CBRM *A Community of Communities*

Audit Committee

Agenda

Monday, September 25th, 2017

11:00 a.m.

2nd Floor Council Chambers
320 Esplanade
Sydney, N.S.

Committee Members: **Deputy Mayor Eldon MacDonald - Chair**
Councillor Earlene MacMullin
Councillor Ivan Doncaster
Councillor Darren Bruckschwaiger
Councillor Kendra Coombes

CBRM Audit Committee

Agenda

Monday, September 25th, 2017
11:00 a.m.

2nd Floor Council Chambers
City Hall, 320 Esplanade
Sydney, N.S.

Roll Call

Election of Vice Chair

1. **Approval of Minutes**: (previously distributed)

   - **September 20th, 2016**

2. a) **Non-Consolidated Statement of Operations for CBRM – Operating Fund for Year Ending March 31, 2017:** Jennifer Campbell, Chief Financial Officer (See page 3)

   b) **Reconciliation of internal numbers to PSAB numbers – Operating Fund:** Jennifer Campbell, Chief Financial Officer (See page 4)

3. **MGM & Associates – Presentations:**

   a) **Draft CBRM Consolidated Financial Statements for Year Ending March 31, 2017** (See page 5)

   b) **Draft CBRM Water Utility Financial Statements for Year Ending March 31, 2017** (See page 40)

   c) **Audit Findings Report for Year Ending March 31, 2017: (To be provided by the Auditors at the meeting)**

   d) **Draft Management Letter: (To be provided by the Auditors 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

Revenue		Total Revenues		Annual Budget		Variance
Taxes	$	104,113,361	$	103,903,946	$	(209,415)
Federal Government		3,079,839		2,812,050		(267,789)
Federal Government Agencies		756,791		775,587		18,796
Provincial Government		1,896,443		1,909,811		13,368
Provincial Government Agencies		2,911,274		2,918,883		7,609
Services to Other Local Government		488,846		608,515		119,669
Transit		523,014		622,000		98,986
Environmental Development Services		214,813		292,000		77,187
Licenses & Permits		164,044		155,500		(8,544)
Fines & Fees		550,091		595,000		44,909
Rentals		645,425		680,079		34,654
Concessions & Franchises		400,514		400,000		(514)
Return on Investments/Interest on Taxes		1,495,003		1,245,000		(250,003)
Finance Revenue		30,010		30,500		490
Solid Waste Revenue		2,194,886		2,200,000		5,114
Recreation & Cultural Service Programs		1,804,651		1,686,545		(119,106)
Water Utility Charges		4,951,510		4,951,510		0
Unconditional Transfers		15,841,135		15,834,643		(6,492)
Conditional Transfers		3,827,852		4,390,852		563,000
Total Revenue excluding 2016 Flood Costs	$	**145,889,504**	$	**146,011,421**	$	**121,917**
Cost Recovery 2016 Flood Costs		2,380,241		-		(2,380,241)
Total Revenue including 2016 Flood Costs	$	**148,269,745**	$	**146,011,421**	$	**(2,258,324)**

Expenditures		**Total Expenditures**		**Annual Budget**		**Variance**
Legislative	$	1,352,508	$	1,458,956	$	106,448
Administration		916,576		1,108,790		192,214
Finance		2,556,463		2,832,019		275,556
Legal		602,166		569,072		(33,094)
Human Resources		1,560,271		1,638,145		77,874
Technology & Communications		1,030,408		1,165,464		135,056
Municipal Clerk		490,421		503,017		12,596
Fiscal Services		35,719,719		35,490,906		(228,813)
Occupational Health & Safety		207,787		219,722		11,935
Police Services		25,846,473		25,701,620		(144,853)
Fire Services (Incl EMO)		17,007,969		17,195,105		187,136
Engineering & Public Works		42,089,539		43,447,585		1,358,046
Planning		2,452,319		2,664,528		212,209
Facilities: Centre 200 & Arenas		3,721,463		3,042,283		(679,180)
Parks & Grounds		2,532,968		2,636,703		103,735
Buildings		3,287,437		3,324,603		37,166
Recreation		3,229,743		3,012,903		(216,840)
Total Expended excluding 2016 Flood Costs	$	**144,604,231**	$	**146,011,421**	$	**1,407,190**
2016 Flood Costs		2,480,241		-		(2,480,241)
Total Expended including 2016 Flood Costs	$	**147,084,473**	$	**146,011,421**	$	**(1,073,052)**
Surplus / (Deficit) including 2016 Flood Costs	$	**1,185,273**				

ORIGINAL SIGNED BY

Departmental Finance

CAPE BRETON REGIONAL MUNICIPALITY

Reconciliation of internal numbers to PSAB numbers - Operating Fund

Year ended March 31, 2017 with comparative figures for 2016

ANNUAL SURPLUS/DEFICIT	2017	2016
ANNUAL SURPLUS, INTERNAL F/S	1,185,273	-
RECONCILING ITEMS		
Pension adjustment	720,000	1,501,000
Vacation accrual	(599,574)	-
Surplus allocation	(1,905,273)	(2,445,690)
	(1,784,847)	(944,690)
ANNUAL DEFICIT, PSAB	(599,574)	(944,690)

ACCULULATED SURPLUS/DEFICIT	2017	2,016
ACCUMULATED SURPLUS, INTERNAL FS		
BEGINNING OF YEAR	-	944,690
ANNUAL SURPLUS, INTERNAL FS	1,185,273	-
Transfers to reserve	(1,185,273)	(944,690)
ACCUMULATED SURPLUS, INTERNAL FS		
END OF YEAR	-	-
CURRENT YEAR RECONCILING ITEMS		
Pension adjustment	720,000	1,501,000
Surplus allocation	(720,000)	(1,501,000)
Vacation accrual	(599,574)	
	(599,574)	-
PRIOR YEAR RECONCILING ITEMS		
Landfill closure liability	(41,161,800)	(41,161,800)
Vacation accrual	(3,830,354)	(3,830,354)
Interest accrual	(1,471,362)	(1,471,362)
Pension asset	8,433,000	6,932,000
Transfer to reserve	(2,417,000)	(916,000)
Sick benefit accrual	126,153	126,153
	(40,321,363)	(40,321,363)
ACCUMULATED DEFICIT, PSAB, END OF YEAR	(40,920,937)	(40,321,363)

Consolidated Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY

Year ended March 31, 2017

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2017

DRAFT

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

Jennifer Campbell, Chief Financial Officer

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	2017	2016
FINANCIAL ASSETS		
Taxes receivable (note 3)	$ 16,948,615	$ 15,448,012
Accounts receivable (note 4)	13,695,940	10,199,867
Accrued pension asset (note 5)	9,153,000	8,433,000
	39,797,555	34,080,879
FINANCIAL LIABILITIES		
Cheques issued in excess of funds on deposit (note 2)	25,647,641	12,514,453
Accounts payable and accrued liabilities (note 8)	12,795,798	13,564,674
Accrued interest on long-term debt	1,471,362	1,471,362
Due to trust funds	103,995	290,675
Deferred revenue	3,750,490	3,662,006
Accrued employee benefits	6,073,842	5,234,078
Solid waste management facilities liabilities (note 9)	41,161,800	41,161,800
Capital lease (note 10)	675,282	476,750
Long-term debt (note 11)	94,184,660	105,460,729
	185,864,870	183,836,527
NET DEBT	(146,067,315)	(149,755,648)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 12)	380,975,570	375,344,976
Work in progress	9,385,383	7,105,745
Properties acquired at tax sale	1,587,376	1,547,581
Inventory, prepaid expenses and other	3,010,515	2,734,604
	394,958,844	386,732,906
FUND BALANCES (note 7)	$ 248,891,529	$ 236,977,258

Contingencies (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

______________________ Mayor

______________________ Clerk

DRAFT

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Activities

Year ended March 31, 2017, with comparative figures for 2016

	Budget (Unaudited)	2017	2016
REVENUES			
Taxes	$ 103,903,946	$ 104,113,361	$ 102,895,129
Grants in lieu of taxes	8,416,331	8,644,345	8,407,908
Services provided to other governments	445,163	336,068	331,728
Sales of services	2,308,045	2,357,676	2,563,226
Revenue from own sources	9,053,642	6,739,136	8,287,204
Unconditional transfers from other governments	15,834,643	15,841,135	15,873,396
Conditional transfers from other governments	373,352	813,192	355,211
Capital grants	–	10,230,318	9,464,673
Water utility revenue	16,847,500	16,062,968	16,070,569
Investment income	–	85,375	103,149
Port of Sydney Development Corporation	1,887,364	1,660,013	7,190,179
Gain (loss) on sale of properties	–	938,223	(237,175)
Disaster recovery	–	2,397,976	–
	159,069,986	170,219,786	171,305,197
EXPENSES			
General government services	17,167,017	15,795,514	15,287,745
Protective services	38,925,497	40,964,479	38,886,303
Transportation services	38,881,508	35,594,603	36,672,636
Environmental health services	16,198,872	18,472,041	17,733,882
Public health and welfare services	2,231,806	2,112,858	2,132,337
Environmental development services	980,627	1,169,528	1,304,555
Recreation and cultural services	10,483,227	13,324,216	11,525,031
Planning and development services	302,118	302,118	302,118
Educational services	13,522,080	13,522,080	13,033,828
Port of Sydney Development Corporation	1,872,699	2,306,499	2,512,273
Water Utility expenses	12,492,318	14,609,917	14,896,354
	153,007,769	158,173,853	154,287,062
Excess of revenues over expenses before the following	6,062,217	12,045,933	17,018,135
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(127,000)	(131,662)	(127,324)
CHANGE IN FUND BALANCES	$ 5,935,217	11,914,271	16,890,811
FUND BALANCES, BEGINNING OF YEAR		236,977,258	220,086,447
FUND BALANCES, END OF YEAR		$ 248,891,529	$ 236,977,258

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
CHANGE IN FUND BALANCES	$ 11,914,271	$ 16,890,811
Tangible capital assets		
Acquisition of tangible capital assets	(23,366,273)	(33,249,113)
Proceeds on disposal of tangible capital assets	551,686	–
Amortization of tangible capital assets	18,122,216	17,579,373
Gain on disposal of tangible capital assets	(938,223)	–
	(5,630,594)	(15,669,740)
Other non-financial assets		
Decrease (increase) in work in progress	(2,279,638)	2,445,810
Decrease (increase) in property acquired at tax sale	(39,795)	10,581
Decrease (increase) in inventory, prepaid expenses and other	(275,911)	264,350
	(2,595,344)	2,720,741
DECREASE IN NET DEBT	3,688,333	3,941,812
NET DEBT, BEGINNING OF YEAR	(149,755,648)	(153,697,460)
NET DEBT, END OF YEAR	$ (146,067,315)	$ (149,755,648)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	$ 11,914,271	$ 16,890,811
Items not involving cash		
Amortization of tangible capital assets	18,122,216	17,579,373
Gain on disposal of tangible capital assets	(938,223)	–
Pension expense	2,997,000	1,941,000
Change in non-cash working capital		
Decrease (increase) in taxes receivable	(1,500,603)	665,507
Decrease (increase) in accounts receivable	(3,496,073)	3,187,883
Contributions to defined benefit pension plan	(3,717,000)	(3,442,000)
Increase (decrease) in accounts payable and accrued liabilities	(768,876)	2,074,211
(Decrease) increase in deferred revenue	88,484	(109,623)
(Decrease) increase in accrued employee benefits	839,764	(61,041)
Decrease (increase) in inventory, prepaid expenses and other	(275,911)	264,350
	23,265,049	38,990,471
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to trust fund	(186,680)	(154,195)
Issuance of long-term debt	6,244,000	6,200,000
Principal payments on long-term debt	(17,520,069)	(17,524,042)
Repayment of capital lease	(181,082)	–
	(11,643,831)	(11,478,237)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(22,986,659)	(32,772,363)
Proceeds on disposal of tangible capital assets	551,686	–
Decrease (increase) in work in progress	(2,279,638)	2,445,810
Decrease (increase) in properties acquired at tax sale	(39,795)	10,581
	(24,754,406)	(30,315,972)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,133,188)	(2,803,738)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(12,514,453)	(9,710,715)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (25,647,641)	$ (12,514,453)
Supplemental cash flow information		
Assets acquired through capital lease	$ 379,614	$ 476,750

See accompanying notes to consolidated financial statements.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Basis of accounting

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

(g) Cash and cash equivalents

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

(h) Tangible capital assets

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

	Basis	Rate
General Fund		
Buildings	Straight-line	40 years
Equipment	Straight-line	5-10 years
Streets	Straight-line	50 years
Sidewalks	Straight-line	20 years
Traffic lights	Straight-line	20 years
Recreation facilities	Straight-line	5-40 years
Industrial parks	Straight-line	40 years
Waterfront development	Straight-line	50 years
Wharf – Sydney Marine Terminal	Straight-line	25 years
Garbage collection and disposal	Straight-line	25 years
Sewer collection and disposal	Straight-line	50 years
Water fund		
Structures and improvements	Straight-line	75 years
Equipment	Straight-line	5-20 years
Mains	Straight-line	75 years
Services and other	Straight-line	50 years
Meters	Straight-line	20 years
Hydrants	Straight-line	50 years
Port of Sydney Development Corporation		
Equipment and signs	Declining balance	20 – 30%
Building	Declining balance	5%
Compound	Declining balance	5%
Exhibits	Declining balance	20%
Computer equipment	Declining balance	30%

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Reserve funds

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

(j) Government transfers

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

(k) Deferred revenue

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

(l) Taxation and related revenues

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

(m) Port of Sydney Development Corporation revenue recognition

The Port of Sydney Development Corporation follows the deferral method of accounting for contributions. Restricted contributions, including government grants, are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets are recognized in the year in which the capital assets have been purchased and all liabilities relating to the asset have been cleared. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(n) Employee future benefits

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee future benefits (continued)

The Municipality has adopted the following policies:

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

(ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

(iii) Past service costs from plan amendments, transitional adjustments and actuarial gains or losses (within the limits prescribed), are deferred and amortized on a straight-line basis over the average remaining service period of active employees.

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

(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. CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT

	2017	2016
Operating funds	$ (17,974,071)	$ (9,626,107)
Reserves funds	14,406,954	11,793,489
Capital funds	(22,372,401)	(15,113,671)
Port of Sydney Development Corporation	291,877	431,836
	$ (25,647,641)	$ (12,514,453)

3. TAXES RECEIVABLE

	2017	2016
Gross taxes receivable, beginning of year	$ 18,474,120	$ 17,560,873
Current year's levy of property taxes	101,394,974	99,562,017
Subtotal	119,869,094	117,122,890
Less		
Current year's collections	99,867,469	100,199,398
Reduced taxes	26,902	28,125
Allowance	521,261	(1,578,753)
Gross taxes receivable, end of year	19,453,462	18,474,120
Less		
Allowance for uncollectible taxes	2,504,847	3,026,108
Taxes receivable, net	$ 16,948,615	$ 15,448,012

4. ACCOUNTS RECEIVABLE

	2017	2016
Federal government	$ 1,874,033	$ 1,354,505
Provincial government	1,287,699	392,127
Other receivables	11,653,833	9,161,219
	14,815,565	10,907,851
Less allowance for doubtful accounts	1,119,625	707,984
	$ 13,695,940	$ 10,199,867

5. EMPLOYEE FUTURE BENEFITS

a) Defined benefit plan

The Municipality sponsors a contributory defined benefit pension plan for substantially all of its employees. The plan provides pensions based on length of service and final average earnings. The average age of the 722 active employees covered by the plan is 47.4 years. There are 25 former employees who are entitled to deferred pension benefits. At present, the plan provides benefits for 371 retirees with benefit payments being $6,275,000 in 2017.

5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The following summarizes the plan for the fiscal year ended March 31, 2017 and 2016:

	2017	2016
Accrued benefit obligation		
Balance at beginning of year	$ 154,021,000	$ 146,760,000
Current service cost	6,250,000	5,819,000
Benefit payments	(6,275,000)	(5,894,000)
Interest on obligations	7,700,000	7,336,000
Accrued benefit obligation, end of year	161,696,000	154,021,000
Deduct plan assets		
Balance, beginning of year	160,551,000	159,575,000
Employer contributions	3,717,000	3,442,000
Employee contributions	3,775,000	3,511,000
Benefit payments	(6,275,000)	(5,894,000)
Interest on average assets	8,058,000	8,005,000
Actuarial gains (losses)	8,769,000	(8,088,000)
Plan assets, end of year	178,595,000	160,551,000
Funded status – plan surplus	16,899,000	6,530,000
Unamortized actuarial losses (gains)	(7,746,000)	1,903,000
Accrued pension asset	$ 9,153,000	$ 8,433,000

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

	2017	2016
Discount rate	5.0%	5.0%
Expected long-term rate of return on assets	5.0%	5.0%

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

	2017	2016
Current service cost	$ 6,250,000	$ 5,819,000
Amortization of actuarial losses	880,000	302,000
Employee contributions	(3,775,000)	(3,511,000)
Interest on average liabilities	7,700,000	7,336,000
Interest on average assets	(8,058,000)	(8,005,000)
	$ 2,997,000	$ 1,941,000

5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

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

b) Defined Contribution Plan

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

The contribution for the year amounts to approximately $245,369 (2016 - $256,971).

c) Municipal clerks' pension

The Municipality is required, under provisions of the Municipal Government Act of the Province of Nova Scotia, to provide a non-contributory defined pension plan for Municipal Clerks in respect of years of service to March 31, 1993.

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

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

d) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately $255,460 (2016 - $266,400).

6. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2017 are $3,281,477 (2016 - $3,427,796).

7. FUND BALANCES

	2017	2016
General operating fund	$ (40,920,937)	$ (40,321,363)
Water operating fund	348,816	1,228,005
General capital fund	200,758,054	192,832,177
Water capital fund	72,342,599	68,444,765
Port of Sydney Development Corporation	4,188,675	4,516,117
	236,717,207	226,699,701
Reserves set aside by council	12,174,322	10,277,557
	$ 248,891,529	$ 236,977,258

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade accounts payable	$ 6,853,942	$ 6,809,673
Payroll and related	1,325,579	2,851,743
Accrued liabilities	1,974,334	1,321,158
Tax sale trust	2,641,975	2,582,100
	$ 12,795,830	$ 13,564,674

9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES

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

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

9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES (CONTINUED)

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

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

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is $41,161,800 (2016 - $41,161,800). The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations. We anticipate this number to grow with potential for interest rate effects on borrowing for completion and fluctuations with cost of living increases in the service markets where this work would be carried out.

10. CAPITAL LEASE

		2017		2016
RCAP leasing, 10.87%, repayable in monthly instalments of principal and interest of $17,229 commencing April, 2016, maturing November, 2018	$	313,875	$	476,750
Bank of Montreal, 2.50%, repayable in monthly instalments of principal and interest of $5,671 commencing December 2016, maturing November, 2022		361,407		–
		675,282		476,750
Portion due within one year		274,806		206,753
	$	400,476	$	269,997

10. CAPITAL LEASE (Continued)

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

Year ended March 31,		
2018	$	274,806
2019		205,890
2020		68,058
2021		68,058
2022		68,058
Remaining lease term		45,372
		730,242
Interest included in minimum payments		54,960
	$	675,282

11. 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, 2017 are as follows:

2018	$ 17,646,972
2019	12,718,441
2020	11,639,669
2021	10,594,469
2022	8,379,869

12. TANGIBLE CAPITAL ASSETS

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 9,969,859	$ –	$ 9,969,861	$ 9,964,259
Buildings				
General government services	7,468,696	2,582,095	4,886,601	4,736,765
Protective services	6,739,142	1,265,369	5,473,773	3,069,478
Transportation services	10,772,582	1,791,218	8,981,364	8,409,322
Environmental services	31,816,510	7,990,412	23,826,098	24,622,580
Recreation and cultural services	17,065,093	4,410,596	12,654,497	11,759,463
Industrial parks	1,084,104	421,200	662,904	690,007
	74,946,127	18,460,890	56,485,237	53,287,615
Equipment				
General government services	2,874,846	2,818,397	56,449	84,673
Protective services	14,636,559	10,484,234	4,152,325	3,356,697
Public works	25,955,829	19,794,548	6,161,281	5,731,768
Environmental health services	13,850,203	13,646,802	203,401	155,458
Recreation and cultural services	1,612,141	1,453,796	158,345	294,773
	58,929,578	48,197,777	10,731,801	9,623,369
Other				
General government services	742,494	742,494	–	–
Road transport	161,020,582	53,315,992	107,704,590	105,056,358
Environmental health services	97,289,747	21,908,564	75,381,183	76,260,677
Recreation and cultural services	19,947,630	15,710,505	4,237,125	2,836,078
Waterfront development	8,861,700	3,570,805	5,290,895	5,468,129
Downtown development	1,433,906	288,955	1,144,951	1,173,683
Wharf – Sydney Marine Terminal	1,726,210	1,113,823	612,387	681,436
Water utility assets	151,284,479	47,055,889	104,228,590	105,476,726
Port of Sydney assets	9,996,191	4,807,241	5,188,950	5,516,646
	452,302,939	148,514,268	303,788,671	302,469,733
	$ 596,148,503	$ 215,172,935	$ 380,975,570	$ 375,344,976

13. CONTINGENCIES

(a) As of March 31, 2017 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, 2017 is $1,167,707 (2016 - $962,707).

d) Canadian Environmental Guidelines

Per regulations set forth by the Canadian Council of Ministers of the Environment (CCME) and required by the Nova Scotia Environment – Department, the Municipality is currently in the process of performing 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.

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, 2017 in the amount of $2,014,014 (2016 - $2,041,173).

(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, 2017, the Municipality's share of these costs was $1,360,209 (2016 - $1,364,588).

(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, 2017, the Municipality's contribution for these costs was $1,090,725 (2016 - $1,093,969).

14. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS (CONTINUED)

(d) The Cape Breton-Victoria Regional School Board

The Municipality provided a mandatory contribution in the amount of $13,522,080 (2016 - $13,033,828) to the Cape Breton-Victoria Regional School Board.

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.

These funds are used to fund on-going monitoring and maintenance of the confined disposal field for the dredged material, fund the payment to the Cape Breton University for the monitoring and preparation of reports with respect to the HADD Composition and Monitoring Plan, fund the costs associated with revising the harbor navigational aids in conjunction with the Canadian Coast Guard and for other projects as determined by the Port of Sydney Development Corporation.

As of March 31, 2017, $1,422,069 (2016 - $1,766,359) 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.

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

(b) Credit risk

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

16. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Municipality's debentures are long term with fixed range of rates thereby mitigating its interest rate risk.

17. COMPARATIVE FIGURES

Certain 2016 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, 2017, with comparative figures for 2016

	Term (years)	Interest rate - %	Matures	Balance March 31/16	Issued	Redeemed	Balance March 31/17
General Fund							
M.F.C.							
22-B-1	15	5.875-6.000	2017	$ 200,000	$ –	$ 100,000	$ 100,000
26-A-1	10	4.880-4.880	2016	497,489	–	497,489	–
27-B-1	10	4.955-5.010	2017	8,990,400	–	4,495,200	4,495,200
28-B-1	10	4.895-5.095	2018	3,236,324	–	1,078,777	2,157,547
29-A-1	10	3.649-4.329	2019	4,180,800	–	1,045,200	3,135,600
30-B-1	10	2.875-3.870	2020	11,073,000	–	2,214,600	8,858,400
31-A-1	10	2.355-3.645	2021	8,718,000	–	1,453,000	7,265,000
32-B-1	10	2.040-3.160	2022	2,657,900	–	379,700	2,278,200
33-B-1	10	1.743-3.614	2023	3,746,153	–	468,269	3,277,884
34-B-1	10	1.387-3.190	2024	11,970,000	–	1,330,000	10,640,000
35-A-1	10-20	1.040-3.449	2030	6,200,000	–	560,000	5,640,000
36-A-1	10	1.150-2.506	2026	–	6,244,000	–	6,244,000
				61,470,066	6,244,000	13,622,235	54,091,831
Water Fund							
M.F.C.							
22-B-1	15	5.875-6.000	2017	333,330	–	166,667	166,663
27-A-1	15	4.560-4.770	2022	10,974,000	–	914,500	10,059,500
28-A-1	15	4.684-5.088	2023	9,100,000	–	700,000	8,400,000
30-A-1	15	3.730-4.875	2025	11,250,000	–	750,000	10,500,000
32-A-1	5	2.355-2.588	2017	333,333	–	166,667	166,666
33-A-1	10	1.610-2.979	2023	6,400,000	–	800,000	5,600,000
34-A-1	15	1.366-3.792	2029	5,600,000	–	400,000	5,200,000
				43,990,663	–	3,897,834	40,092,829
				$105,460,729	$ 6,244,000	$17,520,069	$ 94,184,660

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
REVENUES		
Taxes	$ 104,113,361	$ 102,895,129
Grants in lieu of taxes	8,644,345	8,407,908
Services provided to other governments	336,068	331,728
Sales of services	2,357,676	2,563,226
Revenue from own sources	11,852,435	13,400,503
Unconditional transfers from other governments	15,841,135	15,873,396
Conditional transfers from other governments	325,834	355,211
Disaster recovery	2,380,241	–
	145,851,095	143,827,101
EXPENSES		
General government services	15,579,227	15,080,103
Protective services	46,088,189	44,295,147
Transportation services	28,899,110	29,936,628
Environmental health services	15,674,536	14,977,755
Public health and welfare services	2,112,858	2,132,337
Environmental development services	1,169,528	1,304,555
Recreation and cultural services	10,830,683	9,536,444
Educational services	13,522,080	13,033,828
	133,876,211	130,296,797
Excess of revenues over expenses before the following	11,974,884	13,530,304
FINANCING AND TRANSFERS		
Debenture and term loan principal instalments	(13,622,234)	(13,626,208)
Transfer from special reserve funds	1,698,649	532,983
Transfer to general capital fund	(553,511)	(344,055)
Amortization of bond discount	(97,362)	(93,024)
	(12,574,458)	(13,530,304)
CHANGE IN FUND BALANCE	(599,574)	–
FUND BALANCE, BEGINNING OF YEAR	(40,321,363)	(39,376,676)
Transfer to reserve fund	–	(944,687)
FUND BALANCE, END OF YEAR	$ (40,920,937)	$ (40,321,363)

DRAFT

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2017, with comparatives for 2016

	2017	2016
OPERATING REVENUES		
Metered sales	$ 15,694,007	$ 15,701,440
Public fire protection	7,183,669	6,965,758
Consumer's interest	368,961	360,026
	23,246,637	23,027,224
OPERATING EXPENSES		
Source of supply	312,672	346,400
Power and pumping	1,694,265	1,759,990
Water treatment	4,047,340	3,819,950
Transmission and distribution	3,749,277	3,664,688
Administration and general	2,618,638	2,624,355
Taxes	2,008,519	2,013,802
	14,430,711	14,229,185
Excess of revenues over expenses before the following	8,815,926	8,798,039
NON-OPERATING REVENUES		
Miscellaneous	–	9,103
Disaster recovery	17,735	–
	17,735	9,103
NON-OPERATING EXPENSES		
Interest on debentures	1,728,742	1,858,906
Amortization of debt discounts	34,300	34,300
Other	172,758	135,831
Transfer to water capital fund	7,127,050	7,671,776
Transfer to general capital fund	650,000	650,000
	9,712,850	10,350,813
CHANGE IN FUND BALANCE	(879,189)	(1,543,671)
FUND BALANCE, BEGINNING OF YEAR	1,228,005	2,771,676
FUND BALANCE, END OF YEAR	$ 348,816	$ 1,228,005

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2017, with comparative figures for 2016

		2017		2016
REVENUES				
Capital grants	$	3,334,059	$	2,758,356
Disposal of assets – gain on insurance proceeds		858,701		–
		4,192,760		2,758,356
EXPENSES				
General government services		216,287		207,642
Protective services		2,059,959		1,556,914
Transportation services		6,695,493		6,736,008
Environmental health services		2,797,505		2,756,127
Recreation and cultural services		2,493,533		1,988,587
Planning and development services		302,118		302,118
		14,564,895		13,547,396
Deficiency of revenues over expenses before the following		(10,372,135)		(10,789,040)
FINANCING AND TRANSFERS				
Transfer from reserve funds		3,472,267		6,185,444
Transfer from water operating fund – other		553,511		344,055
Transfer from water operating fund		650,000		650,000
Debenture and term loan principal instalments		13,622,234		13,626,208
		18,298,012		20,805,707
CHANGE IN FUND BALANCE		7,925,877		10,016,667
FUND BALANCE, BEGINNING OF YEAR		192,832,177		182,815,510
FUND BALANCE, END OF YEAR	$	200,758,054	$	192,832,177

DRAFT

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2017, with comparatives for 2016

	2017	2016
REVENUES		
Capital grants	$ –	$ –
EXPENSES		
Amortization	3,229,216	3,623,942
Deficiency of revenues over expenses before the following	(3,229,216)	(3,623,942)
FINANCING AND TRANSFERS		
Transfer from water operating fund	7,127,050	7,671,776
Sale of property	–	(300,000)
	7,127,050	7,371,776
CHANGE IN FUND BALANCE	3,897,834	3,747,834
FUND BALANCE, BEGINNING OF YEAR	68,444,765	64,696,931
FUND BALANCE, END OF YEAR	$ 72,342,599	$ 68,444,765

CAPE BRETON REGIONAL MUNICIPALITY

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

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
REVENUES		
Wharfage and berthage	$ 532,961	$ 528,562
Passenger tax	660,304	629,488
Events	78,228	61,515
Security	140,864	129,027
Storage and rental	163,016	149,398
Craft market	72,503	79,772
Sundry	12,137	11,244
Government funding	487,358	698,980
	2,147,371	2,287,986
EXPENSES		
Advertising and promotion	102,619	97,958
Bad debts	9,628	–
Business development harbor	348,347	567,231
Cruise activities	35,173	36,599
Dues and fees	67,926	22,845
Events	3,037	11,681
Insurance	52,252	52,647
Interest and bank charges	9,660	4,123
Interest on long-term debt	5,974	16,476
Miscellaneous	25,458	7,366
Office and administration	15,607	20,058
Professional fees	54,339	59,636
Repairs and maintenance	165,022	164,929
Security	133,332	153,423
Travel	36,793	60,688
Utilities	179,018	198,020
Wages and benefits	740,183	686,548
	1,984,368	2,160,228
Excess of revenues over expenses before the following	163,003	127,758
Amortization of capital assets	(365,643)	(408,035)
Loss on disposal of capital assets	(6,525)	–
Restructuring transaction	–	5,391,341
	(372,168)	4,983,306
CHANGE IN FUND BALANCE	(209,165)	5,111,064
FUND BALANCE, BEGINNING OF YEAR	5,111,064	–
FUND BALANCE, END OF YEAR	$ 4,901,899	$ 5,111,064

DRAFT

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
REVENUES		
Investment income	$ 77,500	$ 95,009
Sale of properties	86,047	–
Grants	6,896,259	6,706,317
	7,059,806	6,801,326
FINANCING AND TRANSFERS		
Transfer to operating fund	(1,698,649)	(532,983)
Transfer to capital funds	(3,472,267)	(6,185,444)
	(5,170,916)	(6,718,427)
CHANGE IN FUND BALANCE	1,888,890	82,899
FUND BALANCE, BEGINNING OF YEAR	8,272,825	7,245,239
Transfer from operating fund	–	944,687
FUND BALANCE, END OF YEAR	$ 10,161,715	$ 8,272,825

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
REVENUES		
Investment income	$ 7,875	$ 8,140
Proceeds from sale of assets	–	62,825
CHANGE IN FUND BALANCE	7,875	70,965
FUND BALANCE, BEGINNING OF YEAR	2,004,732	1,933,767
FUND BALANCE, END OF YEAR	$ 2,012,607	$ 2,004,732

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2017

Council	Number of Months	Annual Remuneration
C. Clarke, Mayor	12	$ 109,754
E. MacDonald, Deputy Mayor (November – March)	12	39,675
G. MacDonald, Deputy Mayor (April – October)	12	42,776
D. Bruckschwaiger	5	15,479
K. Coombs	5	15,479
L. Cormier	7	23,422
C. Detheridge	1	1,661
I. Doncaster	12	39,675
D. Flynn	3	10,571
S. Gillespie	5	15,479
J. MacLeod	12	39,675
E. MacMullin	5	14,550
E. Marshall	5	15,479
A. McDougall	5	15,479
R. Paruch	12	39,675
C. Prince	12	39,675
M. Rowe	7	23,422
K. Saccary	7	23,422

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2017

Senior Staff	Annual Remuneration
D. Campbell Ryan	$ 96,105
M. Gillis	109,674
D. Kachafanas	109,674
W. MacDonald	115,753
G. MacDougall	109,674
B. MacKinnon	143,471
J. MacKinnon	109,674
P. MacIsaac	138,245
M. Merritt	192,211
W. Murphy	109,674
M. Walsh	155,714

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Council

Year ended March 31, 2017

Council	Number of Months	Travel Expenses
C. Clarke, Mayor	12	$ 26,558
E. MacDonald, Deputy Mayor (November – March)	12	14,834
G. MacDonald, Deputy Mayor (April – October)	12	5,077
D. Bruckschwaiger	5	3,465
K. Coombs	5	–
L. Cormier	7	280
C. Detheridge	1	16,535
I. Doncaster	12	4,011
D. Flynn	3	10,600
S. Gillespie	5	–
J. MacLeod	12	16,270
E. MacMullin	5	1,964
E. Marshall	5	3,283
A. McDougall	5	3,280
R. Paruch	12	7,449
C. Prince	12	13,735
M. Rowe	7	5,550
K. Saccary	7	8,217

DRAFT

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Senior Staff

Year ended March 31, 2017

Senior Staff		Travel Expenses
D. Campbell Ryan	$	3,545
M. Gillis		6,215
D. Kachafanas		3,435
W. MacDonald		11,076
G. MacDougall		651
B. MacKinnon		4,745
J. MacKinnon		8,887
P. MacIsaac		6,837
M. Merritt		28,452
W. Murphy		8,075
M. Walsh		12,350

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2017

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 2017 and 2016 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, 2017	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	$ 67,399,913	$ –	$ 16,125,248	$ 7,066,120	$ –	$ –	$ –	$ 13,522,080	$ –	$ 104,113,361
Grants in lieu of taxes	8,644,345	–	–	–	–	–	–	–	–	8,644,345
Services provided to other governments	–	–	336,068	–	–	–	–	–	–	336,068
Sales of services	30,010	–	–	523,014	–	1,804,652	–	–	–	2,357,676
Revenue from own sources	3,514,602	1,660,013	985,637	–	2,194,886	–	44,011	–	–	8,399,149
Unconditional transfers from other governments	15,841,135	–	–	–	–	–	–	–	–	15,841,135
Conditional transfers from other governments	–	487,358	325,834	–	–	–	–	–	–	813,192
Capital grants	10,230,318	–	–	–	–	–	–	–	–	10,230,318
Metered sales	–	–	–	–	–	–	–	–	15,694,007	15,694,007
Other water revenues	–	–	–	–	–	–	–	–	368,961	368,961
Investment income	85,375	–	–	–	–	–	–	–	–	85,375
Gain (loss) on sale of properties	944,748	(6,525)	–	–	–	–	–	–	–	938,223
Disaster recovery	202,500	–	415,806	704,563	631,261	426,111	–	–	17,735	2,397,976
	106,892,946	2,140,846	18,188,593	8,293,697	2,826,147	2,230,763	44,011	13,522,080	16,080,703	170,219,786
EXPENSES										
Salaries, wages and benefits	7,132,960	740,183	29,339,430	14,874,524	3,718,741	4,644,163	841,615	–	1,844,275	63,135,891
Interest on long-term debt	526,256	–	117,607	1,298,285	196,518	171,346	–	–	1,728,742	4,038,754
Materials, goods, supplies and utilities	888,817	362,684	1,615,251	4,315,723	2,231,385	2,112,776	16,293	–	3,953,399	15,496,328
Contracted services	908,584	187,671	717,663	4,495,470	1,143,097	324,678	59,826	–	1,203,250	15,040,239
Other operating expenses	4,762,401	687,856	6,023,844	3,915,108	2,384,795	2,917,818	251,784	–	2,651,035	23,594,651
External transfers and grants	3,473,067	–	1,090,725	–	–	659,902	–	13,522,080	–	18,745,774
Amortization	216,287	328,105	2,059,959	6,695,493	2,797,505	2,493,533	302,118	–	3,229,216	18,122,216
	17,908,372	2,306,499	40,964,479	35,594,603	18,472,041	13,324,216	1,471,646	13,522,080	14,609,917	158,173,853
ANNUAL SURPLUS (DEFICIT)	$ 88,984,574	$ (165,653)	$(22,775,886)	$ (27,300,906)	$ (15,645,894)	$ (11,093,453)	$ (1,427,635)	$ –	$ 1,470,786	$ 12,045,933

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2016

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 2016 and 2015 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, 2016	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	$ 66,856,808	$ –	$ 15,995,312	$ 7,009,181	$ –	$ –	$ –	$ 13,033,828	$ –	$ 102,895,129
Grants in lieu of taxes	8,407,908	–	–	–	–	–	–	–	–	8,407,908
Services provided to other governments	–	–	331,728	–	–	–	–	–	–	331,728
Sales of services	28,575	–	–	601,770	–	1,932,881	–	–	–	2,563,226
Revenue from own sources	4,836,910	6,491,199	1,042,120	–	2,351,148	–	57,026	–	–	14,778,403
Unconditional transfers from other governments	15,873,396	–	–	–	–	–	–	–	–	15,873,396
Conditional transfers from other governments	–	698,980	338,336	–	–	16,875	–	–	–	1,054,191
Capital grants	9,464,673	–	–	–	–	–	–	–	–	9,464,673
Metered sales	–	–	–	–	–	–	–	–	15,701,441	15,701,441
Other water revenues	–	–	–	–	–	–	–	–	369,128	369,128
Investment income	103,149	–	–	–	–	–	–	–	–	103,149
Gain (loss) on sale of properties	–	–	–	–	–	–	–	–	(237,175)	(237,175)
	105,571,419	7,190,179	17,707,496	7,610,951	2,351,148	1,949,756	57,026	13,033,828	15,833,394	171,305,197
EXPENSES										
Salaries, wages and benefits	6,114,365	686,548	28,861,408	14,544,824	3,739,859	4,048,961	867,853	–	2,344,511	61,202,429
Interest on long-term debt	531,735	–	103,952	1,556,213	264,196	149,252	–	–	1,858,906	4,464,254
Materials, goods, supplies and utilities	853,904	394,688	1,520,785	5,406,328	2,223,589	2,138,632	17,417	–	3,840,484	16,393,727
Contracted services	839,998	213,059	791,546	5,069,986	7,387,937	297,230	75,552	–	1,160,338	15,835,646
Other operating expenses	5,375,513	849,457	4,957,729	3,359,177	1,362,174	2,250,567	343,738	–	2,068,173	20,566,523
External transfers and grants	3,496,925	–	1,093,969	–	–	659,902	–	13,033,828	–	18,284,624
Amortization	207,642	368,521	1,556,914	6,736,008	2,756,127	1,988,587	302,418	–	3,623,942	17,539,859
	17,420,082	2,512,273	38,886,303	36,672,636	17,733,882	11,525,031	1,606,673	13,033,828	14,896,354	154,287,062
ANNUAL SURPLUS (DEFICIT)	$ 88,151,337	$4,677,906	$(21,178,807)	$ (29,061,685)	$ (15,382,734)	$ (9,575,275)	$ (1,549,647)	$ –	$ 937,040	$ 17,018,135

Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Year ended March 31, 2017

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Financial Statements

Year ended March 31, 2017

Management's Responsibility for the Financial Statements

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

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

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

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

Jennifer Campbell, Chief Financial Officer

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Operating Fund

March 31, 2017, with comparative figures for 2016

	2017	2016
ASSETS		
Water rates receivable (less allowance for doubtful accounts $615,282) (2016 - $615,282)	$ 6,229,532	$ 6,255,954
Sundry receivables	77,024	69,350
Inventories	341,861	295,935
	$ 6,648,417	$ 6,621,239
LIABILITIES		
Bank indebtedness	$ 2,944,209	$ 3,469,254
Payables and accruals	3,939,711	4,077,893
Due to Cape Breton Regional Municipality General section, operating fund	2,281,841	318,130
Due to water utility, capital fund	3,120,958	3,664,388
	12,286,719	11,529,665
DEFICIT	(5,638,302)	(4,908,426)
	$ 6,648,417	$ 6,621,239

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, 2017, with comparative figures for 2016

		2017	2016
	Budget	Actual	Actual
OPERATING REVENUES			
Metered sales	$ 16,500,500	$ 15,694,007	$ 15,701,440
Public fire protection	7,183,669	7,183,669	6,965,758
Consumer's interest	325,000	368,961	360,026
Service connections	22,000	–	9,103
	24,031,169	23,246,637	23,036,327
OPERATING EXPENSES			
Source of supply	458,000	312,672	346,400
Power and pumping	1,975,000	1,694,265	1,759,990
Water treatment	3,722,771	4,047,340	3,819,950
Transmission and distribution	4,450,000	4,399,277	4,314,688
Administration and general	2,883,254	2,618,638	2,624,355
Depreciation	3,245,000	3,229,216	3,623,942
Taxes	2,150,000	2,008,519	2,013,802
	18,884,025	18,309,927	18,503,127
Excess of operating revenues over expenses before the following	5,147,144	4,936,710	4,533,200
NON-OPERATING REVENUES			
Amortization of deferred capital contributions	–	142,178	142,178
Disaster recovery	–	17,735	–
	–	159,913	142,178
NON-OPERATING EXPENSES			
Debt charges			
Provision for principal repayment	3,643,687	3,897,834	3,943,028
Interest on debentures	1,679,803	1,728,742	1,858,906
Amortization of debt discounts	32,000	34,300	34,300
Bank fees/charges	125,000	165,623	135,831
Capital expenditures out of operations	–	–	150,000
	5,480,490	5,826,499	6,122,065
CHANGE IN FUND BALANCE	$ (333,346)	$ (729,876)	$(1,446,687)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Operating Fund Deficit

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
DEFICIT, BEGINNING OF YEAR	$(4,908,426)	$(3,461,739)
Change in fund balance	(729,876)	(1,446,687)
DEFICIT, END OF YEAR	$(5,638,302)	$(4,908,426)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Cash Flows – Operating Fund

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	$ (729,876)	$ (1,446,687)
Change in non-cash operating working capital		
Decrease in water rates receivable	26,422	10,326
(Increase) decrease in sundry receivables	(7,674)	5,688
Increase in inventories	(45,926)	(19,328)
Decrease in prepaids	–	166,872
Decrease in payables and accruals	(138,182)	(115,886)
	(895,236)	(1,399,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to Cape Breton Regional Municipality, operating fund	1,963,711	(86,449)
Decrease in due to Cape Breton Regional Municipality, capital fund	–	(650,000)
(Decrease) increase in due to water utility, capital fund	(543,430)	192,751
	1,420,281	(543,698)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	525,045	(1,942,713)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(3,469,254)	(1,526,541)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (2,944,209)	$ (3,469,254)

See accompanying notes to non-consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Capital Fund

March 31, 2017, with comparative figures for 2016

	2017	2016
ASSETS		
Cash	$ 3,282,768	$ 4,313,355
Cash - depreciation reserve (note 2)	480,170	480,170
HST receivable	31,955	45,716
Grants receivable	271,304	–
	4,066,197	4,839,241
Due from Cape Breton Regional Municipality General section, operating fund	–	62,825
Due from water utility, operating fund	3,120,958	3,664,388
Unamortized debt discount	225,652	259,953
Capital assets		
Utility plant in service (Schedule A)	151,109,504	149,128,422
Work in progress	4,511,406	2,553,972
Properties adjoining watershed	174,977	174,977
	155,795,887	151,857,371
	$ 163,208,694	$ 160,683,778
LIABILITIES		
Accounts and holdbacks payable	$ 412,424	$ 1,060,944
Due to Cape Breton Regional Municipality General section, capital fund	–	122,081
Due to water utility, reserve fund	–	62,825
Term debt (Schedule B)	40,092,828	43,990,662
	40,505,252	45,236,512
DEFERRED CAPITAL CONTRIBUTIONS	4,200,659	4,071,533
RESERVES		
Accumulated allowance for depreciation of utility plant (note 3)	47,055,889	43,826,673
FUND BALANCE	71,446,894	67,549,060
	$ 163,208,694	$ 160,683,778

See accompanying notes to financial statements.

On behalf of the Board:

________________________ Chairman

________________________ Commissioner

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Activities – Capital Fund

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
REVENUES	$ –	$ –
EXPENSES		
Capital expenditures	3,229,216	3,623,942
Disposal of land	–	300,000
Deficiency of revenues over expenses before the following	3,229,216	3,923,942
FINANCING AND TRANSFERS		
Transfer from water utility, operating fund	7,127,050	7,671,776
CHANGE IN FUND BALANCE	3,897,834	3,747,834
FUND BALANCE, BEGINNING OF YEAR	67,549,060	63,801,226
FUND BALANCE, END OF YEAR	$ 71,446,894	$ 67,549,060

See accompanying notes to non-consolidated financial statements.

DRAFT

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Financial Position – Special Reserve Fund

March 31, 2017, with comparative figures for 2016

	2017	2016
ASSETS		
Cash	$ 1,166,626	$ 1,103,801
Term deposit	845,982	838,106
Due from water utility, capital fund	–	62,825
	$ 2,012,608	$ 2,004,732
RESERVE		
Special reserve	$ 2,012,608	$ 2,004,732

See accompanying notes to financial statements.

On behalf of the Board:

_____________________________ Chairman

_____________________________ Commissioner

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Special Reserve

Year ended March 31, 2017, with comparative figures for 2016

	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	2017 Total	2016 Total
BALANCE, BEGINNING OF YEAR	$ 53,640	$ 907,310	$ 327,537	$ 716,245	$ 2,004,732	$1,933,767
Interest on investments	316	5,356	2,204	–	7,876	8,140
Proceeds on sale of land	–	–	–	–	–	62,825
BALANCE, END OF YEAR	$ 53,956	$ 912,666	$ 329,741	$ 716,245	$2,012,608	$2,004,732

See accompanying notes to financial statements.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

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

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

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. CASH – DEPRECIATION RESERVE

	2017	2016
Balance, beginning of year	$ 480,170	$ 480,170
Depreciation	3,229,216	3,623,942
Amortization of capital contributions	(142,178)	(142,178)
Capital purchases	(3,087,038)	(3,481,764)
Cash, end of year	$ 480,170	$ 480,170

3. ACCUMULATION ALLOWANCE FOR DEPRECIATION

	2017	2016
Balance, beginning of year	$ 43,826,673	$ 40,202,731
Depreciation for year	3,229,216	3,623,942
Balance, end of year	$47,055,889	$43,826,673

4. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY

a) In general, and where identifiable, costs incurred by the Cape Breton Regional Municipality on behalf of the water utility are charged to the utility.

b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the water utility.

c) As prescribed by the Nova Scotia Utility and Review Board, there is a yearly administration fee charged to the Water Utility by the Cape Breton Regional Municipality, which includes salary, overhead, utilities and other administration charges totaling $7,407,827 (2016 - $7,303,549).

d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to $7,183,669 (2016 - $6,695,758). The charge is governed by the Nova Scotia Utility and Review Board.

4. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY (CONTINUED)

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.

5. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2017, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 4.7% (2016 - 4.3%).

6. COMPARATIVE FIGURES

Certain 2016 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Schedule A - Utility Plant and Equipment

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Organization	$ 4,000	$ 4,000
Working capital	70,162	70,162
	74,162	74,162
Land and land rights		
Source of supply land	1,083,789	1,083,789
Power and pumping land	343,374	343,374
Transmission land	157,021	157,021
	1,584,184	1,584,184
Structures and improvements		
Source of supply	18,655,778	18,650,748
Power and pumping	6,583,680	6,583,680
Purification structures	2,521,721	2,521,721
Distribution and storage	4,078,372	4,064,202
Shop	299,817	299,817
	32,139,368	32,120,168
Equipment		
Electrical pumping equipment	3,747,484	3,555,183
Diesel pumping equipment	517,343	684,015
Purification equipment	22,905,890	22,739,218
Office furniture and equipment	362,453	362,453
Transportation equipment	309,495	309,495
Meter shop equipment	30,689	30,689
Tools and work equipment	268,949	268,949
Motor operated tools	680,584	680,584
Other	326,466	326,466
	29,149,353	28,957,052
Mains		
Transmission	21,717,881	21,717,881
Distribution	41,365,472	40,385,054
	63,083,353	62,102,935
Services	11,045,295	10,902,225
Meters	10,968,398	10,401,290
Hydrants	3,065,391	2,986,406
	$ 151,109,504	$ 149,128,422

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Schedule B - Capital Debt Charges

Year ended March 31, 2017, with comparative figures for 2016

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2016	Issued	Redeemed	Balance March 31, 2017
Municipal Finance Corporation							
22-B-1	2002	2017	5.875 – 6.000	$ 333,330	$ –	$ 166,667	$ 166,663
27-A-1	2007	2022	4.560 – 4.770	10,974,000	–	914,500	10,059,500
28-A-1	2008	2023	4.684 – 5.088	9,100,000	–	700,000	8,400,000
30-A-1	2010	2025	3.730 – 4.875	11,250,000	–	750,000	10,500,000
32-A-1	2012	2017	2.255 – 2.588	333,332	–	166,667	166,665
33-A-1	2013	2023	1.610 – 2.979	6,400,000	–	800,000	5,600,000
34-A-1	2014	2029	1.366 – 3.792	5,600,000	–	400,000	5,200,000
				$ 43,990,662	$ –	$ 3,897,834	$ 40,092,828

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

2018	$ 3,897,834
2019	3,564,500
2020	3,564,500
2021	3,564,500
2022	3,564,500

DRAFT