

Audit Committee
Agenda

Monday, September 28th, 2020

1:30 p.m.

VIA
VIDEO/TELECONFERENCING

Committee Members: Deputy Mayor Ivan Doncaster - Chair
Councillor Clarence Prince
Councillor George MacDonald
Councillor Darren Bruckschwaiger
Ian MacLean, Citizen
Rakesh Kochhar, Citizen

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CBRM Audit Committee

Agenda

Monday, September 28th, 2020
1:30 p.m.

Via
Video/Teleconferencing

Roll Call

1. **Approval of Minutes:** (previously distributed)
 - June 3, 2020
2. **Approval of Agenda:** (Motion Required)
3. **Annual Financial Report - Year Ended March 31, 2020:** Jennifer Campbell, Chief Financial Officer (See page 4)
4. **MNP – Presentations:**
 - a) **Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2020:** (See page 20)
 - b) **Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2020:** (See page 53)
 - c) **Audit Findings Report for Year Ended March 31, 2020:** (See page 71)
 - e) **Draft Management Letter:** (to be provided at the meeting)

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

Adjournment



CAPE BRETON
REGIONAL MUNICIPALITY

Annual Financial Report

Year Ended March 31, 2020

Cape Breton Regional Municipality

Year ended March 31, 2020


CAPITAL HIGHLIGHTS

- \$46m in Capital Projects Completed
 - \$42.1m – Municipal
 - Sydney Cruise Berth
 - Miners Forum
 - Glace Bay Police Station
 - Transit Fleet
 - Roads and sidewalks
 - \$3.7m - Water
- Doubling of Federal Gas Tax - \$6.8m

POLICY/PLANNING HIGHLIGHTS

- Viability Study Report

OPERATING HIGHLIGHTS

- Transit Service Demand 
- Final of 5 Collective Agreements Settled
- Water Utility Deficit Eliminated
- Corona Virus Pandemic - March 2020

OPERATING RESULTS

- CBRM Operating Fund Surplus \$11,940
 - (0.008% of \$150m Operating Budget)
- Water Utility Operating Fund Surplus \$2.8m

Cape Breton Regional Municipality Schedule of Operating Fund (Internal)

Column 1	Actuals 2019/20	Budget 2019/20	Column 4 Variance
Revenue			
Total Taxes	\$ 111,253,160	\$ 110,384,952	\$ 868,208
Total Federal Government	3,244,005	3,055,594	188,411
Total Federal Government Agencies	747,725	747,195	530
Total Provincial Government	2,090,238	2,200,398	(110,160)
Total Provincial Government Agencies	3,181,412	3,188,324	(6,912)
Total Services to Other Local Government	598,130	608,750	(10,620)
Total Transit	1,702,668	1,107,500	595,168
Total Environmental Development Services	267,420	246,200	21,220
Total Licenses & Permits	120,954	151,000	(30,046)
Total Fines & Fees	565,416	616,477	(51,061)
Total Rentals	590,693	596,490	(5,797)
Total Concessions & Franchises	320,022	370,000	(49,978)
Total Interest on Taxes	1,299,349	1,510,000	(210,651)
Total Finance Revenue	26,260	30,000	(3,740)
Total Solid Waste Revenue	2,519,106	2,700,000	(180,894)
Total Recreation & Cultural Service Programs	1,805,914	2,110,000	(304,086)
Total Water Utility Charges	4,951,510	4,951,510	(0)
Total Unconditional Transfers	15,823,349	15,935,838	(112,489)
Total Extraordinary Revenue (Disaster Recovery)	122,991	-	122,991
Total Revenue	\$ 151,230,322	\$ 150,510,228	\$ 720,094
Expenditures			
Legislative	\$ 1,484,196	\$ 1,626,311	\$ 142,115
Administration	895,625	1,082,923	187,298
Finance	2,611,855	2,662,774	50,919
Legal	1,856,166	1,843,612	(12,554)
Human Resources	1,075,096	1,350,257	275,161
Technology & Communications	1,210,193	1,339,154	128,961
Municipal Clerk	520,610	544,229	23,619
Fiscal Services	32,518,827	32,506,122	(12,705)
Police Services	26,415,545	27,611,932	1,196,387
Fire Services (Incl EMO)	18,184,384	17,891,006	(293,378)
Engineering & Public Works	49,096,333	47,080,065	(2,016,268)
Planning	2,618,233	2,666,157	47,924
Facilities: Centre 200 & Arenas	4,097,609	3,507,637	(589,972)
Parks & Grounds	2,767,289	2,889,433	122,144
Buildings	3,350,669	3,253,791	(96,878)
Recreation	2,515,752	2,654,825	139,073
Total Expenditures	\$ 151,218,382	\$ 150,510,228	\$ (708,154)
Surplus / (Deficit) (internal)	\$ 11,940		

Revenues

Exceeded Budget
\$720,094

Tax Revenue	2019/20 Budget	Actuals 2019/20	Variance
Taxes on Assessment			
Residential Tax	73,487,611	74,154,019	666,408
Commercial Tax	30,737,393	30,672,621	(64,772)
Resource Tax	1,468,843	1,466,302	(2,541)
Commercial Area Rates (Fire/Sewer-Bylaw)	1,467,143	1,467,143	-
Total Taxes on Assessment	107,160,990	107,760,085	599,095
Bell	510,660	479,300	(31,360)
Wind Turbine	213,302	213,322	20
Deed Transfer Tax	2,500,000	2,800,453	300,453
Total Tax Revenue	110,384,952	111,253,160	868,208

- Renegotiated Municipal Services Agreement
- Appeals

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Revenue			
Total Taxes	\$ 111,253,160	\$ 110,384,952	\$ 868,208
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Total Extraordinary Revenue (Disaster Recovery)	122,991	-	122,991
Total Revenue	\$ 151,230,322	\$ 150,910,228	\$ 720,094

Increased ridership

COVID-19
Cancellation of events
March Break

Expenditures

**Exceeded budgeted
\$708,154**

Solid Waste:

- Increase in net-recycling costs

Public Works:

- Prolonged winter season
- Dorian recovery

Transit:

- Costs associated with demand

	Actuals	Budget	
Expenditures	2019/20	2019/20	Variance
Legislative	\$ 1,484,196	\$ 1,626,311	\$ 142,115
Administration	895,625	1,082,923	187,298
Finance	2,611,855	2,662,774	50,919
Legal	1,856,166	1,843,612	(12,554)
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Recreation	2,515,752	2,654,825	139,073
Total Expenditures	\$ 151,218,382	\$ 150,510,228	\$ (708,154)

- Police OT
- Membertou Policing Agreement
- Drug Recognition Training cost recovery

- Higher than expected energy/heating costs
- Repairs
- Concert Cancellation

Areas of cost savings/reductions include training/conferences/travel/meetings, community events, and temporary staff vacancies.

Cape Breton Regional Municipality

Capital, Funding & Debt

CBRM Capital Program 2019-20	Cost	Funding	Borrowing	Budgeted Borrowing	Variance
Land and buildings	\$ 649,258	\$ 529,082	\$ 120,176	\$ -	\$ 120,176
Glace Bay Police	2,266,129	963,410	1,302,719	1,293,000	9,719
Miners Forum	6,834,893	4,715,397	2,119,497	1,500,000	619,497
Sydney Cruise Berth	13,248,267	7,915,096	5,333,170	4,379,749	953,421
Fire Equipment	1,024,410	-	1,024,410	1,183,980	(159,570)
Streets and Sidewalks	9,893,888	9,842,740	51,148	44,118	7,030
Fleet Replacement	1,574,996	941,170	633,826	326,774	307,052
Sewer/Storm Water	3,382,485	2,847,814	534,672	1,117,769	(583,097)
Parks, Grounds and Arenas	374,391	374,391	-	-	-
Active Transportation	48,086	34,010	14,076	333,333	(319,257)
Transit	2,833,976	2,833,976	-	-	-
Total	\$ 42,130,779	\$ 30,997,086	\$ 11,133,693	\$ 10,178,723	\$ 954,970

CBRM Capital Costs,
Funding and
Required Borrowing

Long Term Debt - Capital Projects	2019/20	2018/19	2017/18
Current Long Term Debt, Financial Statements	\$ 51,660,271	\$ 51,610,340	\$ 48,616,686
Short term borrowing (16/17 capital projects)			12,974,999
Short term borrowing (17/18 capital projects)		10,250,000	10,250,000
Short term borrowing (18/19 capital projects)	8,808,139	8,808,139	
Short term borrowing (19/20 capital projects)	11,133,693		
Balance of Total Debt	\$ 71,602,103	\$ 70,668,479	\$ 71,841,685
Change in Total Debt	\$ 933,624	\$ (1,173,206)	\$ (3,499,145)

CBRM Debt
Page 9

Cape Breton Regional Municipality Water Utility – Operating Fund

Column1	Column2	Column3	2019/20 Budget	Actual 2019/20	Actual 2018/19	Year to Year Variance
OPERATING REVENUES						
	Metered sales		19,060,251	19,813,010	19,005,362	807,648
	Public fire protection		7,139,384	7,076,390	7,131,022	(54,632)
	Consumer's interest		350,000	508,992	459,277	49,715
	Service connections		10,000	6,974	4,395	2,579
			26,559,635	27,405,366	26,600,056	805,310
OPERATING EXPENSES						
	Source of supply		521,500	379,433	389,562	10,129
	Power and pumping		2,119,400	1,801,046	1,634,865	(166,181)
	Water treatment		3,714,663	4,371,030	4,129,316	(241,714)
	Transmission and distribution		4,765,772	4,614,000	4,747,777	133,777
	Administration and general		3,047,883	2,715,573	2,765,084	49,511
	Depreciation		4,132,220	3,645,444	3,586,866	(58,578)
	Taxes		2,372,007	1,985,957	1,973,379	(12,578)
			20,673,445	19,512,483	19,226,849	(285,634)
Excess of operating revenues over expenses before the following:			5,886,190	7,892,883	7,373,207	519,676
NON-OPERATING REVENUES						
	Amortization of deferred capital contributions		-	287,170	287,171	1
			-	287,170	287,171	1
NON-OPERATING EXPENSES						
	Debt Charges					
	Provision for principal repayment		3,564,500	3,564,500	3,576,232	11,732
	Interest		1,348,483	1,348,483	1,453,241	104,758
	Amortization of debt discounts		32,000	37,112	32,004	(5,108)
	Bank fees/charges		141,207	282,545	195,199	(87,346)
	Capital Expenditures out of operations		150,000	150,000	150,000	-
			5,236,190	5,382,640	5,406,676	24,036
CHANGE IN FUND BALANCE			650,000	2,797,413	2,253,702	543,713

Last of UARB approved rate increases April 1, 2019.

Cape Breton Regional Municipality

Water Utility

Operating

Water Utility - Operating Deficit	2020	2019	2018	2017
Deficit, Beginning of Year	(1,722,609)	(3,976,310)	(5,638,302)	(4,908,426)
Change in fund balance →	2,797,413	2,253,701	1,661,992	(729,876)
Surplus (Deficit), End of Year	1,074,804	(1,722,609)	(3,976,310)	(5,638,302)

Operating Deficit Eliminated!!!

- Operating Surplus of \$2,797,413
- Accumulated *Surplus* \$1.07m


Capital

- ▶ Capital Projects Total \$3.7m
- ▶ NO New Debt
- ▶ Debt Balance \$29,066,000



Cape Breton Regional Municipality

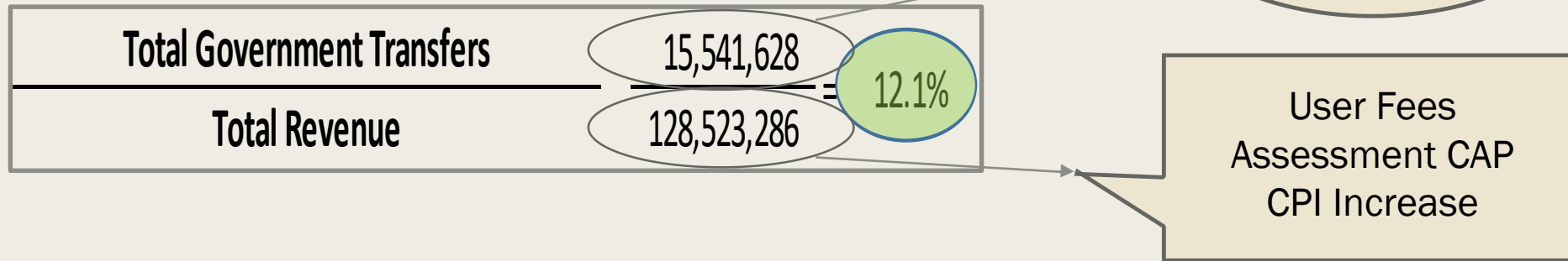
Financial Condition Index (*Draft*)

Indicator Name	2019-20	2018-19	2017-18	2016-17
Reliance on Government Transfers	 12.1%	12.4%	12.6%	12.9%
Uncollected Taxes	14.8%	14.5%	17.7%	16.7%
3 Year Change in Tax Base	7.1%	8.8%	7.3%	10.9%
Reliance on Single Business or Institution	1.6%	1.7%	1.5%	1.1%
Residential Tax Effort	2.9%	2.8%	2.7%	2.7%
# of Deficits in the Last 5 Years	0 out of 5 years	0 out of 5 years	0 out of 5 years	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	1.3	1.2	1.1	1.1
Operating Reserve	7.8%	6.1%	5.1%	6.5%
Debt Service Cost	10.3%	10.4%	14.3%	14.9%
Outstanding Operating Debt	8.2%	8.2%	12.0%	13.4%
Undepreciated Assets	60.5%	59.9%	61.5%	63.0%
Combined Operating & Capital Reserves	11.5%	8.7%	5.3%	7.3%

Cape Breton Regional Municipality

Financial Condition Index (*Draft*)

Reliance on Government Transfers



Indicator Name	2019-20	2018-19	2017-18	2016-17
Reliance on Government Transfers	12.1%	12.4%	12.6%	12.9%

- RESULT: CBRM is “LESS” reliant on Government transfers!
 - Adequacy of existing transfer?
 - Appropriateness of service levels/expenditures?

Cape Breton Regional Municipality

Financial Condition Index (*Draft*)

Uncollected Taxes

Taxes Receivable (net of allowance)

15,919,906

14.8%

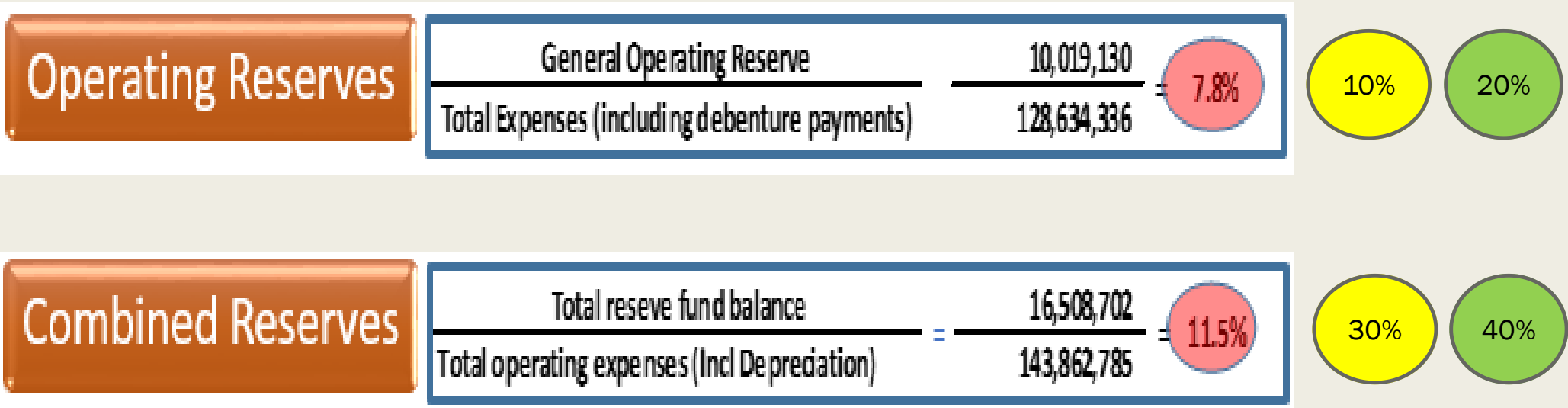
Total Taxes Billed

107,760,084

Financial Condition Indicator: Uncollected Taxes [Net receivables/taxes on assessment]			
	2019/20	2018/19	2017/18
Taxes Receivable	17,723,084	17,072,049	20,363,959
Allowance for uncollectible taxes	(1,803,178)	(1,883,280)	(2,186,474)
Net Taxes Receivable	15,919,906	15,188,769	18,177,486
FCI: Uncollected Taxes	14.8%	14.5%	17.7%
NSHA Receivable	(690,599)	-	(2,430,000)
FCI - Uncollected Taxes (net of NSHA Receivable)	14.1%	14.5%	15.3%

Cape Breton Regional Municipality

Financial Condition Index (*Draft*)



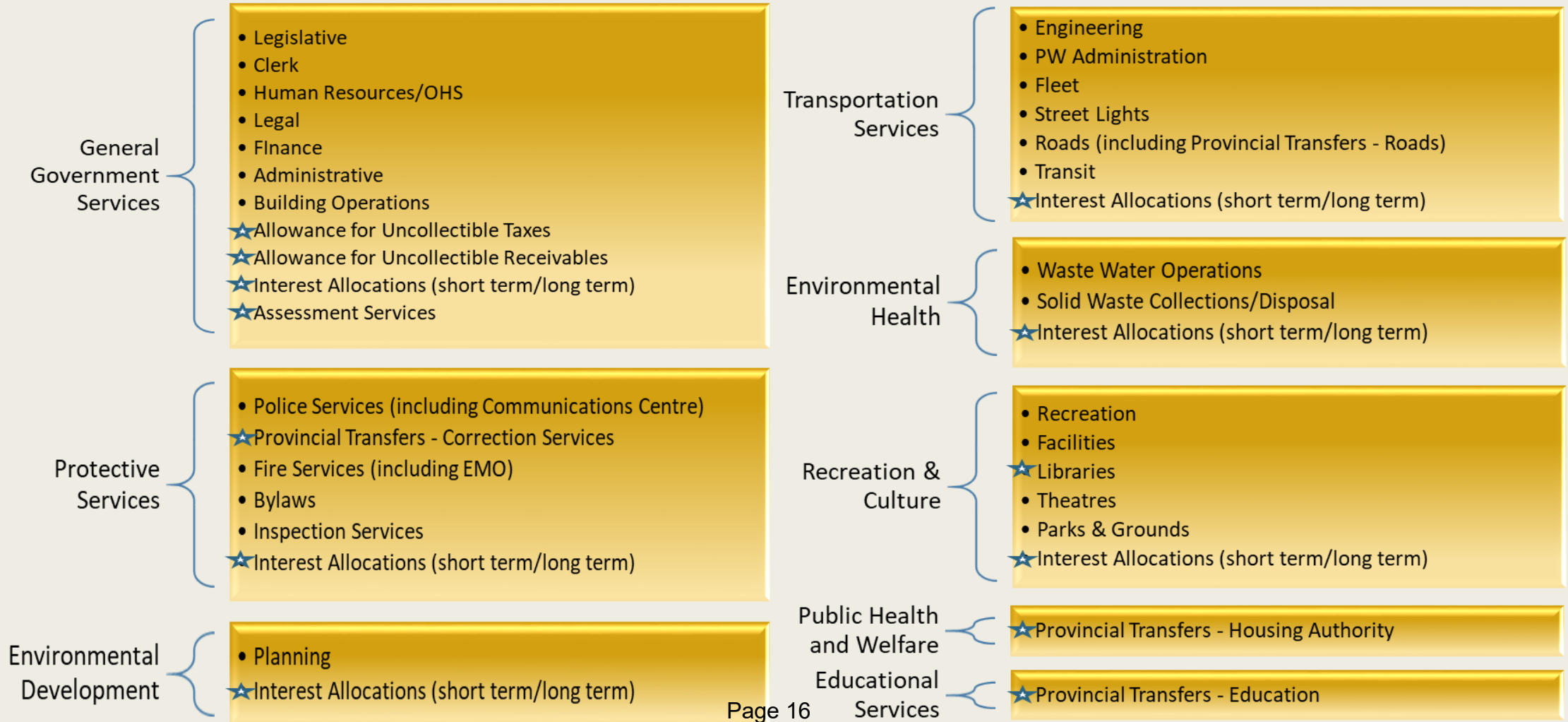
CBRM Operating (Internal)



Conversion



PSAB Presentation



CONSOLIDATED STATEMENTS



	CBRM			CBRW			PSDC	Total
	Operating	Capital	Reserve	Operating	Capital	Reserve	Operating	
Fund Balance, Beginning of Year	(59,184,039)	218,983,734	12,114,432	3,444,515	89,190,980	2,028,728	4,364,102	270,942,452
Change in Fund Balance	(1,627,624)	26,680,624	4,394,282	2,510,241	3,714,500	9,515	494,852	36,176,390
Fund Balance, End of Year	(60,811,663)	245,664,358	16,508,714	5,954,756	92,905,480	2,038,243	4,858,954	307,118,842

Cape Breton Regional Municipality

Year Ended March 31, 2020

“What counts can’t always be counted;
what can be counted doesn’t always count.”

- Albert Einstein

DRAFT

**CAPE BRETON REGIONAL
MUNICIPALITY**
Consolidated Financial Statements
March 31, 2020

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2020

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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

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Cape Breton Regional Municipality on Pages 4 – 24 which comprise the consolidated statement of financial position as at March 31, 2020 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, 2020 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

The financial statements of Cape Breton Regional Municipality for the year ended March 31, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed an unmodified opinion on those statements on September 26, 2019.

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 25 - 31 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
September 28, 2020

Chartered Professional Accountants

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2020, with comparative figures for 2019

	2020	2019
FINANCIAL ASSETS		
Taxes receivable (note 2)	\$ 15,919,906	\$ 15,188,769
Accounts receivable (note 3)	21,450,638	17,807,352
Due from trust fund	2,698,321	1,204,446
	<u>40,068,865</u>	<u>34,200,567</u>
FINANCIAL LIABILITIES		
Cheques issued in excess of funds on deposit (note 4)	8,728,592	11,184,020
Accounts payable and accrued liabilities (note 5)	27,461,627	22,615,080
Accrued interest on long-term debt	911,544	970,258
Deferred revenue	109,720	249,971
Accrued employee benefits	6,949,107	5,942,563
Solid waste management facilities liabilities (note 6)	54,569,015	53,910,000
Capital lease (note 7)	175,133	237,951
Long-term debt (note 8)	80,726,271	84,240,840
	<u>179,631,009</u>	<u>179,350,683</u>
NET DEBT	<u>(139,562,144)</u>	<u>(145,150,116)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	407,434,354	402,966,018
Work in progress	34,976,393	8,947,364
Properties acquired at tax sale	1,585,197	1,585,197
Inventory, prepaid expenses and other	2,685,042	2,593,989
	<u>446,680,986</u>	<u>416,092,568</u>
FUND BALANCES (note 10)	<u>\$ 307,118,842</u>	<u>\$ 270,942,452</u>

Contingencies (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

Mayor

Clerk

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Activities

Year ended March 31, 2020, with comparative figures for 2019

	Budget (Unaudited)	2020	2019
REVENUES			
Taxes	\$ 110,384,953	\$ 111,253,160	\$ 108,104,225
Grants in lieu of taxes	9,191,511	9,263,380	9,106,016
Services provided to other governments	448,516	447,104	345,177
Sales of services	3,247,500	3,571,998	3,211,736
Revenue from own sources	5,988,690	8,914,847	5,294,566
Unconditional transfers from other governments	15,935,838	15,823,349	15,965,329
Conditional transfers from other governments	361,711	893,955	591,869
Capital grants	-	30,506,932	13,907,919
Water Utility revenue	19,483,244	20,328,975	19,469,034
Investment income	-	314,914	222,789
Port of Sydney Development Corporation	2,595,284	2,979,247	2,308,467
Gain on sale of properties	-	-	74,881
Disaster recovery	-	122,991	-
	167,637,247	204,420,852	178,602,008
EXPENSES			
General government services	18,923,514	15,354,876	14,400,879
Protective services	42,025,601	42,566,552	41,747,043
Transportation services	36,570,684	40,845,853	37,165,583
Environmental health services	17,164,144	20,285,866	31,103,153
Public health and welfare services	2,019,941	2,075,894	1,965,692
Environmental development services	1,229,956	1,145,375	1,172,177
Recreation and cultural services	10,943,553	12,480,179	13,009,884
Planning and development services	-	313,247	309,890
Educational services	14,478,442	14,478,442	14,179,424
Port of Sydney Development Corporation	2,401,385	3,019,938	2,359,487
Water Utility expenses	13,079,405	15,542,003	15,273,777
	158,836,625	168,108,225	172,686,989
Excess of revenues over expenses before the following	8,800,622	36,312,627	5,915,019
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(110,000)	(136,237)	(109,742)
CHANGE IN FUND BALANCES	\$ 8,690,622	36,176,390	5,805,277
FUND BALANCES, BEGINNING OF YEAR		270,942,452	265,137,175
FUND BALANCES, END OF YEAR		\$ 307,118,842	\$ 270,942,452

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
CHANGE IN FUND BALANCES	\$ 36,176,390	\$ 5,805,277
Tangible capital assets		
Acquisition of tangible capital assets	(23,806,676)	(20,496,722)
Proceeds on disposal of tangible capital assets	–	9,800
Amortization of tangible capital assets	19,338,340	19,213,832
Gain on disposal of tangible capital assets	–	(74,881)
	(4,468,336)	(1,347,971)
Other non-financial assets		
Increase in work in progress	(26,029,029)	(3,075,710)
Decrease (increase) in inventory, prepaid expenses and other	(91,053)	1,628,461
	(26,120,082)	(1,447,249)
DECREASE IN NET DEBT	5,587,972	3,010,057
NET DEBT, BEGINNING OF YEAR	(145,150,116)	(148,160,173)
NET DEBT, END OF YEAR	\$ (139,562,144)	\$ (145,150,116)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	\$ 36,176,390	\$ 5,805,277
Items not involving cash		
Amortization of tangible capital assets	19,338,340	19,213,832
Gain on disposal of tangible capital assets	-	(74,881)
Change in non-cash working capital		
Decrease (increase) in taxes receivable	(731,137)	2,988,717
Increase in accounts receivable	(3,643,286)	(969,591)
Decrease (increase) in inventory, prepaid expenses and other	(91,053)	1,628,461
Increase (decrease) in accounts payable and accrued liabilities and accrued interest	4,787,833	(210,891)
Increase in solid waste management facilities liability	659,015	12,248,200
Increase (decrease) in deferred revenue	(140,251)	123,181
Increase (decrease) in accrued employee benefits	1,006,544	(22,559)
	57,362,395	40,729,746
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from trust fund	(1,493,875)	(1,270,141)
Issuance of long-term debt	10,250,000	12,974,999
Principal payments on long-term debt	(13,764,569)	(13,545,845)
Repayment of capital lease	(62,818)	(193,649)
	(5,071,262)	(2,034,636)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(23,806,676)	(20,496,722)
Proceeds on disposal of tangible capital assets	-	9,800
Increase in work in progress	(26,029,029)	(3,075,710)
	(49,835,705)	(23,562,632)
INCREASE IN CASH AND CASH EQUIVALENTS	2,455,428	15,132,478
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(11,184,020)	(26,316,498)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (8,728,592)	\$(11,184,020)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Basis of consolidation

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

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

(c) School boards

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

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

(d) Trust funds

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

(e) Fund accounting

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

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Reserve funds

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

(j) Government transfers

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

(k) Deferred revenue

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

(l) Taxation and related revenues

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

(m) Port of Sydney Development Corporation revenue recognition

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

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

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee future benefits

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

(o) Use of estimates

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

2. TAXES RECEIVABLE

	2020	2019
Gross taxes receivable, beginning of year	\$ 17,072,049	\$ 20,363,960
Current year's levy of property taxes	107,638,608	105,152,443
Subtotal	124,710,657	125,516,403
Less		
Current year's collections	106,776,201	108,002,691
Reduced taxes	131,270	138,469
Allowance	80,102	303,194
Gross taxes receivable, end of year	17,723,084	17,072,049
Less		
Allowance for uncollectible taxes	1,803,178	1,883,280
Taxes receivable, net	\$ 15,919,906	\$ 15,188,769

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

3. ACCOUNTS RECEIVABLE

	2020	2019
Federal government	\$ 4,560,359	\$ 3,392,321
Provincial government	4,966,803	3,907,314
Water rates receivable	10,592,127	9,520,538
Other receivables	3,434,650	3,031,379
	23,553,939	19,851,552
Less allowance for doubtful accounts		
Operating	1,253,301	1,297,456
Water rates	850,000	746,744
	2,103,301	2,044,200
	\$ 21,450,638	\$ 17,807,352

4. CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT

	2020	2019
Operating funds	\$ 4,696,285	\$ (1,418,803)
Reserves funds	27,357,632	17,025,038
Capital funds	(41,990,967)	(27,371,818)
Port of Sydney Development Corporation	1,208,458	581,563
	\$ (8,728,592)	\$ (11,184,020)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade accounts payable	\$ 21,578,023	\$ 17,014,684
Payroll and related	1,376,022	675,969
Accrued liabilities	1,743,396	1,894,875
Tax sale trust	2,764,186	3,029,552
	\$ 27,461,627	\$ 22,615,080

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.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES (CONTINUED)

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

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

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

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is \$54,569,015 (2019 - \$53,910,000). 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

	2020	2019
Bank of Montreal, 2.50%, repayable in monthly instalments of principal and interest of \$5,671 commencing December 2016, maturing November, 2022	\$ 175,133	\$ 237,951

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

Year ended March 31,		
2021	\$	68,058
2022		68,058
2023		45,372
		181,488
Interest included in minimum payments		6,355
	\$	175,133

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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, 2020 are as follows:

2021	\$ 13,744,369
2022	11,529,769
2023	14,649,269
2024	12,282,570
2025	6,814,300

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CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

9. TANGIBLE CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 11,381,450	\$ -	\$ 11,381,450	\$ 11,368,212
Buildings				
General government services	9,325,027	3,247,454	6,077,573	5,819,371
Protective services	9,985,138	2,013,996	7,971,142	8,115,790
Transportation services	11,165,524	2,617,651	8,547,873	8,649,568
Environmental services	33,238,344	10,784,472	22,453,872	23,312,802
Recreation and cultural services	18,268,468	5,752,366	12,516,102	12,882,517
Industrial parks	1,084,104	502,507	581,597	608,699
	83,066,605	24,918,446	58,148,159	59,388,747
Equipment				
General government services	2,874,846	2,874,846	-	-
Protective services	17,314,409	15,121,381	2,193,028	2,845,664
Public works	36,906,769	26,868,806	10,037,963	7,777,577
Environmental health services	13,850,203	13,746,683	103,520	140,937
Recreation and cultural services	1,921,819	1,604,182	317,637	677,658
	72,868,046	60,215,898	12,652,148	11,441,836
Other				
General government services	742,494	742,494	-	-
Road transport	181,905,753	67,586,141	114,319,612	109,770,688
Environmental health services	107,733,048	28,135,639	79,597,409	78,959,778
Recreation and cultural services	23,360,126	20,802,350	2,557,776	3,234,575
Waterfront development	8,927,317	4,112,076	4,815,241	4,993,842
Downtown development	1,509,290	368,942	1,140,348	1,030,070
Wharf – Sydney Marine Terminal	2,114,809	1,336,512	778,297	855,118
Water utility assets	174,760,784	57,829,402	116,931,382	116,883,033
Port of Sydney assets	11,054,509	5,941,977	5,112,532	5,040,119
	512,108,130	186,855,533	325,252,597	320,767,223
	\$ 679,424,231	\$ 271,989,877	\$ 407,434,354	\$ 402,966,018

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. FUND BALANCES

	2020	2019
General operating fund	\$ (60,811,663)	\$ (59,184,039)
Water operating fund	5,954,756	3,444,515
General capital fund	245,664,358	218,983,734
Water capital fund	92,905,480	89,190,980
Port of Sydney Development Corporation	4,858,954	4,364,102
	288,571,885	256,799,292
Reserves set aside by council	18,546,957	14,143,160
	\$ 307,118,842	\$ 270,942,452

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 2020 were \$4,554,174 (2019 - \$4,764,754) 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 \$156,792 (2019 - \$170,760).

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.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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 \$241,200 (2019 - \$244,170).

12. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2020 are \$51,103 (2019 - \$2,044,235).

13. CONTINGENCIES

- (a) As of March 31, 2020 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, 2020 is \$1,293,961 (2019 - \$1,150,999).
- d) Canadian Environmental Guidelines

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

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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, 2020 in the amount of \$1,939,241 (2019 - \$1,868,648).

(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, 2020, the Municipality's share of these costs was \$1,400,386 (2019 - \$1,380,720).

(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, 2020, the Municipality's contribution for these costs was \$1,078,199 (2019 - \$1,083,287).

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

The Municipality provided a mandatory contribution in the amount of \$14,478,442 (2019 - \$14,179,424) 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, 2020, \$1,112,181 (2019 - \$1,200,342) 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.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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

On March 11, 2020 the World Health Organization characterized the outbreak of the strain of the novel coronavirus ("Covid-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus, including the announcement of a state of emergency in the Province of Nova Scotia on March 22, 2020. As of the date of issuing the financial statements, the ongoing duration and impact of COVID-19 is unknown and it is not possible to reliably estimate the impact the length and severity of these developments will have on the financial results and condition of the Municipality in future fiscal years.

18. SUBSEQUENT EVENTS

In June 2020, the Municipality signed a debenture through the Nova Scotia Municipal Finance Corporation in the amount of \$42,252,896. The loan bears interest at a rate of 1.1% per annum and is repayable in three equal annual instalments plus interest. The purpose of the operating loan is to assist the Municipality with cash flow pressures and enable the Municipality to offer a tax financing program to taxpayers struggling with 2020 tax levy due to loss of income due to COVID-19.

19. COMPARATIVE FIGURES

Certain 2019 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Long-term Debt

March 31, 2020, with comparative figures for 2019

	Term (years)	Interest rate - %	Matures	Balance March 31/19	Issued	Redeemed	Balance March 31/20
General Fund							
M.F.C.							
29-A-1	10	1.679-4.329	2019	\$ 1,045,200	\$ -	\$ 1,045,200	\$ -
30-B-1	10	1.550-3.870	2020	4,429,200	-	2,214,600	2,214,600
31-A-1	10	1.219-3.645	2021	4,359,000	-	1,453,000	2,906,000
32-B-1	10	0.000-3.160	2022	1,518,800	-	379,700	1,139,100
33-B-1	10	0.000-3.614	2023	2,341,341	-	468,269	1,873,072
34-B-1	10	1.200-3.190	2024	7,980,000	-	1,330,000	6,650,000
35-A-1	10-20	1.040-3.449	2030	4,520,000	-	560,000	3,960,000
36-A-1	10	1.150-2.506	2026	4,995,200	-	624,400	4,370,800
37-A-1	10	1.734-3.073	2027	7,446,600	-	827,400	6,619,200
38-A-1	10	2.490-3.389	2028	11,974,999	-	1,197,500	10,777,499
FCM-1	10	2.250	2028	1,000,000	-	100,000	900,000
39-A-1	10	2.015 - 2.561	2029	-	10,250,000	-	10,250,000
				51,610,340	10,250,000	10,200,069	51,660,271
Water Fund							
M.F.C.							
27-A-1	15	4.385-4.770	2022	8,230,500	-	914,500	7,316,000
28-A-1	15	3.750-5.088	2023	7,000,000	-	700,000	6,300,000
30-A-1	15	1.510-4.875	2025	9,000,000	-	750,000	8,250,000
33-A-1	10	1.330-2.979	2023	4,000,000	-	800,000	3,200,000
34-A-1	15	1.245-3.792	2029	4,400,000	-	400,000	4,000,000
				32,630,500	-	3,564,500	29,066,000
				\$ 84,240,840	\$ 10,250,000	\$ 13,764,569	\$ 80,726,271

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2020

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 2020 and 2019 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, 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
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	-	-	-	-	-	-	-	-	19,813,010	19,813,010
Other water revenues	-	-	-	-	-	-	-	-	515,965	515,965
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	20,328,975	204,420,852
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	18,830,071
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	3,476,280	-	1,078,199	-	-	759,902	-	14,478,442	-	19,792,823
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
	17,430,770	3,019,938	42,566,552	40,845,853	20,285,866	12,480,179	1,458,622	14,478,442	15,542,003	168,108,225
ANNUAL SURPLUS (DEFICIT)	\$ 115,998,804	\$ 494,852	\$ (23,656,879)	\$ (31,497,880)	\$ (17,766,760)	\$ (10,637,092)	\$ (1,409,390)	\$ -	\$ 4,786,972	\$ 36,312,627

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2020

Year ended March 31, 2019	General Government Services	Port of Sydney Development Corporation	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
REVENUES										
Taxation	\$ 69,880,051	\$ -	\$ 16,718,615	\$ 7,326,135	\$ -	\$ -	\$ -	\$ 14,179,424	\$ -	\$ 108,104,225
Grants in lieu of taxes	9,106,016	-	-	-	-	-	-	-	-	9,106,016
Services provided to other governments	-	-	345,177	-	-	-	-	-	-	345,177
Sales of services	26,825	-	-	1,085,971	-	2,098,940	-	-	-	3,211,736
Revenue from own sources	2,146,545	2,308,467	1,008,754	-	2,098,647	-	40,620	-	-	7,603,033
Unconditional transfers from other governments	15,965,329	-	-	-	-	-	-	-	-	15,965,329
Conditional transfers from other governments	-	238,323	353,546	-	-	-	-	-	-	591,869
Capital grants	13,907,919	-	-	-	-	-	-	-	-	13,907,919
Metered sales	-	-	-	-	-	-	-	-	19,005,362	19,005,362
Other water revenues	-	-	-	-	-	-	-	-	463,672	463,672
Investment income	222,789	-	-	-	-	-	-	-	-	222,789
Gain on sale of properties	65,696	9,185	-	-	-	-	-	-	-	74,881
	111,321,170	2,555,975	18,426,092	8,412,106	2,098,647	2,098,940	40,620	14,179,424	19,469,034	178,602,008
EXPENSES										
Salaries, wages and benefits	7,854,898	752,174	30,711,207	15,501,357	3,865,608	5,140,335	887,863	-	2,097,207	66,810,649
Interest on long-term debt	413,589	-	145,357	596,146	100,121	97,475	-	-	1,453,241	2,805,929
Materials, goods, supplies and utilities	937,405	619,154	1,537,965	4,653,817	2,069,760	2,275,821	14,777	-	4,127,760	16,236,459
Contracted services	959,650	54,422	745,789	5,395,914	20,529,311	434,037	40,206	-	1,255,492	29,414,821
Other operating expenses	2,603,546	547,013	5,711,774	3,719,644	1,597,625	1,674,130	229,331	-	2,753,211	18,836,274
External transfers and grants	3,346,412	-	1,083,287	-	-	759,902	-	14,179,424	-	19,369,025
Amortization	251,071	386,724	1,811,664	7,298,705	2,940,728	2,628,184	309,890	-	3,586,866	19,213,832
	16,366,571	2,359,487	41,747,043	37,165,583	31,103,153	13,009,884	1,482,067	14,179,424	15,273,777	172,686,989
ANNUAL SURPLUS (DEFICIT)	\$ 94,954,599	\$ 196,488	\$(23,320,951)	\$(28,753,477)	\$(29,004,506)	\$(10,910,944)	\$(1,441,447)	\$ -	\$ 4,195,257	\$ 5,915,019

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration and Expenses of Council and Chief Administrative Officer

Year ended March 31, 2020

Council	Annual Remuneration	Travel Expenses
C. Clarke, Mayor	\$ 143,838	\$ 31,989
E. MacDonald	49,202	9,947
G. MacDonald	49,202	12,242
D. Bruckschwaiger	49,202	6,220
K. Coombes	42,579	–
I. Doncaster (Deputy Mayor)	54,202	15,236
S. Gillespie	49,202	556
J. MacLeod	49,202	12,863
E. MacMullin	49,202	2,058
E. Marshall	49,202	8,855
A. McDougall	49,202	7,313
R. Paruch	49,202	–
C. Prince	49,202	6,396
M. Walsh, CAO	224,952	11,049

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Annual Salaries and Travel Expenses of Senior Staff

Year ended March 31, 2020

Senior Staff	Annual Remuneration	Travel Expenses
J. Campbell	\$ 129,947	\$ 5,892
M. Gillis	14,645	64
D. Kachafanas	129,947	725
W. MacDonald	137,421	19,501
G. MacDougall	129,947	1,732
M. Seth	55,405	29,003
J. MacKinnon	185,081	10,157
P. MacIsaac	167,371	160
W. Murphy	129,947	6,610
D. Campbell – Ryan	113,698	3,704
M. Ruus	123,336	8,589

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
REVENUES		
Taxes	\$ 111,253,160	\$ 108,104,225
Grants in lieu of taxes	9,263,380	9,106,016
Services provided to other governments	447,104	345,177
Sales of services	3,571,998	3,211,736
Revenue from own sources	13,866,357	10,246,076
Unconditional transfers from other governments	15,823,349	15,965,329
Conditional transfers from other governments	358,412	353,546
Disaster recovery	122,991	-
	<u>154,706,751</u>	<u>147,332,105</u>
EXPENSES		
General government services	15,132,027	14,149,783
Protective services	47,738,592	47,066,401
Transportation services	33,035,910	29,866,878
Environmental health services	17,233,045	28,162,425
Public health and welfare services	2,075,894	1,965,692
Environmental development services	1,145,375	1,172,177
Recreation and cultural services	10,554,941	10,381,700
Educational services	14,478,442	14,179,424
	<u>141,394,226</u>	<u>146,944,480</u>
Excess of revenues over expenses before the following	13,312,525	387,625
FINANCING AND TRANSFERS		
Debenture and term loan principal instalments	(10,200,069)	(9,981,341)
Transfer to special reserve funds	(3,849,785)	(1,643,027)
Transfer to general capital fund	(791,170)	(432,622)
Amortization of bond discount	(99,125)	(77,738)
	<u>(14,940,149)</u>	<u>(12,134,728)</u>
CHANGE IN FUND BALANCE	<u>(1,627,624)</u>	<u>(11,747,103)</u>
FUND BALANCE, BEGINNING OF YEAR	(59,184,039)	(47,436,936)
FUND BALANCE, END OF YEAR	<u>\$ (60,811,663)</u>	<u>\$ (59,184,039)</u>

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2020, with comparatives for 2019

	2020	2019
OPERATING REVENUES		
Metered sales	\$ 19,813,010	\$ 19,005,362
Public fire protection	7,076,391	7,131,022
Consumer's interest	508,992	459,277
	<u>27,398,393</u>	<u>26,595,661</u>
OPERATING EXPENSES		
Source of supply	379,433	389,562
Power and pumping	1,801,046	1,634,865
Water treatment	4,371,030	4,129,316
Transmission and distribution	3,964,000	4,097,776
Administration and general	2,715,573	2,765,083
Taxes	1,985,957	1,973,379
	<u>15,217,039</u>	<u>14,989,981</u>
Excess of revenues over expenses before the following	12,181,354	11,605,680
NON-OPERATING REVENUES		
Miscellaneous	6,973	4,395
NON-OPERATING EXPENSES		
Interest on debentures	1,348,484	1,453,241
Amortization of debt discounts	37,112	32,004
Other	282,546	195,199
Transfer to water capital fund	7,359,944	7,301,366
Transfer to general capital fund	650,000	650,000
	<u>9,678,086</u>	<u>9,631,810</u>
CHANGE IN FUND BALANCE	2,510,241	1,978,265
FUND BALANCE, BEGINNING OF YEAR	3,444,515	1,466,250
FUND BALANCE, END OF YEAR	<u>\$ 5,954,756</u>	<u>\$ 3,444,515</u>

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
REVENUES		
Capital grants	\$ 17,663,510	\$ 6,109,209
EXPENSES		
General government services	222,849	251,099
Protective services	1,904,351	1,811,664
Transportation services	7,809,943	7,298,705
Environmental health services	3,052,821	2,940,728
Recreation and cultural services	1,925,238	2,628,184
Planning and development services	313,247	309,890
	<u>15,228,449</u>	<u>15,240,270</u>
Excess (deficiency) of revenues over expenses before the following	2,435,061	(9,131,061)
FINANCING AND TRANSFERS		
Transfer from reserve funds	12,604,324	5,141,299
Transfer from general operating fund	791,170	432,622
Transfer from water operating fund	650,000	650,000
Debenture and term loan principal instalments	10,200,069	9,981,341
	<u>24,245,563</u>	<u>16,205,262</u>
CHANGE IN FUND BALANCE	26,680,624	7,074,201
FUND BALANCE, BEGINNING OF YEAR	218,983,734	211,909,533
FUND BALANCE, END OF YEAR	<u>\$ 245,664,358</u>	<u>\$ 218,983,734</u>

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2020, with comparatives for 2019

	2020	2019
REVENUES		
Capital grants	\$ -	\$ -
EXPENSES		
Amortization	3,645,444	3,586,866
Deficiency of revenues over expenses before the following	(3,645,444)	(3,586,866)
FINANCING AND TRANSFERS		
Transfer from water operating fund	7,359,944	7,301,366
CHANGE IN FUND BALANCE	3,714,500	3,714,500
FUND BALANCE, BEGINNING OF YEAR	89,190,980	85,476,480
FUND BALANCE, END OF YEAR	\$ 92,905,480	\$ 89,190,980

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CAPE BRETON REGIONAL MUNICIPALITY

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

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
REVENUES		
Wharfage and berthage	\$ 661,047	\$ 634,216
Passenger tax	1,322,404	1,036,580
Events	287,529	100,335
Security	271,885	200,024
Storage and rental	228,088	233,902
Craft market	87,728	83,109
Sundry	120,566	20,301
Government funding	535,543	238,323
	<u>3,514,790</u>	<u>2,546,790</u>
EXPENSES		
Advertising and promotion	210,243	79,790
Bad debts	-	2,613
Business development harbor	-	798
Cruise activities	34,915	57,386
Dues and fees	39,477	46,291
Events	128,220	4,985
Insurance	84,604	79,159
Interest and bank charges	16,492	10,700
Miscellaneous	22,120	19,759
Office and administration	23,168	21,360
Professional fees	86,878	53,625
Repairs and maintenance	461,023	389,927
Rent	52,320	31,991
Security	199,812	207,189
Travel	29,910	12,135
Utilities	195,141	202,881
Wages and benefits	971,167	752,174
	<u>2,555,490</u>	<u>1,972,763</u>
Excess of revenues over expenses before the following	959,300	574,027
Amortization of capital assets	(464,448)	(386,724)
Loss on disposal of capital assets	-	9,185
	<u>(464,448)</u>	<u>(377,539)</u>
CHANGE IN FUND BALANCE	494,852	196,488
FUND BALANCE, BEGINNING OF YEAR	4,364,102	4,167,614
FUND BALANCE, END OF YEAR	<u>\$ 4,858,954</u>	<u>\$ 4,364,102</u>

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
REVENUES		
Investment income	\$ 305,399	\$ 214,680
Sale of properties	-	65,696
Grants	12,843,422	7,798,710
	<u>13,148,821</u>	<u>8,079,086</u>
FINANCING AND TRANSFERS		
Transfer from operating fund	3,849,785	1,643,027
Transfer to capital funds	(12,604,324)	(5,141,299)
	<u>(8,754,539)</u>	<u>(3,498,272)</u>
CHANGE IN FUND BALANCE	4,394,282	4,580,814
FUND BALANCE, BEGINNING OF YEAR	12,114,432	7,533,618
FUND BALANCE, END OF YEAR	<u>\$ 16,508,714</u>	<u>\$ 12,114,432</u>

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
REVENUES		
Investment income	\$ 9,515	\$ 8,109
CHANGE IN FUND BALANCE	9,515	8,109
FUND BALANCE, BEGINNING OF YEAR	2,028,728	2,020,619
FUND BALANCE, END OF YEAR	\$ 2,038,243	\$ 2,028,728

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**CAPE BRETON REGIONAL
MUNICIPALITY WATER UTILITY
Financial Statements**

March 31, 2020

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Financial Statements

Year ended March 31, 2020

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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

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Cape Breton Regional Municipality Water Utility which comprise the statement of financial position as at March 31, 2020 and the statements of financial activities, operating fund deficit, reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality Water Utility as at March 31, 2020 and the results of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis for Opinion

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

Other Matter

The financial statements of Cape Breton Regional Municipality Water Utility for the year ended March 31, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed an unmodified opinion on those statements on September 26, 2019.

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

Sydney, Nova Scotia
September 28, 2020

Chartered Professional Accountants

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Operating Fund

March 31, 2020, with comparative figures for 2019

	2020	2019
ASSETS		
Cash	\$ 11,752,790	\$ 5,194,622
Water rates receivable (less allowance for doubtful accounts \$850,000 (2019 - \$746,744))	9,742,127	8,773,856
Sundry receivables	101,163	90,307
Inventories	368,986	342,088
	\$ 21,965,066	\$ 14,400,873
LIABILITIES		
Payables and accruals	\$ 3,791,788	\$ 3,981,981
Unearned revenue	896,364	817,287
Due to Cape Breton Regional Municipality General section, operating fund	1,926,408	1,243,897
General section, capital fund	650,000	-
Due to water utility, capital fund	13,625,701	10,080,317
	20,890,261	16,123,482
SURPLUS (DEFICIT)	1,074,805	(1,722,609)
	\$ 21,965,066	\$ 14,400,873

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality:

Mayor

Clerk

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Activities – Operating Fund

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019	
	Budget (Unaudited)	Actual	Actual
OPERATING REVENUES			
Metered sales	\$ 19,060,251	\$ 19,813,010	\$ 19,005,362
Public fire protection	7,139,384	7,076,391	7,131,022
Consumer's interest	350,000	508,992	459,277
Service connections	10,000	6,972	4,395
	<u>26,559,635</u>	<u>27,405,365</u>	<u>26,600,056</u>
OPERATING EXPENSES			
Source of supply	521,500	379,433	389,562
Power and pumping	2,119,400	1,801,046	1,634,865
Water treatment	3,714,663	4,371,030	4,129,316
Transmission and distribution	4,765,772	4,614,000	4,747,777
Administration and general	3,047,883	2,715,571	2,765,084
Depreciation	4,132,220	3,645,444	3,586,866
Taxes	2,372,007	1,985,957	1,973,379
	<u>20,673,445</u>	<u>19,512,481</u>	<u>19,226,849</u>
Excess of operating revenues over expenses before the following	5,886,190	7,892,884	7,373,207
NON-OPERATING REVENUES			
Amortization of deferred capital contributions	–	287,171	287,171
NON-OPERATING EXPENSES			
Debt charges			
Provision for principal repayment	3,564,500	3,564,500	3,576,232
Interest on debentures	1,348,483	1,348,484	1,453,241
Amortization of debt discounts	32,000	37,112	32,004
Bank fees/charges	141,207	282,545	195,200
Capital expenditures out of operations	150,000	150,000	150,000
	<u>5,236,190</u>	<u>5,382,641</u>	<u>5,406,677</u>
CHANGE IN FUND BALANCE	\$ 650,000	\$ 2,797,414	\$ 2,253,701

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Operating Fund Surplus (Deficit)

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
DEFICIT, BEGINNING OF YEAR	\$(1,722,609)	\$(3,976,310)
Change in fund balance	2,797,414	2,253,701
SURPLUS (DEFICIT), END OF YEAR	\$ 1,074,805	\$(1,722,609)

See accompanying notes to financial statements.

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Cash Flows – Operating Fund

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ 2,797,414	\$ 2,253,701
Change in non-cash operating working capital		
Increase in water rates receivable	(968,271)	(534,883)
Decrease (increase) in sundry receivables	(10,856)	24,070
Increase in inventories	(26,898)	(8,540)
Increase (decrease) in payables and accruals	(190,193)	259,710
Increase (decrease) in unearned revenue	79,077	(118,394)
	<u>1,680,273</u>	<u>1,875,664</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to Cape Breton Regional Municipality, operating fund	682,511	202,236
Increase in due to general municipal, capital fund	650,000	–
Increase in due to water utility, capital fund	3,545,384	3,522,889
	<u>4,877,895</u>	<u>3,725,125</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>6,558,168</u>	<u>5,600,789</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,194,622	(406,167)
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,752,790</u>	<u>\$ 5,194,622</u>

See accompanying notes to non-consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Capital Fund

March 31, 2020, with comparative figures for 2019

	2020	2019
ASSETS		
Cash - depreciation reserve	\$ 480,170	\$ 480,170
HST receivable	59,538	33,444
	539,708	513,614
Due from water utility, operating fund	13,625,701	10,080,317
Unamortized debt discount	123,292	160,404
Capital assets		
Utility plant in service (Schedule A)	174,585,807	170,892,014
Work in progress	1,435,959	1,533,260
Properties adjoining watershed	174,977	174,977
	176,196,743	172,600,251
	\$ 190,485,444	\$ 183,354,586
LIABILITIES		
Bank indebtedness	\$ 4,640,969	\$ 4,617,817
Accounts and holdbacks payable	276,479	187,848
Due to Cape Breton Regional Municipality		
General section, capital fund	3,594,974	83,449
Term debt (Schedule B)	29,066,000	32,630,500
	37,578,422	37,519,614
DEFERRED CAPITAL CONTRIBUTIONS	12,067,845	12,355,739
RESERVES		
Accumulated allowance for depreciation of utility plant	57,829,402	54,183,958
FUND BALANCE	83,009,775	79,295,275
	\$ 190,485,444	\$ 183,354,586

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chairman

_____ Commissioner

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Change in Cash – Depreciation Reserve

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 480,170	\$ 480,170
Depreciation	3,645,444	3,586,866
Amortization of capital contributions	(287,171)	(287,171)
Capital purchases	(3,358,273)	(3,299,695)
CASH, END OF YEAR	\$ 480,170	\$ 480,170

Statement of Accumulated Allowance for Depreciation

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 54,183,958	\$ 50,597,092
Depreciation for the year	3,645,444	3,586,866
BALANCE, END OF YEAR	\$ 57,829,402	\$ 54,183,958

Statement of Investment in Capital Assets

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 79,295,275	\$ 75,580,775
Term debt retired	3,564,500	3,564,500
Capital out of operations	150,000	150,000
BALANCE, END OF YEAR	\$ 83,009,775	\$ 79,295,275

See accompanying notes to non-consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Special Reserve Fund

March 31, 2020, with comparative figures for 2019

	2020	2019
ASSETS		
Cash	\$ 1,166,626	\$ 1,166,626
Term deposit	871,617	862,102
	<u>\$ 2,038,243</u>	<u>\$ 2,028,728</u>
RESERVE		
Special reserve	<u>\$ 2,038,243</u>	<u>\$ 2,028,728</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chairman

_____ Commissioner

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Special Reserve

Year ended March 31, 2020, with comparative figures for 2019

					2020	2019
	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 54,601	\$ 923,630	\$ 334,252	\$ 716,245	\$ 2,028,728	\$ 2,020,620
Interest on investments	380	6,472	2,663	-	9,515	8,108
BALANCE, END OF YEAR	\$ 54,981	\$ 930,102	\$ 336,915	\$ 716,245	\$ 2,038,243	\$ 2,028,728

See accompanying notes to financial statements.

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Notes to Financial Statements

Year ended March 31, 2020

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

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

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

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2020

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 (Continued)

Year ended March 31, 2020

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 \$7,686,597 (2019 - \$7,656,121).
- d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to \$7,076,391 (2019 - \$7,131,022). 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, 2020, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 7.5% (2019 – 7.1%).

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Schedule A - Utility Plant and Equipment

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Organization	\$ 4,000	\$ 4,000
Working capital	70,162	70,162
	74,162	74,162
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
	1,731,999	1,731,999
Structures and improvements		
Source of supply	19,012,595	19,012,595
Power and pumping	7,382,850	7,354,903
Purification structures	2,757,842	2,757,842
Distribution and storage	5,336,968	4,626,397
Shop	299,817	299,817
	34,790,072	34,051,554
Equipment		
Electrical pumping equipment	3,776,122	3,776,122
Diesel pumping equipment	543,261	543,261
Purification equipment	23,450,322	23,116,607
Office furniture and equipment	362,453	362,453
Transportation equipment	309,495	309,495
Meter shop equipment	30,689	30,689
Tools and work equipment	268,948	268,948
Motor operated tools	680,584	680,584
Other	690,072	690,072
	30,111,946	29,778,231
Mains		
Transmission	30,062,026	29,331,240
Distribution	48,293,449	47,096,508
	78,355,475	76,427,748
Services	14,192,587	13,716,829
Meters	11,603,680	11,514,057
Hydrants	3,725,886	3,597,434
	\$ 174,585,807	\$ 170,892,014

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Schedule B - Capital Debt Charges

Year ended March 31, 2020, with comparative figures for 2019

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2019	Issued	Redeemed	Balance March 31, 2020
Municipal Finance Corporation							
27-A-1	2007	2022	4.385 – 4.770	\$ 8,230,500	\$ –	\$ 914,500	\$ 7,316,000
28-A-1	2008	2023	3.750 – 5.088	7,000,000	–	700,000	6,300,000
30-A-1	2010	2025	1.510 – 4.875	9,000,000	–	750,000	8,250,000
33-A-1	2013	2023	1.330 – 2.979	4,000,000	–	800,000	3,200,000
34-A-1	2014	2029	1.245 – 3.792	4,400,000	–	400,000	4,000,000
				\$ 32,630,500	\$ –	\$ 3,564,500	\$ 29,066,000

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

2021	\$ 3,564,500
2022	8,137,000
2023	6,150,000
2024	1,150,000
2025	5,075,284

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Cape Breton Regional Municipality
Cape Breton Regional Municipality Water Utility
2020 Audit Findings
Report to the Audit Committee
March 31, 2020

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, 2020 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, 2020. 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 28, 2020.









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 \$1,890,000 for March 31, 2020, and \$1,838,000 for March 31, 2019.

AREA	COMMENTS
	Final materiality used for our audit of the Water Utility financial statements was \$548,000 for March 31, 2020, and \$534,000 for March 31, 2019.
 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 and the Water Utility 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	No significant differences were proposed to management with respect to the March 31, 2020 financial statements of the Municipality or the Water Utility.

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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MNP LLP – Wherever Business Takes You

Assurance › Consulting › Tax

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.



Cape Breton Regional Municipality Summary of Unadjusted Audit Differences March 31, 2020		Impact of audit difference on financial statement captions - Debit/(Credit)						
		Change in Fund Balance			Statement of Financial Position			
		Audit differences arising in			Surplus	Financial Assets	Financial Liabilities	Non-Financial Assets
Description	Current Period	Prior Period	Total					
<u>Effect of prior periods unadjusted audit differences:</u>	-	-	-	126,153	-	(126,153)	-	
<u>Entries affecting prior year balances</u>								
Salaries and benefits	-	126,153	126,153	(126,153)	-	-	-	
Sick accrual	-	-	-	-	-	126,153	-	
To reverse prior year unadjusted item								
Aggregate of unadjusted audit differences	-	126,153	126,153	-	-	-	-	

Cape Breton Regional Municipality - Water Utility Summary of Unadjusted Audit Differences March 31, 2020		Impact of audit differences on financial statement captions - Debit/(Credit)							
		Change in Fund Balance			Statement of Financial Position				
		Audit Difference arising in			Net Assets	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities
		Current Period	Prior Period	Total					
Description									
<u>Effect of prior period uncorrected audit differences:</u>		-	-	-	-	-	-	-	-
<u>Uncorrected audit differences in the current period</u>									
Accounts Payables		-	-	-	-	-	-	30,250	-
Capital assets To adjust over accrual on capital items		-	-	-	-	-	(30,250)	-	-
Accrued Payables -operating		-	-	-	-	-	-	89,010	-
Debt charges To adjust accrued debt payment		(89,010)	-	(89,010)	(89,010)	-	-	-	-
Aggregate of uncorrected audit differences		(89,010)	-	(89,010)	(89,010)	-	(30,250)	119,260	-

