22,500	7,583
Total Solid Waste Revenue	2,366,479	2,050,000	316,479
Total Recreation & Cultural Service Programs	661,295	1,161,500	(500,205)
Total Water Utility Charges	4,951,510	4,951,510	(0)
Total Unconditional Transfers	15,789,117	15,835,838	(46,721)
Total Conditional Transfers	404,921	3,474,797	(3,069,876)
Total Extraordinary Revenue (Pandemic Recovery)	3,918,775	-	3,918,775
Total Revenue	\$ 156,261,041	\$ 154,216,771	\$ 2,044,270
	Actuals	Budget	
	2020/21	2020/21	Variance
Expenditures			
Legislative	\$ 1,317,996	\$ 1,417,019	\$ 99,023
Administration	454,226	454,909	683
Finance	2,630,667	2,805,328	174,661
Legal	1,935,312	2,045,519	110,207
Human Resources	1,108,960	1,312,790	203,830
Technology & Communications	3,093,707	3,216,010	122,303
Municipal Clerk	867,006	868,632	1,626
Fiscal Services	33,637,765	33,356,695	(281,070)
Police Services	24,898,105	25,765,802	867,697
Fire Services (Incl EMO)	18,329,775	17,982,995	(346,780)
Engineering & Public Works	50,199,795	49,785,036	(414,759)
Planning	2,976,105	3,319,283	343,178
Facilities: Centre 200 & Arenas	2,693,945	3,084,608	390,663
Parks & Grounds	2,610,277	2,899,912	289,635
Buildings	3,296,629	3,275,411	(21,218)
Recreation	2,297,978	2,626,822	328,844
Total Expenditures	\$ 152,348,247	\$ 154,216,771	\$ 1,868,524
Year End Surplus / (Deficit)	\$ 3,912,793		

Revenues

**Exceeded Budget
\$2,044,270**

Tax Revenue	2020/21 Actuals	2020/21 Budget	Variance
Taxes on Assessment			
Residential Tax	75,896,997	75,532,738	364,259
Commercial Tax	31,182,666	31,311,216	(128,550)
Resource Tax	1,481,495	1,486,216	(4,721)
Commercial Area Rates (Fire/Sewer-Bylaw)	1,489,226	1,489,226	-
Total Taxes on Assessment	110,050,384	109,819,396	230,988
Bell	479,143	479,143	-
Wind Turbine	215,734	215,434	300
Deed Transfer Tax	3,541,435	1,875,000	1,666,435
Total Tax Revenue	114,286,696	112,388,973	1,897,723

• Deed Transfer Tax
\$3.5m!

Revenue	Actuals 2020/21	Budget 2020/21	Variance
Total Taxes	\$ 114,286,696	\$ 112,388,973	\$ 1,897,723
Total Federal Government	3,244,187	3,150,525	93,662
Total Federal Government Agencies	771,167	771,168	(1)
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Total Revenue	\$ 156,261,041	\$ 154,216,771	\$ 2,044,270

Actual Transit Revenues
2019-20 were \$1.7M

COVID-19
Gathering limit
restrictions

Planned use of
operating reserve not
required due to
Safe Restart Funding

Expenditures

**Under budget
\$1,868,524**

- Pier overpass
- J-Class Roads Program
(\$1.0M)
- Divisional Operations
- Winter Maintenance
\$1.4M
- Street Lights
(\$290K)

Expenditures	Actuals 2020/21	Budget 2020/21	Variance
Legislative	★ 1,317,996	\$ 1,417,019	\$ 99,023
Administration	454,226	454,909	683
Finance	★ 2,630,667	2,805,328	174,661
Legal	1,935,312	2,045,519	110,207
Human Resources	★ 1,108,960	1,312,790	203,830
Technology & Communications	★ 3,093,707	3,216,010	122,303
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Police Services	★ 24,898,105	25,765,802	867,697
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Buildings	3,296,629	3,275,411	(21,218)
Recreation	★ 2,297,978	2,626,822	328,844
Total Expenditures	\$ 152,348,247	\$ 154,216,771	\$ 1,868,524

Temporary staff vacancies
\$2.3M

COVID-19 Restrictions on events/programming
\$700K

Nearly all departments reported lower than budgeted expenses. This is largely due to unexpected, temporary staff vacancies and delays in filling positions, in addition to prolonged impacts of COVID on operations and programming.

Cape Breton Regional Municipality

Reconciliation of Budget, Forecast and Results
(Council)

Reconciliation of Budget, Forecast and Results	2020/21
Approved Budget Shortfall 2020/21 (Operating Reserves to balance)	★ (2,500,000)
Unbudgeted revenues	
Safe restart funding	3,900,000
Deed transfer tax	1,700,000
Tipping Fees	300,000
Unbudgeted Expenditures	
Whitney Pier Overpass	(400,000)
J-Class Roads	(600,000)
Projected Operating Surplus for 2020/21 at budget deliberations	★ 2,400,000
Winter/Divisional Operations (underbudget)	1,500,000
Final Operating Surplus for 2020/21	➔ 3,900,000

**COVID-19
Safe Restart Funding**

COVID Impacts on Operations	Actual Revenues 2020-21	Pre-Covid Budget	COVID Impacts 2020-21	Anticipated Impact
Revenues				
ByLaws	140,037	421,000	280,963	210,500
Permits	296,083	246,200	-	100,000
Police	311,186	415,000	103,814	186,750
Recreation	534	48,500	47,966	10,000
Facilities	852,172	2,228,500	1,376,328	317,000
Transit	258,111	1,685,000	1,426,889	842,500
Tipping	1,998,628	2,200,000	201,372	330,000
Deed Transfer Tax	3,541,437	2,500,000	-	937,500
Direct Covid-Related Revenue Losses			3,437,332	2,934,250
Direct Covid-Related Expenditures			1,218,721	1,080,000
Total Covid Impacts			4,656,053	4,014,250
Restart Funding Received			3,939,632	
Excess of losses over funding			(716,421)	

Estimated revenue losses and costs associated with Covid exceeded what was anticipated. The Safe-restart funding resulted in the recovery of only 85% of actual losses.

CBRM Operating (Council)

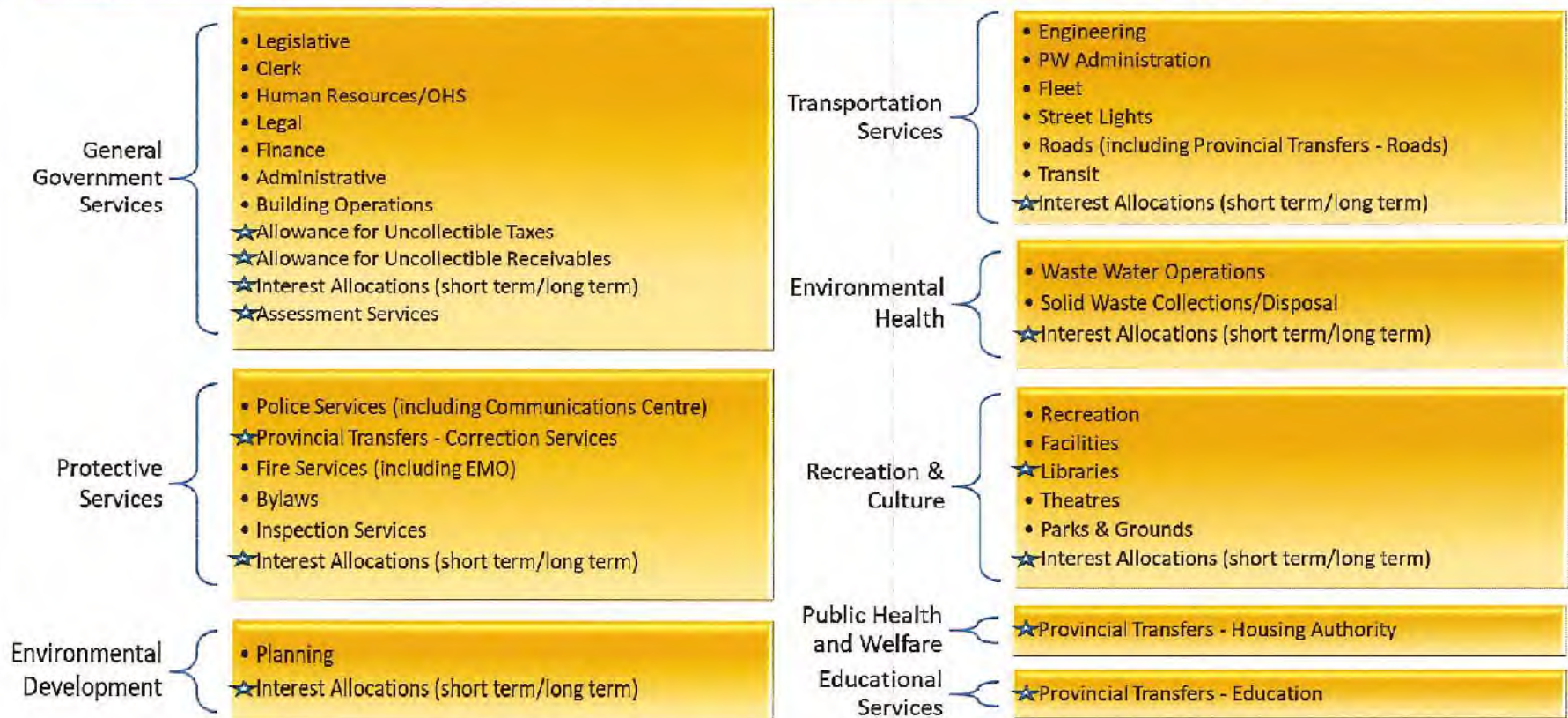


FRAM



PSAB Presentation

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



**CBRM Operating
(Council)**



FRAM



**PSAB
Presentation**

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

Financing & Transfers

- ★ Debenture Principal Repayments
- ★ Amortization of Bond Discount
- ★ *Transfers to Special Reserve Fund*
- ★ *Transfers to Capital Fund*

ie. Operating surplus

ie. J-Class Road Contribution

	2021	2020
Annual Surplus, Council Format	3,912,794	105,715
Surplus transfer to operating reserve	(3,912,794)	(105,715)
Annual Surplus, FRAM	-	-

**CBRM Operating
(Council)**



FRAM



**PSAB
Presentation**

Legislative Requirements vs GAAP

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

CBRM (FRAM)

Accrued debenture interest

Vacation and sick benefit accrual

Retired landfill obligation

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

WATER UTILITY (UARB)

Capital Contributions

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

Depreciation

- PSAB: Expense
- UARB: Depreciation Reserve

CBRM Operating
(Council)



FRAM



PSAB
Presentation



Step 3: Adjust accruals recognized under PSAB.

	2021	2020
ANNUAL SURPLUS, FRAM	-	-
PSAB ADJUSTMENTS		
Decrease (increase) in Landfill closure liability	2,553	(659,015)
Decrease (increase) in accrued interest	158,207	58,700
Decrease (increase) in accrued sick benefits	19,631	(458,889)
Decrease (increase) in accrued vacation entitlements	(86,380)	(568,420)
CHANGE IN FUND BALANCE (PSAB)	94,011	(1,627,624)

PSAB FUND BALANCE COMPRISED OF:	2021	2020
Landfill closure liability	(54,566,462)	(54,569,015)
Interest accrual	(753,337)	(911,544)
Sick benefit accrual	(439,241)	(458,872)
Vacation accrual	(4,958,612)	(4,872,232)
	(60,717,652)	(60,811,663)

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Cape Breton Regional Municipality
Schedule of Operating Fund and Change in Fund Balance
For the year ended March 31, 2021

	2021	2020 (Restated)
REVENUES		
Taxes	\$ 114,286,666	\$ 111,263,160
Grants in lieu of taxes	9,518,694	9,263,380
Services provided to other governments	754,749	447,104
Sales of services	1,017,072	3,571,998
Revenue from own sources	10,221,054	13,866,357
Unconditional transfers from other governments	15,789,117	15,823,349
Conditional transfers from other governments	552,883	353,412
Disaster recovery	3,816,775	122,981
	156,069,080	154,708,751
EXPENSES		
General government services	16,101,127	15,132,027
Protective services	47,421,151	47,738,592
Transportation services	32,346,941	33,055,910
Environmental health services	16,306,648	17,233,045
Public health and welfare services	2,315,534	1,962,065
Environmental development services	981,767	1,145,375
Recreation and cultural services	8,702,965	10,554,941
Educational services	14,871,660	14,478,442
	139,060,093	141,300,417
Excess of revenues over expenses before the following	17,038,987	13,408,334
FINANCING AND TRANSFERS		
Debt service and term loan principal instalments	(10,179,869)	(10,200,069)
Transfer to special reserve funds	(5,243,667)	(3,943,594)
Transfer to general capital fund	(1,466,660)	(791,170)
Amortization of bond discount	(54,740)	(69,125)
	(16,944,936)	(15,003,958)
CHANGE IN FUND BALANCE	94,011	(1,627,624)
FUND BALANCE, BEGINNING OF YEAR	(60,811,663)	(59,184,039)
FUND BALANCE, END OF YEAR	\$ (60,717,652)	\$ (60,811,663)

Cape Breton Regional Municipality

Capital Fund

CBRM's Capital fund represent 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.

CBRM continues to invest in capital at a greater pace than assets are depreciating, however there is still much more work to be done.

Cape Breton Regional Municipality Capital Fund

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Cape Breton Regional Municipality Schedule of Capital Fund and Change in Fund Balance *For the year ended March 31, 2021*

	2021	2020
REVENUES		
Capital grants	\$ 18,156,360	\$ 17,663,510
EXPENSES		
General government services	240,093	222,849
Protective services	1,691,182	1,904,351
Transportation services	8,510,372	7,809,943
Environmental health services	3,052,533	3,052,621
Recreation and cultural services	2,390,314	1,925,238
Planning and development services	399,179	313,247
	16,283,673	15,228,449
Excess of revenues over expenses before the following	1,872,687	2,435,061
FINANCING AND TRANSFERS		
Transfer from reserve funds	8,687,259	12,604,324
Transfer from general operating fund	1,486,880	791,170
Transfer from water operating fund	650,000	650,000
Debt and term loan principal instalments	10,179,869	10,200,089
	20,963,868	24,245,563
CHANGE IN FUND BALANCE	22,836,495	26,680,624
FUND BALANCE, BEGINNING OF YEAR	245,664,358	218,983,734
FUND BALANCE, END OF YEAR	\$ 268,500,853	\$ 245,664,358

Contributions from Provincial and Federal Governments
 \$10.7M - ICIP (Waste water)
 \$4.2M - Sydney Cruise Berth
 \$1.7M - Glace Bay Miners Forum
 \$950K - PTAP/ATAP (Transit)
 \$550K - Other projects

Depreciation of assets

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

Debt Repayments during fiscal year

Cape Breton Regional Municipality

Capital, Funding & Debt

CBRM Capital Program 2020/21	Budget	Cost	Funding	Borrowing	Budgeted Borrowing	Variance
Land and buildings	\$ 1,710,000	\$ 1,753,815	\$ 555,926	\$ 1,202,889	\$ 610,000	\$ 592,889
Sydney Fire Station	-	3,271,708	3,271,708	-	-	-
Miners Forum	4,500,000	2,971,827	1,690,938	1,280,691	1,500,000	(219,309)
Sydney Cruise Berth	-	2,510,238	1,475,857	1,034,381	-	1,034,381
Fire Equipment/Apparatus	1,183,980	1,211,061	-	1,211,061	1,183,980	27,081
Streets and Sidewalks	7,635,000	7,757,198	7,571,002	86,196	100,000	(13,804)
Fleet Replacement	1,600,000	1,487,560	781,960	705,600	950,000	(244,400)
Waste Water/Storm Water	29,008,676	15,581,096	13,923,939	1,651,157	3,466,657	(1,815,510)
Parks, Grounds and Arenas	5,000,000	492,617	71,387	421,230	1,000,000	(578,770)
Active Transportation	1,000,000	-	-	-	333,333	(333,333)
Transit	2,200,000	1,481,814	1,481,814	-	-	-
Total	\$53,838,656	\$ 38,523,734	\$ 30,930,529	\$ 7,593,205	\$ 9,143,980	\$ (1,550,775)

Debt Repaid	\$ (10,179,869)
New Debt	\$ 7,593,205
Debt Reduction	\$ (2,586,664)

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Cape Breton Regional Municipality Schedule of Long-term Debt For the year ended March 31, 2021

Term (years)	Interest rate - %	Matures	Balance March 31/20	Issued	Redeemed	Balance March 31/21	
General Fund							
M.F.C.							
30-B-1	10	1.550-3.870	2020	\$ 2,214,600	\$ -	\$ 2,214,600	\$ -
31-A-1	10	1.219-3.645	2021	2,906,000	-	1,453,000	1,453,000
32-B-1	10	0.000-3.160	2022	1,139,100	-	379,700	759,400
33-B-1	10	0.000-3.814	2023	1,873,072	-	468,269	1,404,803
34-B-1	10	1.200-3.190	2024	6,650,000	-	1,330,000	5,320,000
35-A-1	10-20	1.040-3.449	2030	3,960,000	-	560,000	3,400,000
36-A-1	10	1.150-2.506	2026	4,370,800	-	624,400	3,746,400
37-A-1	10	1.734-3.073	2027	6,619,200	-	827,400	5,791,800
38-A-1	10	2.490-3.389	2028	10,777,499	-	1,197,500	9,579,999
FCM-1	10	2.250	2028	900,000	-	100,000	800,000
39-A-1	10	2.015 - 2.561	2029	10,250,000	-	1,025,000	9,225,000
				51,660,271	-	10,179,869	41,480,402

Long Term Debt - Capital Projects	2020/21	2019/20
Current Long Term Debt, Financial Statements	\$ 41,480,402	\$ 51,660,271
Short term borrowing (18/19 capital projects)	8,808,139	8,808,139
Short term borrowing (19/20 capital projects)	11,133,693	11,133,693
Short term borrowing (20/21 capital projects)	7,593,205	
Balance of Total Debt	\$ 69,015,439	\$ 71,602,103
Change in Total Debt	\$ (2,586,664)	

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, 2021

	2021	2020 (Restated)
REVENUES		
Investment income	\$ 121,583	\$ 305,388
Sale of properties	666,484	-
Grants	9,792,899	12,843,422
	<u>10,580,966</u>	<u>13,148,821</u>
FINANCING AND TRANSFERS		
Transfer from operating fund	5,243,687	3,943,594
Transfer to capital funds	(8,867,259)	(12,604,324)
	<u>(3,423,572)</u>	<u>(8,660,730)</u>
CHANGE IN FUND BALANCE	<u>7,157,394</u>	<u>4,488,091</u>
FUND BALANCE, BEGINNING OF YEAR		
As previously reported	16,508,714	12,114,432
Restatement	(1,845,449)	(1,939,241)
As restated	<u>14,663,265</u>	<u>10,175,191</u>
FUND BALANCE, END OF YEAR	<u>\$ 21,820,659</u>	<u>\$ 14,663,282</u>

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

Transfers from operating fund include:

- Current year surplus
- Residual election surplus
- Unspent municipal grants funding
- J-Class Road/Pier Overpass contribution not yet billed

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

Cape Breton Regional Municipality

Schedule of Operating Fund/Reserve Fund Restatement of Prior Year

- Recognition of housing accrual in CBRM's Operating Fund creates an operating deficit in the fiscal year in which the accrual relates (March 31, 2012).
- As s.3(5)(b) of FRAM requires the transfer of an operating surplus to operating reserve, the actual surplus subsequently transferred was higher than if the accrual was recorded.
- Therefore, in restating the March 31, 2020 fund balance, the offset to the liability is a transfer from operating reserve as shown below:

	CBRM Operating Fund	CBRM Reserve Fund
March 31, 2020 restatement		
Housing Accrual Adjustment	(1,845,449)	-
Transfer from operating reserve	1,845,449	↔ (1,845,449)
Net impact on fund balance	-	(1,845,449)



CAPE BRETON
REGIONAL MUNICIPALITY



CBRM Water Utility

Operating, Capital and Reserve Funds

Year Ended March 31, 2021

Cape Breton Regional Municipality Water Utility – Operating Fund

Water Utility Consolidated (UARB)

Cape Breton Regional Municipality Water Utility
Statement of Financial Activities – Operating Fund
For the year ended March 31, 2021

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	2021	2020
	Budget: (Unaudited)	Actual (Restated)
OPERATING REVENUES		
Metered sales	\$ 19,575,523	\$ 19,353,217
Public fire protection	7,076,391	7,076,391
Consumer's interest	350,000	508,992
Service connections	66,000	7,600
	27,067,914	26,991,896
OPERATING EXPENSES		
Source of supply	526,753	419,384
Power and pumping	2,140,912	1,820,037
Water treatment	4,262,778	4,236,048
Transmission and distribution	4,814,145	4,713,697
Administration and general	3,078,819	2,775,844
Depreciation	3,850,000	3,695,302
Taxes	2,000,000	1,987,081
	20,673,445	19,697,393
Excess of operating revenues over expenses before the following	6,394,469	7,294,493
NON-OPERATING REVENUES		
Amortization of deferred capital contributions	287,171	298,504
NON-OPERATING EXPENSES		
Debt charges		
Provision for principal repayment	3,564,500	3,564,500
Interest	1,209,151	1,209,151
Amortization of debt discounts	732,000	32,545
Bank fees/charges	150,000	6,042
Capital expenditures out of operations	200,000	150,000
	5,155,651	4,962,238
CHANGE IN FUND BALANCE	\$ 1,526,989	\$ 2,630,759

Difference is in how amortization of deferred contribution of \$298,504 is reported

CBRM Consolidated (PSAB)

Cape Breton Regional Municipality
Statement of Financial Activities – Operating Fund
For the year ended March 31, 2021

Pg. 61

	2021	2020
		(Restated)
OPERATING REVENUES		
Metered sales	\$ 19,353,217	\$ 18,480,975
Public fire protection	7,076,387	7,076,391
Consumer's interest	554,662	508,992
	26,984,266	26,066,359
OPERATING EXPENSES		
Source of supply	419,384	379,433
Power and pumping	1,820,037	1,801,046
Water treatment	4,286,048	4,371,030
Transmission and distribution	4,063,697	3,964,000
Administration and general	2,775,844	2,715,573
Taxes	1,987,081	1,985,957
	15,352,091	15,217,039
Excess of revenues over expenses before the following	11,632,195	10,849,320
NON-OPERATING REVENUES		
Miscellaneous	7,802	6,972
NON-OPERATING EXPENSES		
Interest on debentures	1,209,151	1,348,484
Amortization of debt discounts	32,545	37,112
Other	6,042	282,546
Transfer to water capital fund	7,409,602	7,359,944
Transfer to general capital fund	650,000	650,000
	9,307,540	9,678,066
CHANGE IN FUND BALANCE	2,332,257	1,176,206
FUND BALANCE, BEGINNING OF YEAR		
As previously reported	5,954,756	3,444,515
Restatement	(1,718,662)	(386,627)
	4,236,094	3,057,888
FUND BALANCE, END OF YEAR	\$ 6,568,351	\$ 4,236,094

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

Water Utility Consolidated (UARB)

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Cape Breton Regional Municipality Water Utility
Statement of Operating Fund Surplus (Deficit)
For the year ended March 31, 2021

	2021	2020 (Restated)
SURPLUS (DEFICIT), BEGINNING OF YEAR		
As previously reported	\$ 1,074,805	\$(1,722,609)
Restatement (note 4)	* (1,718,661)	(386,627)
As restated	(643,856)	(2,109,236)
Change in fund balance	2,630,759	1,465,380
SURPLUS (DEFICIT), END OF YEAR	\$ 1,986,903	\$ (643,856)

CBRM Consolidated (PSAB)

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Operations -- Operating Fund
Year ended March 31, 2021 with comparatives for 2020

	2021	2020
CHANGE IN FUND BALANCE	2,332,257	1,178,206
FUND BALANCE, BEGINNING OF YEAR		
As previously reported	5,954,756	3,444,515
Restatement	(1,718,662)	(386,627)
	4,236,094	3,057,888
FUND BALANCE, END OF YEAR	\$ 6,568,351	\$ 4,236,094

	2021	2020 (Restated)
Block 2 Rate Adjustment	(629,612)	(386,627)
Correction of Estimate	(1,089,049)	-
Total Restatement	* (1,718,661)	(386,627)

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

Cape Breton Regional Municipality

Water Utility Change in Fund Balance - Capital Fund

Water Utility Consolidated (UARB)

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Statement of Investment in Capital Assets
For the year ended March 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 83,009,775	\$ 79,295,275
Term debt retired	3,564,500	3,564,500
Capital out of operations	150,000	150,000
BALANCE, END OF YEAR	\$ 86,724,275	\$ 83,009,775

Total \$3,714,500

- Capital Projects funded through depreciation reserve
- NO New Debt
- Debt Balance **\$25,501,500**

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Cape Breton Regional Municipality Water Utility
Schedule B - Capital Debt Charges
For the year ended March 31, 2021

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2020	Issued	Redeemed	Balance March 31, 2021
Municipal Finance Corporation							
27-A-1	2007	2022	4.745 - 4.770	\$ 7,318,000	\$ -	\$ 914,500	\$ 6,403,500
28-A-1	2008	2023	4.949 - 5.088	6,300,000	-	700,000	5,600,000
30-A-1	2010	2025	4.500 - 4.875	8,250,000	-	750,000	7,500,000
33-A-1	2013	2023	2.454 - 2.979	3,200,000	-	600,000	2,600,000
34-A-1	2014	2029	2.516 - 3.792	4,000,000	-	400,000	3,600,000
				\$ 29,068,000	\$ -	\$ 3,564,500	\$ 25,503,500

CBRM Consolidated (PSAB)

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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, 2021

	2021	2020
REVENUES		
Capital grants	\$ -	\$ -
EXPENSES		
Amortization	3,695,302	3,645,444
Deficiency of revenues over expenses before the following	(3,695,302)	(3,645,444)
FINANCING AND TRANSFERS		
Transfer from water operating fund	7,409,802	7,359,944
CHANGE IN FUND BALANCE	3,714,500	3,714,500
FUND BALANCE, BEGINNING OF YEAR	92,905,480	89,190,980
FUND BALANCE, END OF YEAR	\$ 96,619,980	\$ 92,905,480

Change in fund balances equal under each standard. Difference in accumulated fund balances due to accounting treatment for previously recognized capital contributions.

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

Water Utility Consolidated (UARB)

Pg.77

Cape Breton Regional Municipality Water Utility Statement of Special Reserve For the year ended March 31, 2021

					2021	2020
	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 54,981	\$ 930,102	\$ 336,915	\$ 716,245	\$ 2,038,243	\$ 2,028,728
Interest on investments	397	6,757	2,779	-	9,933	9,515
BALANCE, END OF YEAR	\$ 55,378	\$ 936,859	\$ 339,694	\$ 716,245	\$ 2,048,176	\$ 2,038,243

CBRM Consolidated (PSAB)

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Cape Breton Regional Municipality Statement of Water Utility Reserve Funds and Change in Fund Balance For the year ended March 31, 2021

	2021	2020
REVENUES		
Investment income	\$ 9,933	\$ 9,515
CHANGE IN FUND BALANCE	9,933	9,515
FUND BALANCE, BEGINNING OF YEAR	2,038,243	2,028,728
FUND BALANCE, END OF YEAR	\$ 2,048,176	\$ 2,038,243

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

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

Cape Breton Regional Municipality
Schedule of Port of Sydney Development Corporation Operating Fund and
Change in Fund Balance
For the year ended March 31, 2021

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	Budget	2021	2020
	(Unaudited)		
REVENUES			
Wharfage and berthage	\$ 630,490	\$ 352,977	\$ 661,047
Passenger tax	1,426,131	-	1,322,404
Events	88,136	15,516	287,529
Security	319,082	56,425	271,885
Storage and rental	309,371	103,903	228,088
Craft market	87,945	-	87,728
Sundry	55,300	7,466	120,566
Government funding	9,000	483,754	535,543
	<u>2,925,454</u>	<u>1,020,041</u>	<u>3,514,790</u>
EXPENSES			
Advertising and promotion	63,930	10,889	210,243
Bad debts	1,500	-	-
Business development harbor	-	-	-
Cruise activities	111,550	1,588	34,915
Dues and fees	39,226	26,131	39,477
Events	4,400	870	128,220
Insurance	107,000	52,409	84,604
Interest and bank charges	6,870	3,168	16,492
Miscellaneous	57,800	4,465	22,120
Office and administration	41,245	7,877	23,166
Professional fees	105,800	58,215	88,878
Rent	62,320	47,960	52,320
Repairs and maintenance	730,451	27,570	461,023
Security	227,461	35,230	199,812
Travel	45,755	1,886	29,910
Utilities	227,200	127,432	195,141
Wages and benefits	995,791	524,333	971,167
	<u>2,817,999</u>	<u>930,023</u>	<u>2,555,490</u>
Excess of revenues over expenses before the following	107,455	90,018	959,300
Amortization of capital assets	(350,000)	(419,438)	(464,448)
CHANGE IN FUND BALANCE	\$ (242,545)	(329,420)	494,852
FUND BALANCE, BEGINNING OF YEAR		4,856,954	4,364,102
FUND BALANCE, END OF YEAR		\$ 4,529,534	\$ 4,858,954

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.

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, 2021

	CBRM			CBRW			PSDC	Total
	Operating	Capital	Reserve	Operating	Capital	Reserve	Operating	
Fund Balance, Beginning of Year								
As previously Reported	(60,811,663)	245,664,358	16,508,714	5,954,756	92,905,480	2,038,243	4,858,954	307,118,842
Restatement			(1,845,449)	(1,718,652)				(3,564,111)
As restated	(60,811,663)	245,664,358	14,663,265	4,236,094	92,905,480	2,038,243	4,858,954	303,554,731
Change in Fund Balance	94,011	22,836,495	7,157,394	2,332,257	3,714,500	9,933	(329,420)	35,815,170
Fund Balance, End of Year	(60,717,652)	268,500,853	21,820,659	6,568,351	96,619,980	2,048,176	4,529,534	339,369,901

	Budget (Unaudited)	2021	2020 (Restated)
REVENUES			
Taxes	\$ 112,388,973	\$ 114,286,898	\$ 111,253,180
Grants in lieu of taxes	9,537,453	9,516,894	9,263,360
Services provided to other governments	794,993	794,749	447,104
Sales of services	1,331,500	1,017,072	3,571,998
Revenue from own sources	5,471,562	5,269,584	8,914,647
Unconditional transfers from other governments	15,935,833	16,208,117	15,823,349
Conditional transfers from other governments	930,135	616,437	683,955
Capital grants	-	27,949,259	30,505,932
Water Utility revenue	19,991,523	19,915,495	16,966,942
Investment income	-	131,516	314,914
Port of Sydney Development Corporation	2,825,453	536,287	2,879,247
Gain on sale of properties	-	686,484	-
Disaster recovery	-	3,918,775	122,991
	169,207,443	200,830,365	203,088,819
EXPENSES			
General government services	19,639,812	16,341,235	15,354,876
Protective services	42,295,199	42,035,942	42,566,552
Transportation services	37,969,500	40,859,313	40,845,853
Environmental health services	18,380,221	18,359,481	20,285,868
Public health and welfare services	2,003,831	2,315,534	1,982,067
Environmental development services	1,287,105	881,767	1,145,375
Recreation and cultural services	10,566,952	11,093,279	12,460,179
Planning and development services	-	399,179	313,247
Educational services	14,871,860	14,871,860	14,478,442
Port of Sydney Development Corporation	2,812,669	1,349,461	3,019,938
Water Utility expenses	13,231,088	15,311,078	15,542,003
	163,005,465	164,927,927	166,014,416
Excess of revenues over expenses before the following	6,201,975	35,902,438	36,074,401
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(128,000)	(67,285)	(188,237)
CHANGE IN FUND BALANCES	\$ 6,073,975	35,835,153	34,886,164
FUND BALANCES, BEGINNING OF YEAR			
As previously reported		307,118,842	270,942,452
Restatement (note 19)		(3,564,094)	(2,325,868)
As restated		303,554,748	268,616,584
FUND BALANCES, END OF YEAR		339,369,901	303,554,748

Cape Breton Regional Municipality

Other Schedules

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Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Council
and Chief Administrative Officer
For the year ended March 31, 2021

Council	Annual Remuneration	Travel Expenses
D. Bruckschwaiger	\$ 50,389	\$ 427
C. Clarke (Mayor)	89,744	3,727
I. Doncaster (Deputy Mayor)	33,756	-
J. Edwards	19,690	365
L. Green	19,690	313
S. Gillespie	50,389	-
C. MacDonald	19,690	922
E. MacDonald	50,389	-
G. M. MacDonald	30,699	-
G. D. MacDonald	19,690	1,147
J. MacLeod	30,699	2,754
E. MacMullin (Deputy Mayor)	52,081	1,195
E. Marshall	30,699	527
A. McDougall (Mayor)	68,261	1,690
D. O'Quinn	19,690	415
S. Parsons	19,690	863
G. Paruch	19,690	-
R. Paruch	3,839	-
C. Prince	30,699	-
K. Tracey	19,690	313


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Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Senior Staff
For the year ended March 31, 2021

Senior Staff	Annual Remuneration	Reportable Expenses
D. Campbell	\$ 130,465	\$ 159
J. Campbell	131,991	175
D. Evely	89,077	92
D. Kachafanas	131,991	92
W. MacDonald	136,203	4,974
G. MacDougall	44,823	-
J. MacKinnon	187,993	92
P. MacIsaac	54,759	-
W. Murphy	131,991	3,271
M. Ruus	130,661	5,065
M. Seth	153,791	352
M. Walsh	226,560	1,336
R. Walsh	171,850	361

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	2020-21	2019-20	2018-19	2017-18
Reliance on Government Transfers	12.1%	12.1%	12.4%	12.6%
Uncollected Taxes	13.8%	14.8%	14.5%	17.7%
3 Year Change in Tax Base	9.0%	7.1%	8.8%	7.3%
Reliance on Single Business or Institution	1.6%	1.6%	1.7%	1.5%
Residential Tax Effort	3.0%	2.9%	2.8%	2.7%
# 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
Years with a Budget Accuracy within + or - 5% in the last five years	5 out of 5 years	5 out of 5 years	5 out of 5 years	5 out of 5 years
Liquidity 	3.0/1.5	1.3	1.2	1.1
Operating Reserve	9.7%	7.8%	6.1%	5.1%
Debt Service Cost	10.2%	10.3%	10.4%	14.3%
Outstanding Operating Debt	0.1%	8.2%	8.2%	12.0%
Undepreciated Assets	60.3%	60.5%	59.9%	61.5%
Combined Operating & Capital Reserves	15.0%	11.5%	8.7%	5.3%

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	15,602,556 = 129,444,799	12.1%	< 15% 15 - 20% > 20%
Indicative of the degree of reliance on government transfers to sustain services/programs.			The Municipality is not dependent on another level of government to meet its service obligations.	
Uncollected Taxes	Taxes Receivable (net of allowance) Total Taxes Billed	15,137,768 = 110,050,382	13.8%	< 10% 10 - 15% > 15%
Indicative of the degree of difficulty the Municipality is experiencing in its tax revenue collection.			The Municipality is experiencing challenges with its tax revenue collection.	
3-Year Change in Tax Base	Current UA - UA 3 years prior UA 3 years ago	402,604,540 = 4,476,548,983	9.0%	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.			The Municipality's tax base is strong to cover the cost of municipal services and programs.	
Reliance on Single Business/Institution	Taxable assessment value of largest business/institution Uniform Assessment	77,344,900 = 4,879,153,523	1.6%	< 10% 10 - 15% > 15%
Is Municipality dependant on the taxes of a single business/institution?			The Municipality is showing no vulnerability in this area.	
Residential Tax Effort	Residential Taxes / # dwelling units Median Household Income	1,598 = 53,833	3.0%	< 4% 4 - 6% > 6%
Helps Council assess the affordability of residential taxes in relation to current service levels.			The Municipality has some flexibility to increase tax rates if required.	
# of Deficits in the Last 5 Years	Surplus/ Deficit - 4 years ago Surplus/ Deficit - 3 years ago Surplus/ Deficit - 2 years ago Surplus/ Deficit - 1 year ago Surplus/ Deficit - Current Year	1,185,270 553,683 359,662 105,715 3,912,791	0 of 5	0 of 5 1 or more of 5 1 or more of 2
Indicative of the municipality's ability to meet its needs in a balanced manner and maintain a balanced budget as an indication of financial health.			The Municipality is able to meet its needs in a balanced manner and maintain a balanced budget.	

Cape Breton Regional Municipality Financial Condition Index (Draft)

Set by DMA

Indicator	Formula	Inputs	Value	Indicator Threshold
Years with a Budget Accuracy within + or - 5% in the last five years	4 years ago 3 years ago 2 years ago 1 year ago Current Year	4.4% 2.1% 2.5% 1.9% 4.3%	5 of 5	5 of 5, 4 of 5, < 4 of 5
Indicative of the municipality's ability to maintain expenditure spending within budget limits.			The Municipality consistently maintained expenditure spending within budget limits.	
Liquidity	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	$\frac{78,606,009}{26,174,457} =$	3.0	> 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	$\frac{\text{General Operating Reserve}}{\text{Total Expenses (including debenture payments)}}$	$\frac{12,581,123}{129,139,078} =$	9.7%	> 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	$\frac{\text{Principal/Interest on LTD}}{\text{Total Own Source Revenue}}$	$\frac{11,610,395}{113,842,243} =$	10.2%	< 10%, 10 - 15%, > 15%
Indicative of the flexibility to increase borrowing levels for future capital expenditures.			The Municipality has limited flexibility to increase borrowing.	
Outstanding Operating Debt	$\frac{\text{Total Operating Debt}}{\text{Total Net Taxes & PILT, GIL, Uncon. and Con. Transfers}}$	$\frac{99,071}{122,069,403} =$	0.1%	< 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	$\frac{\text{Total NBV of Capital Assets}}{\text{Total Gross Cost of Capital Assets}}$	$\frac{341,170,933}{565,673,104} =$	60.3%	> 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)	$\frac{\text{Total reserve fund balance}}{\text{Total operating expenses (Incl Depreciation)}}$	$\frac{21,820,659}{145,422,750} =$	15.0%	> 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, 2021

“No one can whistle a symphony.

It takes a whole orchestra to play it.”

H.E. Luccock

DRAFT

**Cape Breton Regional Municipality
Consolidated Financial Statements**

March 31, 2021

Independent Auditors' Report

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 on Pages 2 – 23 which comprise the consolidated statement of financial position as at March 31, 2021 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2021 and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Matters – Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on Pages 24 - 30 is presented for purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion on the audit of consolidated financial statements as a whole.

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

We also:

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

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

Sydney, Nova Scotia

Chartered Professional Accountants

**Cape Breton Regional Municipality
Consolidated Financial Statements**

For the year ended March 31, 2021

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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, 2021

	2021	2020 (Restated)
FINANCIAL ASSETS		
Cash and cash equivalents (note 2)	\$ 39,280,380	\$ -
Taxes receivable (note 3)	15,137,768	15,919,906
Accounts receivable (note 4)	18,047,114	20,361,584
Due from trust fund	-	2,698,321
	72,465,262	38,979,811
FINANCIAL LIABILITIES		
Cheques issued in excess of funds on deposit (note 2)	-	8,728,592
Accounts payable and accrued liabilities (note 5)	28,405,597	29,936,667
Accrued interest on long-term debt	753,337	911,544
Due from trust funds	10,818	-
Deferred revenue	318,359	109,720
Accrued employee benefits	6,991,705	6,949,107
Solid waste management facilities liabilities (note 6)	54,566,462	54,569,015
Capital lease (note 7)	110,985	175,133
Long-term debt (note 8)	109,234,798	80,726,271
	200,392,061	182,106,049
NET DEBT	(127,926,799)	(143,126,238)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	431,067,774	407,434,354
Work in progress	32,415,004	34,976,393
Properties acquired at tax sale	1,585,197	1,585,197
Inventory, prepaid expenses and other	2,228,725	2,685,042
	467,296,700	446,680,986
FUND BALANCES (note 10)	\$ 339,369,901	\$ 303,554,748

Contingencies (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

Mayor

Clerk

Cape Breton Regional Municipality
Consolidated Statement of Financial Activities
For the year ended March 31, 2021

	Budget (Unaudited)	2021	2020 (Restated)
REVENUES			
Taxes	\$ 112,388,973	\$ 114,286,696	\$ 111,253,160
Grants in lieu of taxes	9,537,458	9,518,894	9,263,380
Services provided to other governments	794,998	794,749	447,104
Sales of services	1,331,500	1,017,072	3,571,998
Revenue from own sources	5,471,562	5,269,584	8,914,847
Unconditional transfers from other governments	15,885,838	16,209,117	15,823,349
Conditional transfers from other governments	930,135	616,437	893,955
Capital grants	-	27,949,259	30,506,932
Water Utility revenue	19,991,523	19,915,495	18,996,942
Investment income	-	131,516	314,914
Port of Sydney Development Corporation	2,925,453	536,287	2,979,247
Gain on sale of properties	-	666,484	-
Disaster recovery	-	3,918,775	122,991
	<u>169,207,440</u>	<u>200,830,365</u>	<u>203,088,819</u>
EXPENSES			
General government services	19,639,812	16,341,235	15,354,876
Protective services	42,295,199	42,035,942	42,566,552
Transportation services	37,909,599	40,859,313	40,845,853
Environmental health services	18,380,221	19,359,481	20,285,866
Public health and welfare services	2,003,831	2,315,534	1,982,087
Environmental development services	1,297,106	991,767	1,145,375
Recreation and cultural services	10,588,952	11,093,279	12,480,179
Planning and development services	-	399,179	313,247
Educational services	14,871,660	14,871,660	14,478,442
Port of Sydney Development Corporation	2,817,999	1,349,461	3,019,938
Water Utility expenses	13,237,086	15,311,076	15,542,003
	<u>163,005,465</u>	<u>164,927,927</u>	<u>168,014,418</u>
Excess of revenues over expenses before the following	6,201,975	35,902,438	35,074,401
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(126,000)	(87,285)	(136,237)
CHANGE IN FUND BALANCES	<u>\$ 6,075,975</u>	<u>35,815,153</u>	<u>34,938,164</u>
FUND BALANCES, BEGINNING OF YEAR			
As previously reported		307,118,842	270,942,452
Restatement (note 19)		(3,564,094)	(2,325,868)
As restated		<u>303,554,748</u>	<u>268,616,584</u>
FUND BALANCES, END OF YEAR		<u>\$ 339,369,901</u>	<u>\$ 303,554,748</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, 2021

	2021	2020 (Restated)
CHANGE IN FUND BALANCES	\$ 35,815,153	\$ 34,938,164
Tangible capital assets		
Acquisition of tangible capital assets	(44,031,833)	(23,806,676)
Proceeds on disposal of tangible capital assets	666,484	-
Amortization of tangible capital assets	20,398,413	19,338,340
Gain on disposal of tangible capital assets	(666,484)	-
	(23,633,420)	(4,468,336)
Other non-financial assets		
Increase in work in progress	2,561,389	(26,029,029)
Decrease (increase) in inventory, prepaid expenses and other	456,317	(91,053)
	3,017,706	(26,120,082)
DECREASE IN NET DEBT	15,199,439	4,349,746
NET DEBT, BEGINNING OF YEAR	(143,126,238)	(147,475,984)
NET DEBT, END OF YEAR	\$ (127,926,799)	\$ (143,126,238)

See accompanying notes to consolidated financial statements.

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Cape Breton Regional Municipality
Consolidated Statement of Cash Flows

For the year ended March 31, 2021

	2021	2020 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	\$ 35,815,153	\$ 34,938,164
Items not involving cash		
Amortization of tangible capital assets	20,398,413	19,338,340
Gain on disposal of tangible capital assets	(666,484)	-
Change in non-cash working capital		
Decrease (increase) in taxes receivable	782,138	(731,137)
Decrease (increase) in accounts receivable	2,314,470	(2,311,268)
Decrease (increase) in inventory, prepaid expenses and other	456,317	(91,053)
Increase (decrease) in accounts payable and accrued liabilities and accrued interest	(1,689,277)	4,694,041
Increase (decrease) in solid waste management facilities liability	(2,553)	659,015
Increase (decrease) in deferred revenue	208,639	(140,251)
Increase in accrued employee benefits	42,598	1,006,544
	57,659,414	57,362,395
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due from trust fund	2,709,139	(1,493,875)
Issuance of long-term debt	42,252,896	10,250,000
Principal payments on long-term debt	(13,744,369)	(13,764,569)
Repayment of capital lease	(64,148)	(62,818)
	31,153,518	(5,071,262)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(44,031,833)	(23,806,676)
Proceeds on disposal of tangible capital assets	666,484	-
Decrease (increase) in work in progress	2,561,389	(26,029,029)
	(40,803,960)	(49,835,705)
INCREASE IN CASH AND CASH EQUIVALENTS	48,008,972	2,455,428
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(8,728,592)	(11,184,020)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 39,280,380	\$ (8,728,592)

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Basis of consolidation

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

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

(c) School boards

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

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

(d) Trust funds

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

(e) Fund accounting

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

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Basis of accounting

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

(g) Cash and cash equivalents

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

(h) Tangible capital assets

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Reserve funds

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

(j) Government transfers

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

(k) Deferred revenue

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

(l) Taxation and related revenues

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

(m) Port of Sydney Development Corporation revenue recognition

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

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

(n) Employee future benefits

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

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Use of estimates

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

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

	2021	2020
Operating funds	\$ 47,674,795	\$ 4,696,285
Reserves funds	28,486,722	27,357,632
Capital funds	(37,852,750)	(41,990,967)
Port of Sydney Development Corporation	971,613	1,208,458
	\$ 39,280,380	\$ (8,728,592)

3. TAXES RECEIVABLE

	2021	2020
Gross taxes receivable, beginning of year	\$ 17,723,084	\$ 17,072,049
Current year's levy of property taxes	110,266,117	107,638,608
Subtotal	127,989,201	124,710,657
Less		
Current year's collections	110,927,340	106,776,201
Reduced taxes	120,915	131,270
Allowance	(720,450)	80,102
Gross taxes receivable, end of year	17,661,396	17,723,084
Less		
Allowance for uncollectible taxes	2,523,628	1,803,178
Taxes receivable, net	\$ 15,137,768	\$ 15,919,906

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

4. ACCOUNTS RECEIVABLE

	2021	2020 (Restated)
Federal government	\$ 3,708,036	\$ 4,560,359
Provincial government	4,160,307	4,966,803
Due from general public	1,815,347	3,434,650
Water rates receivable	9,927,638	9,503,073
	<u>19,611,328</u>	<u>22,464,885</u>
Less allowance for doubtful accounts		
Operating	715,967	1,253,301
Water rates	848,247	850,000
	<u>1,564,214</u>	<u>2,103,301</u>
	<u>\$ 18,047,114</u>	<u>\$ 20,361,584</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade accounts payable	\$ 17,887,453	\$ 22,207,615
Payroll and related	1,461,847	1,376,022
Accrued liabilities	6,350,391	3,588,844
Tax sale trust	2,705,906	2,764,186
	<u>\$ 28,405,597</u>	<u>\$ 29,936,667</u>

6. 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.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

6. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES (CONTINUED)

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 \$54,566,462 (2020 - \$54,569,015). 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.

7. CAPITAL LEASE

	2021	2020
Bank of Montreal, 2.50%, repayable in monthly instalments of principal and interest of \$5,671 commencing December 2016, maturing November, 2022	\$ 110,985	\$ 175,133

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

Year ended March 31,		
2022	\$	68,058
2023		45,372
		113,430
Interest included in minimum payments		2,445
	\$	110,985

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2021

8. 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, 2021 are as follows:

2022	\$ 25,614,068
2023	28,733,568
2024	26,366,869
2025	6,814,300
2026	9,234,300

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Cape Breton Regional Municipality
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

9. TANGIBLE CAPITAL ASSETS

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 11,496,581	\$	\$ 11,496,581	\$ 11,381,450
Buildings				
General government services	9,507,664	3,487,547	6,020,117	6,077,573
Protective services	13,584,740	2,355,358	11,229,382	7,971,142
Transportation services	11,352,731	2,902,522	8,450,209	8,547,873
Environmental services	33,238,344	11,615,430	21,622,914	22,453,872
Recreation and cultural services	28,605,511	6,468,655	22,136,856	12,516,102
Industrial parks	1,084,104	529,610	554,494	581,597
	<u>97,373,094</u>	<u>27,359,422</u>	<u>70,013,972</u>	<u>58,148,159</u>
Equipment				
General government services	2,874,846	2,874,846	-	-
Protective services	18,525,470	16,471,201	2,054,269	2,193,028
Public works	42,195,012	29,945,293	12,249,719	10,037,963
Environmental health services	13,850,203	13,777,473	72,730	103,520
Recreation and cultural services	1,921,819	1,666,544	255,275	317,637
	<u>79,367,350</u>	<u>64,735,357</u>	<u>14,631,993</u>	<u>12,652,148</u>
Other				
General government services	742,494	742,494	-	-
Road transport	193,582,290	72,737,296	120,844,994	114,319,612
Environmental health services	109,444,976	30,324,282	79,120,694	79,597,409
Recreation and cultural services	24,677,677	22,414,013	2,263,664	2,557,776
Waterfront development	8,966,141	4,291,624	4,674,517	4,815,241
Downtown development	1,697,526	403,507	1,294,019	1,140,348
Wharf – Sydney Marine Terminal	6,074,628	1,494,476	4,580,152	778,297
Water utility assets	178,838,891	61,524,704	117,314,187	116,931,382
Part of Sydney Development Corporation assets	11,187,496	6,354,495	4,833,001	5,112,532
	<u>535,212,119</u>	<u>200,286,891</u>	<u>334,925,228</u>	<u>325,252,597</u>
	<u>\$ 723,449,144</u>	<u>\$ 292,381,370</u>	<u>\$ 431,067,774</u>	<u>\$ 407,434,354</u>

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2021

10. FUND BALANCES

	2021	2020 (Restated)
General operating fund	\$ (60,717,652)	\$ (60,811,663)
Water operating fund	6,568,351	4,236,094
General capital fund	268,500,853	245,664,358
Water capital fund	96,619,980	92,905,480
Port of Sydney Development Corporation	4,529,534	4,858,954
	<u>315,501,066</u>	<u>286,853,223</u>
Reserves set aside by council	23,868,835	16,701,525
	<u>\$ 339,369,901</u>	<u>\$ 303,554,748</u>

11. 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 2021 were \$4,657,655 (2020 - \$4,554,174) and are recognized as an expense in the period.

b) Defined Contribution Plan

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

The contribution for the year amounts to approximately \$141,402 (2020 - \$156,792).

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.

11. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The liability will be periodically adjusted based on triennial actuarial valuation and differences, if any, between the actuarially determined liability and the liability as otherwise determined. This adjustment will be charged to future operations.

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

d) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$195,772 (2020 - \$241,200).

12. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2021 are \$737,818 (2020 - \$51,103).

13. CONTINGENCIES

- a) As of March 31, 2021, 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, 2021 is \$1,218,349 (2020 - \$1,323,604).
- d) The Municipality has guaranteed working capital borrowing on behalf of Seaview Manor Corporation at March 31, 2021 up to \$200,000 (2020 - \$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, 2021, the Municipality is not in compliance with certain CCME requirements.

Cape Breton Regional Municipality

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

14. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS

(a) Cape Breton Island Housing Authority

The Municipality shared in the operations of the Authority for the year ended March 31, 2021 in the amount of \$2,157,152 (2020 - \$1,845,449).

(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, 2021, the Municipality's share of these costs was \$1,407,843 (2020 - \$1,400,386).

(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, 2021, the Municipality's contribution for these costs was \$1,070,466 (2020 - \$1,078,199).

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

The Municipality provided a mandatory contribution in the amount of \$14,871,660 (2020 - \$14,478,442) to the Cape Breton-Victoria Regional Centre for Education.

15. PORT OF SYDNEY DEVELOPMENT CORPORATION TRUST

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

As of March 31, 2021, \$476,429 (2020 - \$1,112,181) is being held in trust.

16. FINANCIAL INSTRUMENTS

(a) Fair values

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

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

16. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk

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

(c) Interest rate risk

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

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

17. COVID-19

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Municipality as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

18. SUBSEQUENT EVENT

During the fiscal year, the Municipal Finance Corporation's Fall 2020 debenture issue was delayed due to circumstances beyond the Municipality's control.

As a result, proceeds of \$8,808,140 for the debenture were not received until May 28, 2021. It carries an interest rate of 0.40% - 2.376% over a ten-year term.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2021

19. RESTATEMENTS

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

- (a) It was identified that the Water Utility's financial reporting software was charging an incorrect consumption rate for certain high-volume customers.

Metered sales and customer receivables for the year end March 31, 2020 were decreased \$242,984. The opening fund balance at April 1, 2019 was decreased \$386,627.

- (b) It was identified that the Water Utility's accrual for fourth quarter revenue for the period ending March 31, 2020 was over estimated due to a formula error.

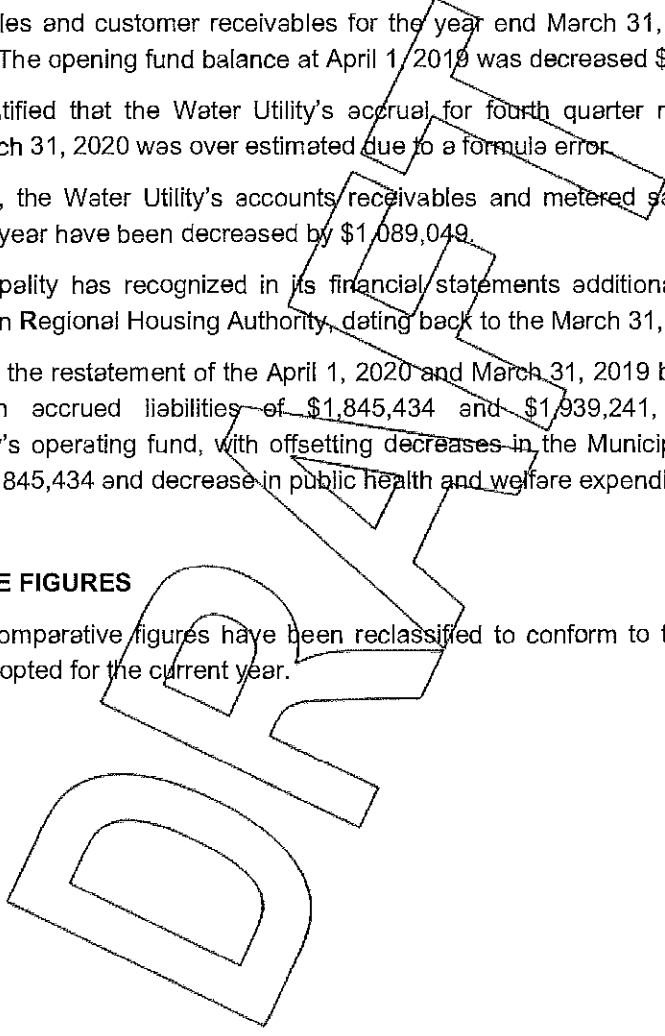
As a result, the Water Utility's accounts receivables and metered sales for the March 31, 2020 fiscal year have been decreased by \$1,089,049.

- (c) The Municipality has recognized in its financial statements additional accruals due to the Cape Breton Regional Housing Authority, dating back to the March 31, 2012 reporting period.

As a result, the restatement of the April 1, 2020 and March 31, 2019 balances resulted in an increase in accrued liabilities of \$1,845,434 and \$1,939,241, respectively, in the Municipality's operating fund, with offsetting decreases in the Municipality's special reserve funds of \$1,845,434 and decrease in public health and welfare expenditures of \$93,807.

20. COMPARATIVE FIGURES

Certain 2020 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.



Cape Breton Regional Municipality
Schedule of Long-term Debt
For the year ended March 31, 2021

	Term (years)	Interest rate - %	Matures	Balance March 31/20	Issued	Redeemed	Balance March 31/21
General Fund							
M.F.C.							
30-B-1	10	1.550-3.870	2020	\$ 2,214,600	\$ -	\$ 2,214,600	\$ -
31-A-1	10	1.219-3.645	2021	2,906,000	-	1,453,000	1,453,000
32-B-1	10	0.000-3.160	2022	1,139,100	-	379,700	759,400
33-B-1	10	0.000-3.614	2023	1,873,072	-	468,269	1,404,803
34-B-1	10	1.200-3.190	2024	6,650,000	-	1,330,000	5,320,000
35-A-1	10-20	1.040-3.449	2030	3,960,000	-	560,000	3,400,000
36-A-1	10	1.150-2.506	2026	4,370,800	-	624,400	3,746,400
37-A-1	10	1.734-3.073	2027	6,619,200	-	827,400	5,791,800
38-A-1	10	2.490-3.389	2028	10,777,499	-	1,197,500	9,579,999
FCM-1	10	2.250	2028	900,000	-	100,000	800,000
39-A-1	10	2.015 - 2.561	2029	10,250,000	-	1,025,000	9,225,000
				51,660,271	-	10,179,869	41,480,402
M.F.C.							
Promissory note							
	3	1.100	2024	-	42,252,896	-	42,252,896
Water Fund							
M.F.C.							
27-A-1	15	4.385-4.770	2022	7,316,000	-	914,500	6,401,500
28-A-1	15	3.750-5.088	2023	6,300,000	-	700,000	5,600,000
30-A-1	15	1.510-4.875	2025	8,250,000	-	750,000	7,500,000
33-A-1	10	1.330-2.979	2023	3,200,000	-	800,000	2,400,000
34-A-1	15	1.245-3.792	2029	4,000,000	-	400,000	3,600,000
				29,066,000	-	3,564,500	25,501,500
				\$ 80,726,271	\$ 42,252,896	\$ 13,744,369	\$ 109,234,798

Cape Breton Regional Municipality
Consolidated Schedule of Segment Disclosure
For the year ended March 31, 2021

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 2021 and 2020 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, 2021	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	\$ 73,964,787	\$ --	\$ 17,695,876	\$ 7,754,373	\$ --	\$ --	\$ --	\$ 14,871,660	\$ --	\$ 114,286,696
Grants in lieu of taxes	9,518,894	--	--	--	--	--	--	--	--	9,518,894
Services provided to other governments	--	--	794,749	--	--	--	--	--	--	794,749
Sales of services	30,083	--	--	256,713	--	730,276	--	--	--	1,017,072
Revenue from own sources	2,155,410	536,287	697,558	--	2,366,479	--	50,137	--	--	5,805,871
Unconditional transfers from other governments	15,789,117	420,000	--	--	--	--	--	--	--	16,209,117
Conditional transfers from other governments	132,031	63,754	420,652	--	--	--	--	--	--	616,437
Capital grants	27,949,259	--	--	--	--	--	--	--	--	27,949,259
Metered sales	--	--	--	--	--	--	--	--	19,353,213	19,353,213
Other water revenues	--	--	--	--	--	--	--	--	562,282	562,282
Investment income	131,516	--	--	--	--	--	--	--	--	131,516
Gain on sale of properties	666,484	--	--	--	--	--	--	--	--	666,484
Disaster recovery	3,918,775	--	--	--	--	--	--	--	--	3,918,775
	134,256,356	1,020,041	19,608,835	8,011,086	2,366,479	730,276	50,137	14,871,660	19,915,495	200,830,365
EXPENSES										
Salaries, wages and benefits	7,907,907	524,333	31,896,960	16,428,427	3,837,387	4,167,804	795,508	--	2,182,973	67,741,299
Interest on long-term debt	523,780	--	234,767	568,717	173,060	210,777	--	--	1,209,151	2,920,252
Materials, goods, supplies and utilities	819,874	163,751	1,598,129	6,040,312	1,901,548	1,415,413	13,888	--	4,623,406	16,576,321
Contracted services	1,183,903	58,215	787,997	6,966,397	7,774,955	402,201	(9,587)	--	1,129,834	18,293,915
Other operating expenses	4,257,835	183,724	4,756,441	2,345,088	2,619,998	1,746,868	191,958	--	2,470,410	18,572,322
External transfers and grants	3,723,377	--	1,070,466	--	--	759,902	--	14,871,660	--	20,425,405
Amortization	240,093	419,438	1,691,182	8,510,372	3,052,533	2,390,314	399,179	--	3,695,302	20,398,413
	18,656,769	1,349,461	42,035,942	40,859,313	19,359,481	11,093,279	1,390,946	14,871,660	15,311,076	164,927,927
ANNUAL SURPLUS (DEFICIT)	\$ 115,599,587	\$ (329,420)	\$ (22,427,107)	\$ (32,848,227)	\$ (16,993,002)	\$ (10,363,003)	\$ (1,340,809)	\$ --	\$ 4,604,419	\$ 35,902,438

Cape Breton Regional Municipality
Consolidated Schedule of Segment Disclosure
For the year ended March 31, 2021

Year ended March 31, 2020	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 (Restated)
REVENUES										
Taxation	\$ 72,086,099	\$ --	\$ 17,166,305	\$ 7,522,314	\$ --	\$ --	\$ --	\$ 14,478,442	\$ --	\$ 111,253,160
Grants in lieu of taxes	9,263,380	--	--	--	--	--	--	--	--	9,263,380
Services provided to other governments	--	--	447,104	--	--	--	--	--	--	447,104
Sales of services	26,243	--	--	1,702,668	--	1,843,087	--	--	--	3,571,998
Revenue from own sources	5,407,061	2,979,247	939,448	--	2,519,106	--	49,232	--	--	11,894,094
Unconditional transfers from other governments	15,823,349	--	--	--	--	--	--	--	--	15,823,349
Conditional transfers from other governments	1,596	535,543	356,816	--	--	--	--	--	--	893,955
Capital grants	30,506,932	--	--	--	--	--	--	--	--	30,506,932
Metered sales	--	--	--	--	--	--	--	--	18,480,975	18,480,975
Other water revenues	--	--	--	--	--	--	--	--	515,967	515,967
Investment income	314,914	--	--	--	--	--	--	--	--	314,914
Gain on sale of properties	--	--	--	122,991	--	--	--	--	--	122,991
	133,429,574	3,514,790	18,909,673	9,347,973	2,519,106	1,843,087	49,232	14,478,442	18,996,942	203,088,819
EXPENSES										
Salaries, wages and benefits	8,007,124	971,167	31,451,151	17,164,150	3,911,212	4,911,229	877,001	--	2,127,683	69,420,717
Interest on long-term debt	569,778	--	243,598	808,961	202,423	154,024	--	--	1,348,484	3,327,268
Materials, goods, supplies and utilities	844,248	807,552	1,538,520	4,936,942	1,837,772	2,291,172	22,314	--	4,542,546	16,821,066
Contracted services	741,294	86,878	919,280	6,198,421	9,242,866	467,180	64,710	--	1,109,442	18,330,071
Other operating expenses	3,569,197	689,893	5,431,453	3,927,436	2,038,772	1,971,435	181,350	--	2,768,404	20,577,940
External transfers and grants	3,382,473	--	1,078,199	--	--	759,902	--	14,478,442	--	19,699,016
Amortization	222,849	464,448	1,904,351	7,809,943	3,052,821	1,925,237	313,247	--	3,645,444	19,338,340
	17,336,963	3,019,938	42,566,552	40,845,853	20,285,866	12,480,179	1,458,622	14,478,442	15,542,003	168,014,418
ANNUAL SURPLUS (DEFICIT)	\$ 116,092,611	\$ 494,852	\$ (23,656,879)	\$ (31,497,880)	\$ (17,766,760)	\$ (10,637,092)	\$ (1,409,390)	--	\$ 3,454,939	\$ 35,074,401

Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Council
and Chief Administrative Officer

For the year ended March 31, 2021

Council	Annual Remuneration	Travel Expenses
D. Bruckschwaiger	\$ 50,389	\$ 427
C. Clarke (Mayor)	89,744	3,727
I. Doncaster (Deputy Mayor)	33,756	-
J. Edwards	19,690	365
L. Green	19,690	313
S. Gillespie	50,389	-
C. MacDonald	19,690	922
E. MacDonald	50,389	-
G. M. MacDonald	30,699	-
G. D. MacDonald	19,690	1,147
J. MacLeod	30,699	2,754
E. MacMullin (Deputy Mayor)	52,081	1,195
E. Marshall	30,699	527
A. McDougall (Mayor)	88,261	1,690
D. O'Quinn	19,690	415
S. Parsons	19,690	863
G. Paruch	19,690	-
R. Paruch	2,839	-
C. Prince	30,699	-
K. Tracey	19,690	313

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Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Senior Staff
For the year ended March 31, 2021

Senior Staff	Annual Remuneration	Reportable Expenses
D. Campbell	\$ 130,485	\$ 159
J. Campbell	131,991	175
D. Evely	89,077	92
D. Kachafanas	131,991	92
W. MacDonald	138,203	4,974
G. MacDougall	44,823	-
J. MacKinnon	187,993	92
P. MacIsaac	54,759	-
W. Murphy	131,991	3,271
M. Ruus	130,661	5,065
M. Seth	153,791	352
M. Walsh	228,560	1,338
R. Walsh	171,850	381

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Cape Breton Regional Municipality
Schedule of Operating Fund and Change in Fund Balance
For the year ended March 31, 2021

	2021	2020 (Restated)
REVENUES		
Taxes	\$ 114,286,696	\$ 111,253,160
Grants in lieu of taxes	9,518,894	9,263,380
Services provided to other governments	794,749	447,104
Sales of services	1,017,072	3,571,998
Revenue from own sources	10,221,094	13,866,357
Unconditional transfers from other governments	15,789,117	15,823,349
Conditional transfers from other governments	552,683	358,412
Disaster recovery	3,918,775	122,991
	<u>156,099,080</u>	<u>154,706,751</u>
EXPENSES		
General government services	16,101,127	15,132,027
Protective services	47,421,151	47,738,592
Transportation services	32,348,941	33,035,910
Environmental health services	16,306,948	17,233,045
Public health and welfare services	2,315,534	1,982,085
Environmental development services	991,767	1,145,375
Recreation and cultural services	8,702,965	10,554,941
Educational services	14,871,660	14,478,442
	<u>139,060,093</u>	<u>141,300,417</u>
Excess of revenues over expenses before the following	17,038,987	13,406,334
FINANCING AND TRANSFERS		
Debt service and term loan principal instalments	(10,179,869)	(10,200,069)
Transfer to special reserve funds	(5,243,687)	(3,943,594)
Transfer to general capital fund	(1,466,680)	(791,170)
Amortization of bond discount	(54,740)	(99,125)
	<u>(16,944,976)</u>	<u>(15,033,958)</u>
CHANGE IN FUND BALANCE	94,011	(1,627,624)
FUND BALANCE, BEGINNING OF YEAR	(60,811,663)	(59,184,039)
FUND BALANCE, END OF YEAR	<u>\$ (60,717,652)</u>	<u>\$ (60,811,663)</u>

Cape Breton Regional Municipality
Schedule of Water Utility Operating Fund and Change in Fund Balance
For the year ended March 31, 2021

	2021	2020 (Restated)
OPERATING REVENUES		
Metered sales	\$ 19,353,217	\$ 18,480,976
Public fire protection	7,076,387	7,076,391
Consumer's interest	554,682	508,992
	<u>26,984,286</u>	<u>26,066,359</u>
OPERATING EXPENSES		
Source of supply	419,384	379,433
Power and pumping	1,820,037	1,801,046
Water treatment	4,286,048	4,371,030
Transmission and distribution	4,063,697	3,964,000
Administration and general	2,775,844	2,715,573
Taxes	1,987,081	1,985,957
	<u>15,352,091</u>	<u>15,217,039</u>
Excess of revenues over expenses before the following	11,632,195	10,849,320
NON-OPERATING REVENUES		
Miscellaneous	7,602	6,972
NON-OPERATING EXPENSES		
Interest on debentures	1,209,151	1,348,484
Amortization of debt discounts	32,545	37,112
Other	6,042	282,546
Transfer to water capital fund	7,409,802	7,359,944
Transfer to general capital fund	650,000	650,000
	<u>9,307,540</u>	<u>9,678,086</u>
CHANGE IN FUND BALANCE	2,332,257	1,178,206
FUND BALANCE, BEGINNING OF YEAR		
As previously reported	5,954,756	3,444,515
Restatement	(1,718,662)	(386,627)
	<u>4,236,094</u>	<u>3,057,888</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,568,351</u>	<u>\$ 4,236,094</u>

Cape Breton Regional Municipality
Schedule of Capital Fund and Change in Fund Balance
For the year ended March 31, 2021

	2021	2020
REVENUES		
Capital grants	\$ 18,156,360	\$ 17,663,510
EXPENSES		
General government services	240,093	222,849
Protective services	1,691,182	1,904,351
Transportation services	8,510,372	7,809,943
Environmental health services	3,052,533	3,052,821
Recreation and cultural services	2,390,314	1,925,238
Planning and development services	399,179	313,247
	<u>16,283,673</u>	<u>15,228,449</u>
Excess of revenues over expenses before the following	1,872,687	2,435,061
FINANCING AND TRANSFERS		
Transfer from reserve funds	8,667,259	12,604,324
Transfer from general operating fund	1,466,680	791,170
Transfer from water operating fund	650,000	650,000
Debenture and term loan principal instalments	10,179,869	10,200,069
	<u>20,963,808</u>	<u>24,245,563</u>
CHANGE IN FUND BALANCE	22,836,495	26,680,624
FUND BALANCE, BEGINNING OF YEAR	245,664,358	218,983,734
FUND BALANCE, END OF YEAR	<u>\$ 268,500,853</u>	<u>\$ 245,664,358</u>

Cape Breton Regional Municipality
Schedule of Water Utility Capital Fund and Change in Fund Balance
For the year ended March 31, 2021

	2021	2020
REVENUES		
Capital grants	\$ -	\$ -
EXPENSES		
Amortization	3,695,302	3,645,444
Deficiency of revenues over expenses before the following	(3,695,302)	(3,645,444)
FINANCING AND TRANSFERS		
Transfer from water operating fund	7,409,802	7,359,944
CHANGE IN FUND BALANCE	3,714,500	3,714,500
FUND BALANCE, BEGINNING OF YEAR	92,905,480	89,190,980
FUND BALANCE, END OF YEAR	\$ 96,619,980	\$ 92,905,480

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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, 2021

	Budget (Unaudited)	2021	2020
REVENUES			
Wharfage and berthage	\$ 630,490	\$ 352,977	\$ 661,047
Passenger tax	1,426,131	-	1,322,404
Events	88,135	15,516	287,529
Security	319,082	56,425	271,885
Storage and rental	309,371	103,903	228,088
Craft market	87,945	-	87,728
Sundry	55,300	7,466	120,566
Government funding	9,000	483,754	535,543
	<u>2,925,454</u>	<u>1,020,041</u>	<u>3,514,790</u>
EXPENSES			
Advertising and promotion	63,930	10,889	210,243
Bad debts	1,500	-	-
Business development harbor	-	-	-
Cruise activities	111,550	1,588	34,915
Dues and fees	39,226	26,131	39,477
Events	4,100	870	128,220
Insurance	107,000	52,409	84,604
Interest and bank charges	6,870	3,168	16,492
Miscellaneous	57,800	4,465	22,120
Office and administration	41,245	7,877	23,168
Professional fees	106,800	58,215	86,878
Rent	62,320	47,960	52,320
Repairs and maintenance	730,451	27,570	461,023
Security	227,461	35,230	199,812
Travel	45,755	1,886	29,910
Utilities	227,200	127,432	195,141
Wages and benefits	995,791	524,333	971,167
	<u>2,817,999</u>	<u>930,023</u>	<u>2,555,490</u>
Excess of revenues over expenses before the following	107,455	90,018	959,300
Amortization of capital assets	(350,000)	(419,438)	(464,448)
CHANGE IN FUND BALANCE	\$ (242,545)	(329,420)	494,852
FUND BALANCE, BEGINNING OF YEAR		4,858,954	4,364,102
FUND BALANCE, END OF YEAR		\$ 4,529,534	\$ 4,858,954

Cape Breton Regional Municipality
Schedule of Reserve Funds and Change in Fund Balance
For the year ended March 31, 2021

	2021	2020 (Restated)
REVENUES		
Investment income	\$ 121,583	\$ 305,399
Sale of properties	666,484	-
Grants	9,792,899	12,843,422
	10,580,966	13,148,821
FINANCING AND TRANSFERS		
Transfer from operating fund	5,243,687	3,943,594
Transfer to capital funds	(8,667,259)	(12,604,324)
	(3,423,572)	(8,660,730)
CHANGE IN FUND BALANCE	7,157,394	4,488,091
FUND BALANCE, BEGINNING OF YEAR		
As previously reported	16,508,714	12,114,432
Restatement	(1,845,449)	(1,939,241)
As restated	14,663,265	10,175,191
FUND BALANCE, END OF YEAR	\$ 21,820,659	\$ 14,663,282

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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, 2021

	2021	2020
REVENUES		
Investment income	\$ 9,933	\$ 9,515
CHANGE IN FUND BALANCE	9,933	9,515
FUND BALANCE, BEGINNING OF YEAR	2,038,243	2,028,728
FUND BALANCE, END OF YEAR	\$ 2,048,176	\$ 2,038,243

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

March 31, 2021

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

For the year ended March 31, 2021

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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, 2021

	2021	2020 (Restated)
ASSETS		
Cash	\$ 2,818,312	\$ 11,752,790
Water rates receivable (less allowance for doubtful accounts \$848,247 (2020 - \$850,000))	9,079,391	8,653,073
Sundry receivables	210,531	101,163
Inventories	391,759	368,986
	\$ 12,499,993	\$ 20,876,012
LIABILITIES		
Payables and accruals	\$ 3,939,751	\$ 3,791,787
Unearned revenue	1,710,438	1,525,971
Due to Cape Breton Regional Municipality General section, operating fund	1,291,694	1,926,408
General section, capital fund	–	650,000
Due to water utility, capital fund	3,571,207	13,625,702
	10,513,090	21,519,868
SURPLUS	1,986,903	(643,856)
	\$ 12,499,993	\$ 20,876,012

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality:

 Mayor

 Clerk

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

For the year ended March 31, 2021

	2021	2020
	Budget (Unaudited)	Actual (Restated)
OPERATING REVENUES		
Metered sales	\$ 19,575,523	\$ 19,353,217
Public fire protection	7,076,391	7,076,387
Consumer's interest	350,000	554,682
Service connections	66,000	7,600
	<u>27,067,914</u>	<u>26,991,886</u>
OPERATING EXPENSES		
Source of supply	526,793	419,384
Power and pumping	2,140,912	1,820,037
Water treatment	4,262,776	4,286,048
Transmission and distribution	4,814,145	4,713,697
Administration and general	3,078,819	2,775,844
Depreciation	3,850,000	3,695,302
Taxes	2,000,000	1,987,081
	<u>20,673,445</u>	<u>19,697,393</u>
Excess of operating revenues over expenses before the following	6,394,469	7,294,493
NON-OPERATING REVENUES		
Amortization of deferred capital contributions	287,171	298,504
NON-OPERATING EXPENSES		
Debt charges		
Provision for principal repayment	3,564,500	3,564,500
Interest	1,209,151	1,209,151
Amortization of debt discounts	32,000	32,545
Bank fees/charges	150,000	6,042
Capital expenditures out of operations	200,000	150,000
	<u>5,155,651</u>	<u>4,962,238</u>
CHANGE IN FUND BALANCE	<u>\$ 1,525,989</u>	<u>\$ 2,630,759</u>

See accompanying notes to financial statements.

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

For the year ended March 31, 2021

	2021	2020 (Restated)
SURPLUS (DEFICIT), BEGINNING OF YEAR		
As previously reported	\$ 1,074,805	\$(1,722,609)
Restatement (note 4)	(1,718,661)	(386,627)
As restated	(643,856)	(2,109,236)
Change in fund balance	2,630,759	1,465,380
SURPLUS (DEFICIT), END OF YEAR	\$ 1,986,903	\$ (643,856)

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, 2021

	2021	2020 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ 2,630,759	\$ 1,465,380
Change in non-cash operating working capital		
Decrease (increase) in water rates receivable	(426,318)	363,763
Increase in sundry receivables	(109,368)	(10,856)
Increase in inventories	(22,773)	(26,898)
Increase (decrease) in payables and accruals	147,964	(190,193)
Increase in unearned revenue	184,467	79,077
	2,404,731	1,680,273
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to Cape Breton Regional Municipality, operating fund	(634,714)	682,511
Increase (decrease) in due to Cape Breton Regional Municipality, capital fund	(650,000)	650,000
Increase (decrease) in due to water utility, capital fund	(10,054,495)	3,545,384
	(11,339,209)	4,877,895
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,934,478)	6,558,168
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,752,790	5,194,622
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,818,312	\$ 11,752,790

See accompanying notes to non-consolidated financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Financial Position – Capital Fund
As at March 31, 2021

	2021	2020
ASSETS		
Cash	\$ 3,129,062	\$ –
Cash – depreciation reserve (note 2)	480,170	480,170
HST receivable	19,936	59,538
	3,629,168	539,708
Due from water utility, operating fund	3,571,207	13,625,701
Due from general operating fund	90,747	–
Unamortized debt discount	70,679	123,292
Capital assets		
Utility plant in service (Schedule A)	178,663,915	174,585,807
Work in progress	164,657	1,435,959
Properties adjoining watershed	174,977	174,977
	179,003,549	176,196,743
	\$ 186,365,350	\$ 190,485,444
LIABILITIES		
Bank indebtedness	\$ –	\$ 4,640,969
Accounts and holdbacks payable	46,065	276,479
Due to Cape Breton Regional Municipality		
General section, capital fund	17,972	3,594,974
Term debt (Schedule B)	25,501,500	29,066,000
	25,565,537	37,578,422
DEFERRED CAPITAL CONTRIBUTIONS	12,550,834	12,067,845
RESERVES		
Accumulated allowance for depreciation of utility plant (note 3)	61,524,704	57,829,402
FUND BALANCE	86,724,275	83,009,775
	\$ 186,365,350	\$ 190,485,444

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chairman
 _____ Commissioner

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

For the year ended March 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 480,170	\$ 480,170
Depreciation	3,695,302	3,645,444
Amortization of capital contributions	(298,504)	(287,171)
Capital purchases	(3,396,798)	(3,358,273)
CASH, END OF YEAR	\$ 480,170	\$ 480,170

Statement of Accumulated Allowance for Depreciation

For the year ended March 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 57,829,402	\$ 54,183,958
Depreciation for the year	3,695,302	3,645,444
BALANCE, END OF YEAR	\$ 61,524,704	\$ 57,829,402

Statement of Investment in Capital Assets

For the year ended March 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 83,009,775	\$ 79,295,275
Term debt retired	3,564,500	3,564,500
Capital out of operations	150,000	150,000
BALANCE, END OF YEAR	\$ 86,724,275	\$ 83,009,775

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, 2021

	2021	2020
ASSETS		
Cash	\$ 1,166,626	\$ 1,166,626
Term deposit	881,550	871,617
	\$ 2,048,176	\$ 2,038,243
RESERVE		
Special reserve	\$ 2,048,176	\$ 2,038,243

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chairman

_____ Commissioner

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**Cape Breton Regional Municipality Water Utility
Statement of Special Reserve**

For the year ended March 31, 2021

	2021		2020			
	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 54,981	\$ 930,102	\$ 336,915	\$ 716,245	\$ 2,038,243	\$ 2,028,728
Interest on investments	397	6,757	2,779	-	9,933	9,515
BALANCE, END OF YEAR	\$ 55,378	\$ 936,859	\$ 339,694	\$ 716,245	\$ 2,048,176	\$ 2,038,243

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, 2021

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

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

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in fund balances and in financial position of all organizations, commissions and agencies which are owned or controlled by the Water Utility. This would include, at a minimum, the individual funds represented in these financial statements – Operating Fund, Capital Fund and Reserve Funds. The consolidated financial statements prepared in accordance with the CPA Handbook would include a Statement of Financial Position, Statement of Financial Activities and a Statement of Changes in Fund Balances;
- Revenue and expenses be recorded on a full accrual basis;
- Water Utility capitalize all of its capital acquisitions rather than charging some to operations in the year acquired; and
- Principal debt repayments not be recorded as an expense of the Water Utility;

Cape Breton Regional Municipality Water Utility
Notes to Financial Statements
For the year ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Cash and cash equivalents

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

(c) Revenue and expenses

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

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

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

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

(d) Allowance for doubtful accounts

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

(e) Inventories

Inventories are stated at cost.

(f) Use of estimates

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

2. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY

- a) In general, and where identifiable, costs incurred by the Cape Breton Regional Municipality on behalf of the water utility are charged to the utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the water utility.

Cape Breton Regional Municipality Water Utility Notes to Financial Statements

For the year ended March 31, 2021

2. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY (CONTINUED)

- c) As prescribed by the Nova Scotia Utility and Review Board, there is a yearly administration fee charged to the Water Utility by the Cape Breton Regional Municipality, which includes salary, overhead, utilities and other administration charges totaling \$7,741,887 (2020 - \$7,686,597).
- d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to \$7,076,387 (2020 - \$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, 2021, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 7.0% (2020 – 6.3%).

4. RESTATEMENT

During the year, management has corrected errors identified in the prior financial statements.

The financial statements have been restated retrospectively for the following items:

- a) It was identified that the Water Utility's financial reporting software was charging an incorrect consumption rate for certain high-volume customers.

The restatement of the April 1, 2019 balances resulted in a decrease in customer receivables and water operating fund balance of \$386,627.

Metered sales in the March 2020 fiscal year were reduced by \$242,985.

- b) It was identified that the Water Utility's fourth quarter income for the period ending March 31, 2020 was overestimated due to a formula error. This resulted in the Water Utility's accounts receivable and metered sales being reduced by \$1,089,049 at March 31, 2020.

As a result of these restatements, the rate of return for March 31, 2020 changed from 7.5% to 6.3%.

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

For the year ended March 31, 2021

	2021	2020
Organization	\$ 4,000	\$ 4,000
Working capital	70,162	70,162
	<u>74,162</u>	<u>74,162</u>
Land and land rights		
Source of supply land	1,231,604	1,231,604
Power and pumping land	343,374	343,374
Transmission land	157,021	157,021
	<u>1,731,999</u>	<u>1,731,999</u>
Structures and improvements		
Source of supply	19,012,595	19,012,595
Power and pumping	7,382,572	7,382,850
Purification structures	2,757,842	2,757,842
Distribution and storage	5,336,968	5,336,968
Shop	299,817	299,817
	<u>34,793,794</u>	<u>34,790,072</u>
Equipment		
Electrical pumping equipment	3,776,122	3,776,122
Diesel pumping equipment	543,261	543,261
Purification equipment	23,573,054	23,450,322
Office furniture and equipment	362,453	362,453
Transportation equipment	309,945	309,495
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>30,235,128</u>	<u>30,111,946</u>
Mains		
Transmission	31,553,000	30,062,026
Distribution	50,103,378	48,293,449
	<u>81,656,378</u>	<u>78,355,475</u>
Services		
Meters	14,606,775	14,192,587
Hydrants	11,703,626	11,603,680
	3,862,053	3,725,886
	<u>\$ 178,663,915</u>	<u>\$ 174,585,807</u>

Cape Breton Regional Municipality Water Utility
Schedule B - Capital Debt Charges

For the year ended March 31, 2021

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2020	Issued	Redeemed	Balance March 31, 2021
Municipal Finance Corporation							
27-A-1	2007	2022	4.745 – 4.770	\$ 7,316,000	\$ –	\$ 914,500	\$ 6,401,500
28-A-1	2008	2023	4.949 – 5.088	6,300,000	–	700,000	5,600,000
30-A-1	2010	2025	4.500 – 4.875	8,250,000	–	750,000	7,500,000
33-A-1	2013	2023	2.454 – 2.979	3,200,000	–	800,000	2,400,000
34-A-1	2014	2029	2.516 – 3.792	4,000,000	–	400,000	3,600,000
				\$ 29,066,000	\$ –	\$ 3,564,500	\$ 25,501,500

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

2022	\$3,564,500
2023	8,137,000
2024	6,150,000
2025	1,150,000
2026	4,900,000

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Cape Breton Regional Municipality
Cape Breton Regional Municipality Water Utility
2021 Audit Findings
Report to the Audit Committee
March 31, 2021

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



OVERVIEW

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") and the financial statements of Cape Breton Regional Water Utility (the "Water Utility") as at March 31, 2021 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.

As auditors, we report to the members of Council on the results of our examination of the financial statements of the Municipality and the Water Utility as at and for the year ended March 31, 2021. The purpose of this Report is to assist you, as members of the Audit Committee, in your review of the results of our audits.

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.

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

ENGAGEMENT STATUS

We have substantially completed our audits of the consolidated financial statements of the Municipality and the financial statements of the Water Utility which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Reports subsequent to completion of the following procedures:

- Receipt of the signed management representation letters;
- Discussion of subsequent events with the Audit Committee;
- The Audit Committee's review and approval of the financial statements.

No significant limitations were placed on the scope or timing of our audits.

INDEPENDENT AUDITOR'S REPORT



We expect to have the above procedures completed and to release our Independent Auditor's Report on September 29, 2021.









Unless unforeseen complications arise, our Independent Auditor's Reports will provide an unmodified opinion to the members of Council of the Municipality. A draft copy of our proposed Independent Auditor's Reports have been included with the draft financial statements. The matters disclosed in the Independent Auditor's Reports are discussed further in the relevant sections of the Report.

AUDIT REPORTING MATTERS

Our audits were 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 financial statements considered separately.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

AREA	COMMENTS
 CHANGES FROM AUDIT SERVICE PLAN	There were no deviations from the Audit Service Plan previously presented to you.
 FINAL MATERIALITY	Final materiality used for our audit of the Municipality consolidated financial statements was \$3,100,000 for March 31, 2021.

AREA	COMMENTS
	Final materiality used for our audit of the Water Utility financial statements was \$540,000 for March 31, 2021.
 IDENTIFIED OR SUSPECTED FRAUD	While our audits 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 audits.
 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 either financial statement.
 MATTERS ARISING IN CONNECTION WITH RELATED PARTIES	No significant matters arose during the course of our audits in connection with related parties of the Municipality or Water Utility.
 GOING CONCERN	While there is uncertainty surrounding the global pandemic, there are no specific events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern.
 AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES, ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES	<p>The application of Canadian accounting standards allows and requires the Municipality to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.</p> <p>As auditors, we are uniquely positioned to provide open and objective feedback regarding the Municipality's and the Water Utility's accounting practices.</p> <p>The accounting policies used by the Municipality and the Water Utility are appropriate and have been consistently applied.</p>
 FINANCIAL STATEMENT DISCLOSURES	The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.
 SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL	While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, we have detected several performance improvement observations, which are included in the Management Letter.
 MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT	There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

OTHER AREAS

AREA	COMMENTS
AUDITOR INDEPENDENCE	We confirm to the Audit Committee that we are independent of the Municipality and the Water Utility.
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.
SUMMARY OF SIGNIFICANT DIFFERENCES	Two significant differences were proposed to management with respect to the March 31, 2021 financial statements: one for Municipal Capital and one for the Water Utility. These items are included in the attached summary of unadjusted differences.

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

Sincerely,



Chartered Professional Accountants

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Cape Breton Regional Municipality Summary of Unadjusted Audit Differences March 31, 2021		Impact of audit difference on financial statement captions - Debit/(Credit)					
		Change in Fund Balance			Statement of Financial Position		
Description	Audit differences arising in			Surplus	Financial Assets	Financial Liabilities	Non-Financial Assets
	Current Period	Prior Period	Total				
<u>Effect of prior periods unadjusted audit differences:</u>	-	-	-	237,658	-	-	(237,658)
<u>Entries affecting prior year balances</u>							
Capital Work in Progress	-	-	-	-	-	-	387,879
Accrued Payables <i>Accrue invoice related to work in progress.</i>	-	-	-	-	-	(387,879)	-
Aggregate of unadjusted audit differences	-	-	-	237,658	-	(387,879)	150,221

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About MNP LLP

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.





CBRM

A Community of Communities

Cape Breton Regional Municipality

Memo

Date: Sept 29, 2021
To: Members of the Audit Committee
From: Jennifer Campbell, CPA, CA Chief Financial Officer
Re: Audit Services - Request for Proposals

The finalization of the March 31, 2021 year end audit concludes the 5 year contract with our current auditors, MNP.

In accordance with CBRM Procurement Policy, an RFP will be issued in the coming weeks for the next 5 year term.

Staff will provide the RFP results along with a recommendation to the audit committee later this fall to appoint the auditor commencing fiscal year ending March 31, 2022.

Respectfully submitted,
Jennifer Campbell, CPA, CA
Chief Financial Officer

