

Cape Breton Regional Municipality

Audit Committee Minutes

**Monday,
October 18, 2022
10:06 a.m.
Council Chambers
2nd Floor, City Hall
320 Esplanade, Sydney, NS**

Deputy Mayor Earlene MacMullin called the meeting to order.

Present: Deputy Mayor Earlene MacMullin, Chair
Councillor Glenn Paruch
Councillor Steve Parsons, Vice-Chair
Councillor Lorne Green
Rakesh Kochhar, Citizen Appointee

Staff: Marie Walsh, Chief Administrative Officer
Jennifer Campbell, Chief Financial Officer
Deborah Campbell Ryan, Municipal Clerk
Sharon MacSween, Senior Administrative Assistant
Angela Ross, Recording Secretary

Absent: Councillor Cyril MacDonald (Regrets)
Mark Galley, Citizen Appointee (Regrets)

Also Attending: Councillor James Edwards

Summary of Decisions

Roll Call

1. Approval of Minutes:

Motion to approve the Audit Committee Minutes of:

- August 24th, 2022

Motion Carried.

2. Approval of Agenda:

Motion to approve the October 18, 2022 Audit Committee agenda as circulated.
Carried.

3. Presentations:

a) Annual Financial Report - Year Ended March 31, 2022:

The Chief Financial Officer presented the Annual Financial Report - Year Ended March 31, 2022.

i. Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2022:

The Draft CBRM Consolidated Financial Statements were reviewed.

ii. Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2022:

The Draft CBRM Water Utility Financial Statements were reviewed.

b) Audit Findings Report to the Audit Committee for Year Ended March 31, 2022:

The Draft CBRM Audit Findings Report were reviewed.

c) Draft Management Letter:

The Draft Management Letter was reviewed.

Motion that a recommendation be made to Council to approve and release the:

- CBRM Consolidated Financial Statements for the Year Ended March 31, 2022
- CBRM Water Utility Financial Statements for the Year Ended March 31, 2022
- Audit Findings Report for the Year Ended March 31, 2022

Carried.

Adjournment

Roll Call

1. Approval of Minutes:

Motion:

Moved by Councillor Parsons, seconded by Councillor Paruch, approval of the Audit Committee Minutes of:

➤ **August 24, 2022**

Motion Carried.

2. Approval of Agenda:

Motion:

Moved by Councillor Green, seconded by Councillor Parsons, approval of the October 18, 2022 Audit Committee Agenda as circulated.

Motion Carried.

3. Presentations:

a) Annual Financial Report - Year Ended March 31, 2022:

Jennifer Campbell, Chief Financial Officer (CFO), provided the Annual Financial Report presentation for year ended March 31, 2022, and noted that this year's operating surplus was the largest in the history of CBRM mainly as a result of the Municipal Capacity Grant Top-Up. The CFO also discussed some lingering effects from the pandemic. She then reported on the following:

- \$38.7M in capital work projects completed with borrowing less than 24% thanks, in large part, to provincial and federal cost sharing.
- Planning Strategy, Economic Development Plan, and Active Transportation Plans are ongoing.
- Unbudgeted doubling of the Municipal Capacity Grant added \$15M to the operating surplus totaling \$16,241,374 (including general operating surplus of \$905k)
- Spike in the deed transfer tax revenue as a result of the hot housing market
- COVID continued to affect revenue streams like transit and facilities, but also affected the supply chain and significantly impacted pricing of supplies and fuel.
- No COVID funding available to offset the financial impacts of COVID on operations
- Water Utility operating fund reported a surplus of \$645,000.

Continued...

Annual Financial Report - Year Ended March 31, 2022 (Cont'd):

i. Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2022:

The Chief Financial Officer presented the summary of the results for the year ended March 31, 2022 and noted that there have been no changes in the accounting policies used or significant changes required for note disclosures from last year. She provided the main highlights of each section which included the following:

- Revenue exceeded budget by \$15.5M and expenditures under budget by \$762K netting an overall surplus of \$16.2 made up mostly of the \$15M additional Municipal Capacity Grant that was received from the Province.
- Revenues exceeded budget by only \$143K or (0.09%), relying quite heavily on deed transfer tax revenue (which exceeded budget by \$2.8M) to offset revenue losses in the other areas - particularly transit, fines and fees, and facilities revenue streams Overall expenses under budget handful of reasons. Many things influence the outcome.
- Overall expenses are \$762K under budget
- Nearly all departments reported lower than budgeted expenses.
- Many of the variances noted are driven by staff turnover and the temporary vacancies caused by movement of staff, from retirements, internal movement or absences due to prolonged illness.
- Overall, CBRM is under budget \$1M in wages and benefits alone and another \$400,000 underbudget in training/travel due to ongoing restrictions.
- COVID related costs were \$680K – mainly in transit and police, for which no funding was received
- Fiscal Services under-budget due to timing of the fall debenture which was outside of the control of CBRM
- EPW was over budgeted by \$2.9M which is mostly due to fleet-related inflationary costs of parts and fuel, and COVID costs
- Arenas & Recreation had a positive variance of over \$640K between the two departments and was due to the inability to carry out or host planned programming
- Comparison of our operating results are by expenditure type and are on par. The current year actuals are higher increase due \$2.3M in unspent wages last year compared to this year's \$1M. Improvements once fully staffed in all areas.

Continued...

Presentations - Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2022 (Cont'd):

The CFO explained that the format of the statements being provided to the Province must be reported by government function to comply with the various accounting standards for audit purposes. Provincial regulations require that any annual surplus is transferred to reserve, therefore the statements that are provided to the Province must have a net surplus of zero because a deficit cannot be carried under the *Municipal Government Act*. She continued by highlighting the following:

- In order for the statements to be in compliance with PSAB standards, items that meet the definition of a liability must be included
- Water Utility is presented under two separate reporting frameworks
- The audited statement of operating fund and change in fund balance
- CBRM's capital fund represents the Municipality's investments in capital assets
- Capital contributions/grants
- CBRM's completed capital projects for the year was in excess of \$38.7M – \$36.9M
- Required borrowing for 2021/22 was \$8.9M
- Total capital debt, including debt carried in the short term is \$69.9M
- CBRM's reserve fund

ii. Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2022:

The Chief Financial Officer advised that the CBRM Water Utility Financial Statements require to be reported using two separate frameworks to be reported. Consolidated statements are prepared in compliance with the Accounting and Reporting handbook for NS Water Utilities and CBRM's are reported under Public Sector Accounting Standards (PSAB). She identified the differences between the two schedules and advised that they are essentially the same under each framework, with a few key exceptions. She highlighted the following:

- Water Utility's operating fund revenues are what was expected
- Expenditures – similar results as CBRM, with wages/benefits (\$555K), travel and training (\$74K), coming in under budget (approx. \$625K) offset by some unexpected waterline repairs (transmission/distribution).
- Reported Surplus for fiscal 2022 of \$645 under Water Regulations; under PSAB is \$346K, the difference being how capital contributions are required to be recorded under each reporting framework. A side-by-side comparison shows identical results otherwise.
- Water's Capital Fund - the Change in Fund Balance is not income per se, but is merely the result of debt retirement and operating transfers for capital investment
- The Port's statement of operating fund is included in CBRM's consolidated financial statements. The draft operating results depict an operating loss or negative change in fund balance of \$511K due to no cruise in 2021/22

Continued...

Presentations - Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2022 (Cont'd):

- Consolidated statement of financial activities
- Audit Committee's terms of reference include reviewing Financial condition indicators, and salaries and expenses of Council and CAO.
- Fiscal condition indicators are consistent with previous reporting periods
- Uncollected taxes have returned to a high-risk threshold due to timing of receipt of payments from the water utility. Excluding these accounts which were paid after year end, the indicator would be 14.4% consistent with prior reporting periods
- Operating Reserve is improved over last year due to the partial allocation of top up funds to operating reserve for use in 2022/23. This indicator should return to 2020/21 levels at the end of the fiscal year

Ms. Campbell extended her appreciation and recognized the efforts of Finance staff, Department managers and support staff. She also extended her appreciation to Darren Chiasson and the audit team of MNP.

After the presentation, some of Council discussion included the amount owed in uncollected taxes and the total Reserve Fund balance.

b) Audit Findings Report to the Audit Committee for Year Ended March 31, 2022:

Mr. Darren Chiasson, CPA, CA – MNP Partner, provided an overview of the Auditors Report and Highlighted one change to a financial statement in the Water Utility section. He indicated that there was a typing error on page 63 of the agenda, noting the subtotal should be 6,406,764 and not 5,406,764.

Mr. Chiasson advised that the Audit is complete and that they have provided a report that will help evaluate the financial statements. He highlighted the process and what they will be releasing once formally approved by Council.

He recognized Jennifer Campbell and Adam MacNeil and their team for their hard work preparing the statements.

Continued...

Presentations (Cont'd):

c) Draft Management Letter:

Mr. Darren Chiasson, CPA, CA – MNP Partner, presented the draft management letter and noted the requirement to address issues from the previous year and highlighted the following:

- Vacation and Sick Accruals
- Port of Sydney Operations
- Wastewater Treatment Costs
- Water Utility – Depreciation Reserve
- Solid Waste Management Liabilities

After the presentations and discussion, the following motion was put forward:

Motion:

Moved by Councillor Paruch, seconded by Councillor Parsons, that a recommendation be made to Council to approve and release the:

- CBRM Consolidated Financial Statements for the Year Ended March 31, 2022
- CBRM Water Utility Financial Statements for the Year Ended March 31, 2022
- Audit Findings Report for the Year Ended March 31, 2022

Motion Carried.

Deputy Mayor MacMullin asked Mr. Chiasson if there was a requirement to move the meeting In- Camera. Seeing none, the meeting was adjourned.

Meeting Adjourned at 11:10 a.m.

**Deputy Mayor Earlene MacMullin
Chair**

**Christa Dicks
Municipal Clerk**

/acr