CBRM *A Community of Communities*

Audit Committee

Agenda

Tuesday, September 20th, 2016

9:30 a.m.

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

Committee Members: **Deputy Mayor George MacDonald - Chair**
Councillor Clarence Prince
Councillor Ivan Doncaster
Councillor Lowell Cormier

CBRM Audit Committee

Agenda

Tuesday, September 20, 2016

9:30 a.m.

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

Roll Call

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

   - **September 24, 2015**

2. **CBRM Non-Consolidated Statement of Operations – Operating Fund for Year Ending March 31, 2016 (Unaudited Revenues and Expenditures):** Marie Walsh, Chief Financial Officer (see page 3)

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

   a) **Audit Findings Report for Year Ending March 31, 2016: (To be distributed prior to the meeting)**

   b) **CBRM Draft Consolidated Financial Statements for Year Ending March 31, 2016** (see page 4)

   c) **CBRM Draft Water Utility Financial Statements for Year Ending March 31, 2016** (see page 38)

Adjournment

Note: In – Camera Session to follow pursuant to Section 22(2)(g) of the *Municipal Government Act*.

Revenue		Year To Date Assigned		Annual Budget		Annual Budget Variance
Total Taxes	$	102,895,129	$	101,883,955	$	(1,011,174)
Total Federal Government		2,630,683		2,536,056		(94,627)
Total Federal Government Agencies		1,177,513		1,177,510		(3)
Total Provincial Government		1,872,961		1,324,898		(548,063)
Total Provincial Government Agencies		2,700,248		2,928,070		227,822
Total Services to Other Local Government		516,724		429,779		(86,945)
Total Transit		601,770		630,000		28,230
Total Environmental Development Services		277,972		260,168		(17,804)
Total Licenses & Permits		204,256		179,000		(25,256)
Total Fines & Fees		558,208		553,353		(4,855)
Total Rentals		618,656		550,000		(68,656)
Total Concessions & Franchises		402,192		366,517		(35,675)
Total Return on Investments/Interest on Taxes		1,583,585		1,250,500		(333,085)
Total Finance Revenue		28,575		30,500		1,925
Total Solid Waste Revenue		2,351,148		2,267,000		(84,148)
Total Recreation & Cultural Service Programs		1,949,756		1,789,105		(160,651)
Total Water Utility Charges		4,951,510		4,951,510		0
Total Unconditional Transfers		15,873,396		15,921,458		48,062
Total Conditional Transfers		3,722,016		4,178,021		456,005
Total Revenue	**$**	**144,916,297**	**$**	**143,207,400**	**$**	**(1,708,897)**

Expenditures		Year to date Expended		Annual Budget		Annual Budget Remaining
Legislative	$	1,391,589	$	1,415,714	$	24,125
Administration		906,205		995,609		89,404
Finance		2,565,473		2,739,607		174,134
Legal		542,051		565,444		23,393
Human Resources		1,575,646		1,600,549		24,903
Technology & Communications		1,022,860		1,153,099		130,239
Municipal Clerk		432,986		480,466		47,480
Fiscal Services		35,636,797		34,772,031		218,347
Occupational Health & Safety		203,652		215,532		11,880
Facilities: Centre 200 & Arenas		3,208,099		3,127,621		(80,479)
Police Services		25,127,071		25,110,074		(33,722)
Fire Services (Incl EMO)		16,665,358		16,550,728		(427,716)
Engineering & Public Works		49,165,371		48,849,744		(315,627)
Planning		2,609,250		2,650,361		41,111
Recreation		2,840,101		2,980,821		140,720
Total Expenditures	**$**	**143,892,508**	**$**	**143,207,400**	**$**	**68,193**

Annual Surplus	**$**	**1,023,789**

Consolidated Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY

Year ended March 31, 2016

CAPE BRETON REGIONAL MUNICIPALITY
Consolidated Financial Statements

March 31, 2016

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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 established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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 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.

Marie Walsh

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	2016	2015
FINANCIAL ASSETS		
Taxes receivable (note 3)	$ 15,448,012	$ 16,113,519
Accounts receivable (note 4)	10,199,867	13,387,750
Net prepaid benefit expense (note 5)	8,433,000	6,932,000
	34,080,879	36,433,269
FINANCIAL LIABILITIES		
Cheques issued in excess of funds on deposit (note 2)	12,514,453	9,710,715
Accounts payable and accrued liabilities (note 8)	13,564,674	11,490,463
Accrued interest on long-term debt	1,471,362	1,471,362
Due to trust funds	290,675	444,870
Deferred revenue	3,662,006	3,771,629
Accrued employee benefits	5,234,078	5,295,119
Solid waste management facilities liabilities (note 9)	41,161,800	41,161,800
Capital lease (note 10)	476,750	–
Long-term debt (note 11)	105,460,729	116,784,771
	183,836,527	190,130,729
NET DEBT	(149,755,648)	(153,697,460)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 12)	375,344,976	359,675,236
Work in progress	7,105,745	9,551,555
Properties acquired at tax sale	1,547,581	1,558,162
Inventory, prepaid expenses and other	2,734,604	2,998,954
	386,732,906	373,783,907
FUND BALANCES (note 7)	$ 236,977,258	$ 220,086,447

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, 2016, with comparative figures for 2015

	Budget (Unaudited)	2016	2015
REVENUES			
Taxes	$ 101,883,955	$ 102,895,129	$ 99,622,156
Grants in lieu of taxes	7,966,534	8,407,908	7,588,166
Services provided to other governments	266,427	331,728	463,628
Sales of services	2,383,045	2,563,226	2,552,891
Revenue from own sources	10,974,100	8,287,204	6,714,956
Unconditional transfers from other governments	15,921,458	15,873,396	15,930,930
Conditional transfers from other governments	418,265	355,211	2,272,473
Capital grants	–	9,464,673	9,899,443
Water utility revenue	17,347,000	16,070,569	16,309,297
Investment income	–	103,149	93,602
Port of Sydney Development Corporation	–	7,190,179	–
Gain (loss) on sale of properties	–	(237,175)	40,537
	157,160,784	171,305,197	161,488,079
EXPENSES			
General government services	18,134,582	15,287,745	14,613,776
Protective services	37,882,066	38,886,303	38,253,725
Transportation services	40,125,978	36,672,636	37,042,714
Environmental health services	15,199,604	17,733,882	18,118,277
Public health and welfare services	2,154,692	2,132,337	2,060,487
Environmental development services	939,016	1,304,555	1,080,392
Recreation and cultural services	10,051,875	11,525,031	11,308,027
Planning and development services	302,118	302,118	302,118
Educational services	13,000,000	13,033,828	12,713,730
Port of Sydney Development Corporation	–	2,512,273	–
Water utility expenses	12,525,011	14,896,354	14,958,525
	150,314,942	154,287,062	150,451,771
Excess of revenues over expenses before the following	6,845,842	17,018,135	11,036,308
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(32,000)	(127,324)	(124,430)
CHANGE IN FUND BALANCES	6,813,842	16,890,811	10,911,878
FUND BALANCES, BEGINNING OF YEAR		220,086,447	209,174,569
FUND BALANCES, END OF YEAR		$ 236,977,258	$ 220,086,447

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
CHANGE IN FUND BALANCES	$ 16,890,811	$ 10,911,878
Tangible capital assets		
Acquisition of tangible capital assets	(33,249,113)	(29,274,476)
Amortization of tangible capital assets	17,579,373	15,985,086
	(15,669,740)	(13,289,390)
Other non-financial assets		
Decrease in work in progress	2,445,810	10,870,908
Decrease in property acquired at tax sale	10,581	3,524
Decrease (increase) in inventory, prepaid expenses and other	264,350	(436,926)
	2,720,741	10,437,506
DECREASE IN NET DEBT	3,941,812	8,059,994
NET DEBT, BEGINNING OF YEAR	(153,697,460)	(161,757,454)
NET DEBT, END OF YEAR	$ (149,755,648)	$ (153,697,460)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	$ 16,890,811	$ 10,911,878
Items not involving cash		
Amortization of tangible capital assets	17,579,373	15,985,086
Pension expense	1,941,000	3,337,000
Change in non-cash working capital		
Decrease (increase) in taxes receivable	665,507	(1,913,391)
Decrease in accounts receivable	3,187,883	3,921,856
Contributions to defined benefit pension plan	(3,442,000)	(3,909,000)
Decrease (increase) in inventory, prepaid expenses and other	264,350	(436,926)
Increase (decrease) in accounts payable and accrued liabilities	2,074,211	(752,808)
Decrease in deferred revenue	(109,623)	(410,803)
Decrease in accrued employee benefits	(61,041)	(620,027)
	38,990,471	26,112,865
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to trust fund	(154,195)	158,024
Issuance of long-term debt	6,200,000	19,300,000
Principal payments on long-term debt	(17,524,042)	(15,794,042)
	(11,478,237)	3,663,982
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(32,772,363)	(29,274,476)
Decrease in work in progress	2,445,810	10,870,908
Decrease in properties acquired at tax sale	10,581	3,524
	(30,315,972)	(18,400,044)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,803,738)	11,376,803
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(9,710,715)	(21,087,518)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (12,514,453)	$ (9,710,715)
Supplemental cash flow information		
Assets acquired through capital lease	$ 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 generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(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

	2016	2015
Operating funds	$ (9,626,107)	$ (9,710,811)
Reserves funds	11,793,489	12,568,517
Capital funds	(15,113,671)	(12,568,421)
Port of Sydney Development Corporation	431,836	–
	$ (12,514,453)	$ (9,710,715)

3. TAXES RECEIVABLE

	2016	2015
Gross taxes receivable, beginning of year	$ 17,560,873	$ 15,484,519
Current year's levy of property taxes	99,562,017	96,532,235
Subtotal	117,122,890	112,016,754
Less		
Current year's collections	100,199,398	94,585,969
Reduced taxes	28,125	32,875
Allowance	(1,598,753)	(162,963)
Gross taxes receivable, end of year	18,474,120	17,560,873
Less		
Allowance for uncollectible taxes	3,026,108	1,447,354
Taxes receivable, net	$ 15,448,012	$ 16,113,519

4. ACCOUNTS RECEIVABLE

	2016	2015
Federal government	$ 1,354,505	$ 2,482,179
Provincial government	392,127	1,151,711
Other receivables	9,161,219	11,404,932
	10,907,851	15,038,822
Less allowance for doubtful accounts	707,984	1,651,072
	$ 10,199,867	$ 13,387,750

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. There are 16 former employees who are entitled to deferred pension benefits. At present, the plan provides benefits for 359 retirees with benefit payments being $5,894,000 in 2016.

5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The following summarizes the plan for the fiscal year ended March 31, 2016 and 2015:

	2016	2015
Accrued benefit obligation		
Balance at beginning of year	$ 146,760,000	$ 134,404,000
Actuarial losses	–	5,382,000
Current service cost	5,819,000	5,551,000
Benefit payments	(5,894,000)	(5,565,000)
Interest on obligations	7,336,000	6,988,000
Accrued benefit obligation, end of year	154,021,000	146,760,000
Deduct plan assets		
Balance, beginning of year	159,575,000	139,066,000
Employer contributions	3,442,000	3,909,000
Employee contributions	3,511,000	3,353,000
Benefit payments	(5,894,000)	(5,565,000)
Interest on average assets	8,005,000	6,995,000
Actuarial gains (losses)	(8,088,000)	11,817,000
Plan assets, end of year	160,551,000	159,575,000
Funded status – plan surplus	6,530,000	12,815,000
Unamortized actuarial losses (gains)	1,903,000	(5,883,000)
Net prepaid benefit expense	$ 8,433,000	$ 6,932,000

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

	2016	2015
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:

	2016	2015
Current service cost	$ 5,819,000	$ 5,551,000
Amortization of actuarial losses	302,000	1,146,000
Employee contributions	(3,511,000)	(3,353,000)
Interest on average liabilities	7,336,000	6,988,000
Interest on average assets	(8,005,000)	(6,995,000)
	$ 1,941,000	$ 3,337,000

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 $256,971 (2015 - $303,221).

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 $266,400 (2015 - $306,104).

6. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2016 are $3,427,796 (2015 - $2,982,613).

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

7. FUND BALANCES

	2016	2015
General operating fund	$ (39,376,676)	$ (39,376,676)
Water operating fund	1,228,005	2,771,676
General capital fund	192,832,177	182,815,510
Water capital fund	68,444,765	64,696,931
Port of Sydney Development Corporation	4,516,117	–
	227,644,388	210,907,441
Reserves set aside by council	9,332,870	9,179,006
	$ 236,977,258	$ 220,086,447

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade accounts payable	$ 6,809,673	$ 6,321,970
Payroll and related	2,851,743	1,492,123
Accrued liabilities	1,321,158	1,151,850
Tax sale trust	2,582,100	2,524,520
	$ 13,564,674	$ 11,490,463

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 (2015 - $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

	2016	2015
Police radios, 10.87%, repayable in monthly instalments of principal and interest of $17,229 commencing April, 2016, maturing November, 2018	$ 476,750	$ –
Current portion	206,753	–
	$ 269,997	$ –

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

Year ended March 31,	
2017	$ 206,753
2018	206,753
2019	137,835
	551,341
Interest included in minimum payments	74,591
	$ 476,750

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, 2016 are as follows:

2017	$ 17,520,068
2018	17,022,572
2019	12,094,041
2020	11,015,269
2021	9,970,069

12. TANGIBLE CAPITAL ASSETS

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 9,964,259	$ –	$ 9,964,259	$ 8,671,159
Buildings				
General government services	7,130,798	2,394,033	4,736,765	4,516,291
Protective services	4,164,858	1,095,380	3,069,478	2,922,339
Transportation services	9,929,777	1,520,455	8,409,322	7,098,829
Environmental services	31,816,510	7,193,930	24,622,580	24,933,139
Recreation and cultural services	15,740,222	3,980,759	11,759,463	12,155,031
Industrial parks	1,084,104	394,097	690,007	717,110
	69,866,269	16,578,654	53,287,615	52,342,739
Equipment				
General government services	2,874,846	2,790,173	84,673	112,898
Protective services	12,183,143	8,826,446	3,356,697	1,445,402
Public works	23,616,652	17,884,884	5,731,768	5,300,582
Environmental health services	13,753,840	13,598,382	155,458	164,095
Recreation and cultural services	1,610,009	1,315,236	294,773	293,840
	54,038,490	44,415,121	9,623,369	7,316,817
Other				
General government services	742,494	742,494	–	–
Road transport	153,857,284	48,800,926	105,056,358	102,898,242
Environmental health services	96,216,638	19,955,961	76,260,677	75,504,965
Recreation and cultural services	16,618,447	13,782,369	2,836,078	3,755,543
Waterfront development	8,861,700	3,393,571	5,468,129	5,645,363
Downtown development	1,433,906	260,223	1,173,683	1,202,416
Wharf – Sydney Marine Terminal	1,726,210	1,044,774	681,436	750,484
Water utility assets	149,303,399	43,826,673	105,476,726	101,587,508
Port of Sydney assets	10,393,360	4,876,714	5,516,646	–
	439,153,438	136,683,705	302,469,733	291,344,521
	$ 573,022,456	$ 197,677,480	$ 375,344,976	$ 359,675,236

13. CONTINGENCIES

(a) As of March 31, 2016 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, 2016 is $962,707 (2015 - $1,236,177).

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 risk assessments to meet necessary wastewater treatment guidelines. Upon completion, the timeline and estimated cost to meet these guidelines will be more definitive.

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, 2016 in the amount of $2,041,173 (2015 - $1,969,379).

(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, 2016, the Municipality's share of these costs was $1,364,588 (2015 - $1,374,713).

(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, 2016, the Municipality's contribution for these costs was $1,093,969 (2015 - $1,102,720).

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 $13,033,828 (2015 - $12,713,730) to the Cape Breton-Victoria Regional School Board.

15. 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.

(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.

16. COMPARATIVE FIGURES

Certain 2015 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, 2016, with comparative figures for 2015

	Term (years)	Interest rate - %	Matures	Balance March 31/15	Issued	Redeemed	Balance March 31/16
General Fund							
M.F.C.							
22-B-1	15	5.875-6.000	2017	$ 300,000	$ –	$ 100,000	$ 200,000
25-A-1	10	4.515-4.515	2015	563,976	–	563,976	–
26-A-1	10	4.825-4.880	2016	994,976	–	497,487	497,489
27-B-1	10	4.912-5.010	2017	13,485,600	–	4,495,200	8,990,400
28-B-1	10	4.750-5.095	2018	4,315,100	–	1,078,776	3,236,324
29-A-1	10	3.387-4.329	2019	5,226,000	–	1,045,200	4,180,800
30-B-1	10	2.570-3.870	2020	13,287,600	–	2,214,600	11,073,000
31-A-1	10	2.057-3.645	2021	10,171,000	–	1,453,000	8,718,000
32-B-1	10	1.820-3.160	2022	3,037,600	–	379,700	2,657,900
33-B-1	10	1.463-3.614	2023	4,214,422	–	468,269	3,746,153
34-B-1	10	1.200-3.190	2024	13,300,000	–	1,330,000	11,970,000
35-A-1	15	0.000-3.449	2030	–	6,200,000	–	6,200,000
				68,896,274	6,200,000	13,626,208	61,470,066
Water Fund							
M.F.C.							
22-B-1	15	5.875-6.000	2017	499,997	–	166,667	333,330
27-A-1	15	4.525-4.770	2022	11,888,500	–	914,500	10,974,000
28-A-1	15	4.584-5.086	2023	9,800,000	–	700,000	9,100,000
30-A-1	15	3.430-4.875	2025	12,000,000	–	750,000	11,250,000
32-A-1	5	2.165-2.588	2017	500,000	–	166,667	333,333
33-A-1	10	1.435-2.979	2023	7,200,000	–	800,000	6,400,000
34-A-1	15	1.245-3.792	2029	6,000,000	–	400,000	5,600,000
				47,888,497	–	3,897,834	43,990,663
				$116,784,771	$ 6,200,000	$17,524,042	$105,460,729

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
REVENUES		
Taxes	$ 102,895,129	$ 99,622,156
Grants in lieu of taxes	8,407,908	7,588,166
Services provided to other governments	331,728	463,628
Sales of services	2,563,226	2,552,891
Revenue from own sources	13,400,503	11,666,466
Unconditional transfers from other governments	15,873,396	15,930,930
Conditional transfers from other governments	355,211	372,473
	143,827,101	138,196,710
EXPENSES		
General government services	15,080,103	14,416,473
Protective services	44,295,147	42,537,751
Transportation services	29,936,628	30,773,823
Environmental health services	14,977,755	15,048,367
Public health and welfare services	2,132,337	2,060,487
Environmental development services	1,304,555	1,080,392
Recreation and cultural services	9,536,444	9,363,809
Educational services	13,033,828	12,713,730
	130,296,797	127,994,832
Excess of revenues over expenses before the following	13,530,304	10,201,878
FINANCING AND TRANSFERS		
Debenture and term loan principal instalments	(13,626,208)	(12,296,208)
Transfer from special reserve funds	532,983	2,184,460
Transfer to capital fund	(344,055)	–
Amortization of bond discount	(93,024)	(90,130)
	(13,530,304)	(10,201,878)
CHANGE IN FUND BALANCE	–	–
FUND BALANCE, BEGINNING OF YEAR	(39,376,676)	(39,376,676)
FUND BALANCE, END OF YEAR	$ (39,376,676)	$ (39,376,676)

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2016, with comparatives for 2015

	2016	2015
OPERATING REVENUES		
Metered sales	$ 15,701,440	$ 16,012,196
Public fire protection	6,965,758	6,965,758
Consumer's interest	360,026	289,848
	23,027,224	23,267,802
OPERATING EXPENSES		
Source of supply	346,400	323,443
Power and pumping	1,759,990	1,882,302
Water treatment	3,819,950	3,708,291
Transmission and distribution	3,664,688	3,646,522
Administration and general	2,624,355	2,788,359
Taxes	2,013,802	2,010,037
	14,229,185	14,358,954
Excess of revenues over expenses before the following	8,798,039	8,908,848
NON-OPERATING REVENUES		
Miscellaneous	9,103	7,253
NON-OPERATING EXPENSES		
Interest on debentures	1,858,906	2,001,608
Amortization of debt discounts	34,300	34,300
Other	135,831	128,561
Transfer to water capital fund	7,671,776	7,068,743
Transfer to general capital fund	650,000	670,000
	10,350,813	9,903,212
CHANGE IN FUND BALANCE	(1,543,671)	(987,111)
FUND BALANCE, BEGINNING OF YEAR	2,771,676	3,758,787
FUND BALANCE, END OF YEAR	$ 1,228,005	$ 2,771,676

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
REVENUES		
Capital grants	$ 2,758,356	$ 3,170,817
EXPENSES		
General government services	207,642	197,303
Protective services	1,556,914	781,732
Transportation services	6,736,008	6,268,891
Environmental health services	2,756,127	3,069,910
Recreation and cultural services	1,988,587	1,944,218
Planning and development services	302,118	302,118
	13,547,396	12,564,172
Deficiency of revenues over expenses before the following	(10,789,040)	(9,393,355)
FINANCING AND TRANSFERS		
Transfer from reserve funds	6,185,444	2,968,251
Transfer from water operating fund – other	344,055	–
Transfer from water operating fund	650,000	670,000
Debenture and term loan principal instalments	13,626,208	12,296,208
	20,805,707	15,934,459
CHANGE IN FUND BALANCE	10,016,667	6,541,104
FUND BALANCE, BEGINNING OF YEAR	182,815,510	176,274,406
FUND BALANCE, END OF YEAR	$ 192,832,177	$ 182,815,510

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2016, with comparatives for 2015

	2016	2015
REVENUES		
Capital grants	$ –	$ –
EXPENSES		
Amortization	3,623,942	3,420,912
Deficiency of revenues over expenses before the following	(3,623,942)	(3,420,912)
FINANCING AND TRANSFERS		
Transfer from water operating fund	7,671,776	7,068,743
Sale of property	(300,000)	–
	7,371,776	7,068,743
CHANGE IN FUND BALANCE	3,747,834	3,647,831
FUND BALANCE, BEGINNING OF YEAR	64,696,931	61,049,100
FUND BALANCE, END OF YEAR	$ 68,444,765	$ 64,696,931

CAPE BRETON REGIONAL MUNICIPALITY

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

Year ended March 31, 2016

		2016
REVENUES		
Wharfage and berthage	$	528,562
Passenger tax		629,488
Events		61,515
Security		129,027
Storage and rental		149,398
Craft market		79,772
Sundry		11,244
Government funding		131,749
Business development		567,231
		2,286,986
EXPENSES		
Advertising and promotion		97,958
Business development harbor		567,231
Cruise activities		36,599
Dues and fees		22,845
Events		11,681
Insurance		52,647
Interest and bank charges		4,123
Interest on long-term debt		16,476
Miscellaneous		7,366
Office and administration		20,058
Professional fees		59,636
Repairs and maintenance		164,929
Security		153,423
Travel		60,688
Utilities		198,020
Wages and benefits		686,548
		2,160,228
Excess of revenues over expenses before the following		127,758
Restructuring transaction		5,391,341
Amortization of capital assets		(408,035)
CHANGE IN FUND BALANCE		5,111,064
FUND BALANCE, BEGINNING OF YEAR		–
FUND BALANCE, END OF YEAR	$	5,111,064

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
REVENUES		
Investment income	$ 95,009	$ 82,973
Sale of properties	–	40,537
Grants	6,706,317	6,728,626
	6,801,326	6,852,136
FINANCING AND TRANSFERS		
Transfer to operating fund	(532,983)	(2,184,460)
Transfer to capital funds	(6,185,444)	(2,968,251)
	(6,718,427)	(5,152,711)
CHANGE IN FUND BALANCE	82,899	1,699,425
FUND BALANCE, BEGINNING OF YEAR	7,245,239	5,545,814
FUND BALANCE, END OF YEAR	$ 7,328,138	$ 7,245,239

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
REVENUES		
Investment income	$ 8,140	$ 10,629
Proceeds from sale of assets	62,825	–
CHANGE IN FUND BALANCE	70,965	10,629
FUND BALANCE, BEGINNING OF YEAR	1,933,767	1,923,138
FUND BALANCE, END OF YEAR	$ 2,004,732	$ 1,933,767

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2016

Council	Number of Months	Annual Remuneration
C. Clarke, Mayor	12	$ 107,087
G. MacDonald, Deputy Mayor	12	43,692
L. Cormier	12	38,693
C. Detheridge	12	38,693
I. Doncaster	12	38,693
D. Flynn	12	38,693
C. Keagan	10	31,897
E. MacDonald	12	38,693
J. MacLeod	12	38,693
R. Paruch	12	38,693
C. Prince	12	38,693
M. Rowe	12	38,693
K. Saccary	12	38,693

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2016

Senior Staff	Annual Remuneration
D. Campbell	$ 95,364
A. Fleming	108,816
M. Gillis	108,816
D. Kachafanas	108,816
L. MacCormack	123,725
W. MacDonald	116,046
G. MacDougall	68,673
B. MacKinnon	107,271
J. MacKinnon	108,817
P. MacIsaac	138,547
M. Merritt	185,267
W. Murphy	61,870
M. Walsh	154,461

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Council

Year ended March 31, 2016

Council	Number of Months	Travel Expenses
C. Clarke, Mayor	12	$ 33,899
G. MacDonald, Deputy Mayor	12	25,012
L. Cormier	12	5,067
C. Detheridge	12	17,387
I. Doncaster	12	14,575
D. Flynn	12	5,593
C. Keagan	10	10,781
E. MacDonald	12	15,862
J. MacLeod	12	13,258
R. Paruch	12	7,312
C. Prince	12	12,617
M. Rowe	12	15,357
K. Saccary	12	15,913

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Senior Staff

Year ended March 31, 2016

Senior Staff		Travel Expenses
D. Campbell	$	3,967
A. Fleming		2,751
M. Gillis		2,796
D. Kachafanas		5,482
L. MacCormack		6,893
W. MacDonald		9,005
G. MacDougall		733
B. MacKinnon		10,382
J. MacKinnon		7,529
P. MacIsaac		9,195
M. Merritt		25,901
M. Walsh		8,595

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	$ 66,855,808	$ –	$ 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	14,544,924	3,739,859	4,042,961	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	2,136,532	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	343,733	–	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	302,118	–	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

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2016

Year ended March 31, 2015	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
REVENUES									
Taxation	$ 64,659,869	$ 15,469,700	$ 6,778,857	$ –	$ –	$ –	$ 12,713,730	$ –	$ 99,622,156
Grants in lieu of taxes	7,588,166	–	–	–	–	–	–	–	7,588,166
Services provided to other governments	–	463,628	–	–	–	–	–	–	463,628
Sales of services	30,152	–	935,313	–	1,587,426	–	–	–	2,552,891
Revenue from own sources	3,183,512	1,086,690	–	2,391,742	–	53,012	–	–	6,714,956
Unconditional transfers from other governments	15,930,930	–	–	–	–	–	–	–	15,930,930
Conditional transfers from other governments	–	2,237,113	–	–	35,360	–	–	–	2,272,473
Capital grants	9,899,443	–	–	–	–	–	–	–	9,899,443
Metered sales	–	–	–	–	–	–	–	16,019,449	16,019,449
Other water revenues	–	–	–	–	–	–	–	289,848	289,848
Investment income	93,602	–	–	–	–	–	–	–	93,602
Gain on sale of properties	40,537	–	–	–	–	–	–	–	40,537
	101,426,211	19,257,131	7,714,170	2,391,742	1,622,786	53,012	12,713,730	16,309,297	161,488,079
EXPENSES									
Salaries, wages and benefits	6,882,709	29,271,590	13,919,455	3,672,701	4,192,076	705,547	–	2,247,866	60,891,944
Interest on long-term debt	546,368	74,215	1,856,751	330,026	179,424	–	–	2,001,609	4,788,393
Materials, goods, supplies and utilities	934,504	1,522,800	6,013,699	2,271,715	1,885,526	14,548	–	3,878,004	16,520,796
Contracted services	1,112,265	614,538	4,818,810	7,339,483	198,244	58,855	–	1,229,038	15,371,233
Other operating expenses	3,565,914	4,886,130	4,365,108	1,434,443	2,248,634	301,442	–	2,181,096	18,982,767
External transfers and grants	3,435,200	1,102,720	–	–	659,902	–	12,713,730	–	17,911,552
Amortization	197,304	781,732	6,268,891	3,069,909	1,944,220	302,118	–	3,420,912	15,985,086
	16,674,264	38,253,725	37,042,714	18,118,277	11,308,026	1,382,510	12,713,730	14,958,525	150,451,771
ANNUAL SURPLUS (DEFICIT)	$ 84,751,947	$ (18,996,594)	$ (29,328,544)	$ (15,726,535)	$ (9,685,240)	$ (1,329,498)	$ –	$ 1,350,772	$ 11,036,308

Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Year ended March 31, 2016

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Financial Statements

Year ended March 31, 2016

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Operating Fund

March 31, 2016, with comparative figures for 2015

	2016	2015
ASSETS		
Water rates receivable (less allowance for doubtful accounts $615,282; 2015 - $692,315)	$ 6,255,954	$ 6,266,280
Sundry receivables	69,350	75,038
Inventories	295,935	276,607
Prepaid expenses	–	166,872
	$ 6,621,239	$ 6,784,797
LIABILITIES		
Bank indebtedness	$ 3,469,254	$ 1,526,541
Payables and accruals	4,077,893	4,193,779
Due to Cape Breton Regional Municipality		
General section, operating fund	318,130	404,579
General section, capital fund	–	650,000
Due to water utility, capital fund	3,664,388	3,471,637
	11,529,665	10,246,536
DEFICIT	(4,908,426)	(3,461,739)
	$ 6,621,239	$ 6,784,797

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, 2016, with comparative figures for 2015

		2016	2015
	Budget	Actual	Actual
OPERATING REVENUES			
Metered sales	$ 17,050,000	$ 15,701,440	$ 16,012,196
Public fire protection	6,965,758	6,965,758	6,965,758
Consumer's interest	275,000	360,026	289,848
Service connections	22,000	9,103	7,253
	24,312,758	23,036,327	23,275,055
OPERATING EXPENSES			
Source of supply	458,000	346,400	323,443
Power and pumping	1,957,000	1,759,990	1,882,302
Water treatment	3,685,000	3,819,950	3,708,291
Transmission and distribution	4,432,000	4,314,688	4,316,522
Administration and general	2,854,000	2,624,355	2,788,359
Depreciation	2,598,000	3,623,942	3,420,912
Taxes	2,250,000	2,013,802	2,010,037
	18,234,000	18,503,127	18,449,866
Excess of operating revenues over expenses before the following	6,078,758	4,533,200	4,825,189
NON-OPERATING REVENUES			
Amortization of deferred capital contributions	–	142,178	142,178
NON-OPERATING EXPENSES			
Debt charges			
Provision for principal repayment	3,597,834	3,943,028	3,697,642
Interest on debentures	1,653,521	1,858,906	2,001,608
Amortization of debt discounts	32,000	34,300	34,300
Bank fees/charges	187,000	135,831	128,561
Capital expenditures out of operations	150,000	150,000	150,000
	5,620,355	6,122,065	6,012,111
CHANGE IN FUND BALANCE	$ 458,403	$(1,446,687)	$(1,044,744)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Operating Fund Deficit

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
DEFICIT, BEGINNING OF YEAR	$(3,461,739)	$(2,416,995)
Change in fund balance	(1,446,687)	(1,044,744)
DEFICIT, END OF YEAR	$(4,908,426)	$(3,461,739)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Cash Flows – Operating Fund

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	$ (1,446,687)	$ (1,044,744)
Change in non-cash operating working capital		
Decrease in water rates receivable	10,326	684,206
Decrease in sundry receivables	5,688	9,891
Increase in inventories	(19,328)	(28,917)
Decrease (increase) in prepaids	166,872	(166,872)
Increase (decrease) in payables and accruals	(115,886)	582,085
	(1,399,015)	35,649
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to Cape Breton Regional Municipality, operating fund	(86,449)	(1,180,196)
Increase (decrease) in due to Cape Breton Regional Municipality, capital fund	(650,000)	649,909
Increase in due to water utility, capital fund	192,751	767,436
	(543,698)	237,149
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,942,713)	272,798
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(1,526,541)	(1,799,339)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (3,469,254)	$ (1,526,541)

See accompanying notes to non-consolidated financial statements.

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Capital Fund

March 31, 2016, with comparative figures for 2015

	2016	2015 (Restated)
ASSETS		
Cash	$ 4,313,355	$ 5,247,696
Cash - depreciation reserve (note 2)	480,170	480,170
HST receivable	45,716	148,391
	4,839,241	5,876,257
Due from Cape Breton Regional Municipality		
General section, operating fund	62,825	–
Due from water utility, operating fund	3,664,388	3,471,637
Unamortized debt discount	259,953	294,253
Capital assets		
Utility plant in service (Schedule A)	149,128,422	141,615,257
Work in progress	2,553,972	5,127,732
Properties adjoining watershed	174,977	174,977
	151,857,371	146,917,966
	$ 160,683,778	$ 156,560,113
LIABILITIES		
Accounts and holdbacks payable	$ 1,060,944	$ 309,218
Due to Cape Breton Regional Municipality		
General section, capital fund	122,081	144,731
Due to water utility, reserve fund	62,825	–
Term debt (Schedule B)	43,990,662	47,888,496
	45,236,512	48,342,445
DEFERRED CAPITAL CONTRIBUTIONS	4,071,533	4,213,711
RESERVES		
Accumulated allowance for depreciation of utility plant (note 3)	43,826,673	40,202,731
FUND BALANCE	67,549,060	63,801,226
	$ 160,683,778	$ 156,560,113

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, 2016, with comparative figures for 2015

	2016	2015 (Restated)
REVENUES	$ –	$ –
EXPENSES		
Capital expenditures	3,623,942	3,420,912
Disposal of land	300,000	–
Deficiency of revenues over expenses before the following	3,923,942	3,420,192
FINANCING AND TRANSFERS		
Transfer from water utility, operating fund	7,671,776	7,068,743
CHANGE IN FUND BALANCE	3,747,834	3,648,551
FUND BALANCE, BEGINNING OF YEAR	63,801,226	60,152,675
FUND BALANCE, END OF YEAR	$ 67,549,060	$ 63,801,226

See accompanying notes to non-consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Special Reserve Fund

March 31, 2016, with comparative figures for 2015

	2016	2015
ASSETS		
Cash	$ 1,103,801	$ 1,103,801
Term deposit	838,106	829,966
Due from water utility, capital fund	62,825	–
	$ 2,004,732	$ 1,933,767
RESERVE		
Special reserve	$ 2,004,732	$ 1,933,767

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, 2016, with comparative figures for 2015

	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	2016 Total	2015 Total
BALANCE, BEGINNING OF YEAR	$ 53,315	$ 838,950	$ 325,257	$ 716,245	$ 1,933,767	$1,923,138
Interest on investments	325	5,535	2,280	–	8,140	10,629
Proceeds on sale of land	–	62,825	–	–	62,825	–
BALANCE, END OF YEAR	$ 53,640	$ 907,310	$ 327,537	$ 716,245	$2,004,732	$1,933,767

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

	2016	2015
Balance, beginning of year	$ 480,170	$ 480,170
Depreciation	3,623,942	3,420,912
Amortization of capital contributions	(142,178)	(142,178)
Capital purchases	(3,481,764)	(3,278,734)
Cash, end of year	$ 480,170	$ 480,170

3. ACCUMULATION ALLOWANCE FOR DEPRECIATION

	2016	2015 (Restated)
Balance, beginning of year, as previously recorded	$ 39,368,360	$ 36,089,626
Restatement (note 6)	834,371	692,193
As restated	40,202,731	36,781,819
Depreciation for year	3,623,942	3,420,912
Balance, end of year	$43,826,673	$40,202,731

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 $7,303,549 (2015 - $7,199,376).

d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to $6,695,758 (2015 - $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, 2016, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 4.3% (2015 - 4.7%).

6. RESTATEMENT

Management has determined that the prior treatment of accounting for the amortization of capital contributions was not consistent with the guidelines of the Accounting and Reporting Handbook.

These financial statements have been adjusted retrospectively to remove all amortization of the capital contributions in the capital fund in the past.

7. COMPARATIVE FIGURES

Certain 2015 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, 2016, with comparative figures for 2015

	2016	2015
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	1,383,789
Power and pumping land	343,374	343,374
Transmission land	157,021	157,021
	1,584,184	1,884,184
Structures and improvements		
Source of supply	18,650,748	18,650,748
Power and pumping	6,583,680	6,401,700
Purification structures	2,521,721	2,490,956
Distribution and storage	4,064,202	1,765,186
Shop	299,817	299,817
	32,120,168	29,608,407
Equipment		
Electrical pumping equipment	3,555,183	3,555,183
Diesel pumping equipment	684,015	863,766
Purification equipment	22,739,218	21,448,923
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
	28,957,052	27,846,508
Mains		
Transmission	21,717,881	21,641,230
Distribution	40,385,054	37,889,687
	62,102,935	59,530,917
Services	10,902,225	10,439,734
Meters	10,401,290	9,339,988
Hydrants	2,986,406	2,891,357
	$ 149,128,422	$ 141,615,257

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

Year ended March 31, 2016, with comparative figures for 2015

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2015	Issued	Redeemed	Balance March 31, 2016
Municipal Finance Corporation							
22-B-1	2002	2017	5.875 – 6.000	$ 499,997	$ –	$ 166,667	$ 333,330
27-A-1	2007	2022	4.525 – 4.770	11,888,500	–	914,500	10,974,000
28-A-1	2008	2023	4.584 – 5.088	9,800,000	–	700,000	9,100,000
30-A-1	2010	2025	3.430 – 4.875	12,000,000	–	750,000	11,250,000
32-A-1	2012	2017	2.165 – 2.588	499,999	–	166,667	333,332
33-A-1	2013	2023	1.435 – 2.979	7,200,000	–	800,000	6,400,000
34-A-1	2014	2029	1.245 – 3.792	6,000,000	–	400,000	5,600,000
				$ 47,888,496	$ –	$ 3,897,834	$ 43,990,662

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

2017	$3,897,834
2018	3,897,834
2019	3,564,500
2020	3,564,500
2021	3,564,500