CBRM *A Community of Communities*

Audit Committee

Agenda

Tuesday, September 18th, 2018

2:00 p.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
Qin (Jackie) Hou, Citizen
Ian MacLean, Citizen

CBRM Audit Committee

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Tuesday, September 18th, 2018
2:00 p.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 25th, 2017**

2. **Approval of Agenda: (Motion Required)**

3. **Annual Financial Report - Year Ended March 31, 2018:** Jennifer Campbell, Chief Financial Officer (See page **4**)

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

   a) **Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2018:** (See page **40**)

   b) **Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2018:** (See page **74**)

   c) **Audit Findings Report for Year Ended March 31, 2018:** (See page **90**)

   d) **Draft Management Letter: (to be provided at the meeting)**

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

Adjournment

CAPE BRETON
REGIONAL MUNICIPALITY

Annual Financial Report
Year Ended March 31, 2018

Jennifer Campbell, CPA, CA
Chief Financial Officer
September 18, 2018

Message from the Chief Financial Officer

I am pleased to present the Year End Financial Report for the Cape Breton Regional Municipality's March 31, 2018 fiscal year end.

The year was certainly not without its challenges and opportunities. All repair work resulting from the 2016 Thanksgiving day flood has been completed and all damaged fleet have been replaced. CBRM management were extremely diligent in the monitoring of their budgets and actual results and optimizing efficiencies and savings wherever possible. Unanticipated expenditures, if possible, are absorbed within the department's own budget structure or by the organization as a whole. As in past practice, a brief discretionary spending freeze was enforced in December 2017 until our forecasted financial results were evaluated. Forecasted amounts indicated a close to break-even scenario despite the decrease in planned taxation revenue and unanticipated school demolition costs. Forecasted amounts essentially became the benchmark for year end expenditures to mitigate any further potential of running an overall operating deficit, which proved to be successful. Surplus for municipal tax purposes for March 31, 2018 netted $553,000 or .37% of CBRM's operating budget.

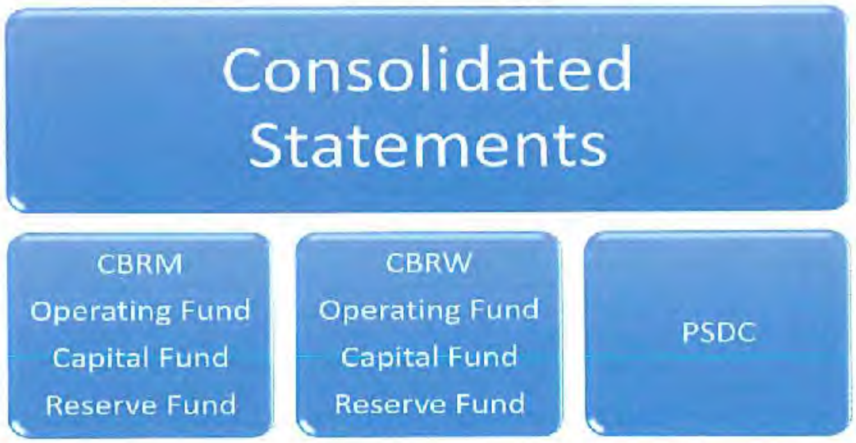
The Water Utility realized an operating surplus for the first time in several years, largely due to a combination of operating efficiencies and UARB approved rate increases. This surplus will help address the operating deficit accumulated from years prior.

The transfer of CBRM's defined benefit pension plan to the Provincial Public Service Superannuation Plan was completed on February 1, 2018. As a result, CBRM is alleviated from the risk of future pension deficits. As part of the transfer, CBRM had to derecognize the pension plan net assets (Prepaid Benefit Expense) previously recorded in its financial statements. This adjustment is reflected as a reduction in CBRM's consolidated fund balance at year end.

Consolidated financial statements are presented in a format that differs from what is provided to Council monthly. This report attempts to explain how our internal presentations transform into the format required under PSAB standards and the provincial financial reporting framework (FRAM).

The delivery of this report on our year end results would not be possible without the continued efforts of finance staff, department management, and their support staff. The reports presented today are a culmination of months of preparation. I extend my sincere appreciation to my staff, directors, managers and their staff for their commitment and diligence (and for some – personal sacrifice), in the preparation and finalization of the reports being presented today.

Jennifer Campbell, CPA CA
Chief Financial Officer



CBRM has 6 separate funds, and 100% interest in the Port of Sydney Development Corporation. The sum of these funds, net of consolidation entries, is reported in the Consolidated Audited Financial Statements. Supporting schedules for each fund are included in the financial statements to show the financial activities and changes in fund balance for each.

	CBRM			CBRW			PSDC	Consolidation	Total
	Operating	Capital	Reserve	Operating	Capital	Reserve	Operating	Entry	
Fund Balance, Beginning of year	(40,920,937)	200,758,054	10,161,715	348,816	72,342,599	2,012,607	4,901,899	(713,224)	248,891,529
Change in fund balance	(6,515,999)	9,627,052	(2,628,097)	1,117,434	13,133,881	8,012	(734,285)	713,224	14,721,222
Fund balance, end of year	(47,436,936)	210,385,106	7,533,618	1,466,250	85,476,480	2,020,619	4,167,614	-	263,612,751

The consolidation entry of $713,224 above represents the elimination of the entry to derecognize the net book value of assets as recorded in the PSDC Statement of Operations. The NBV of these assets was already eliminated in the opening fund balance by CBRM thereby requiring this consolidation adjustment to avoid duplication.

CBRM's internal financial statements are reported by department. Each department is responsible for developing their annual operating budget and managing costs within that budget. For financial reporting purposes, CBRM is required to report revenues by significant source, and expenditures by government function. This means that the existing departmental reported amounts in our internal statements are reclassified to the government function to which they relate in the audited financial statements.

Expenditures by government function are comprised as follows:

Transportation Services

- Engineering
- PW Administration
- Fleet
- Street Lights
- Roads (including Provincial Transfers - Roads)
- Transit
- Interest Allocations (short term/long term)

Environmental Health

- Waste Water Operations
- Solid Waste Collections/Disposal
- Interest Allocations (short term/long term)

Public Health and Welfare

- Provincial Transfers - Housing Authority

Environmental Development

- Planning
- Interest Allocations (short term/long term)

Recreation & Culture

- Recreation
- Facilities
- Libraries
- Theatres
- Parks & Grounds
- Interest Allocations (short term/long term)

Educational Services

- Provincial Transfers - Education

CBRM

Schedule of Operating Fund and Change in Fund Balance (Internal)

	Actuals 2017/18	Budget 2017/18	Variance
Revenue			
Total Taxes	$ 106,102,809	$ 107,067,569	$ (964,760)
Total Federal Government	3,099,738	3,077,849	21,889
Total Federal Government Agencies	769,795	769,983	(188)
Total Provincial Government	2,081,609	2,008,825	72,784
Total Provincial Government Agencies	3,021,649	2,909,799	111,850
Total Services to Other Local Government	492,012	610,078	(118,066)
Total Transit	704,470	664,000	40,470
Total Environmental Development Services	235,540	207,370	28,170
Total Licenses & Permits	204,897	148,000	56,897
Total Fines & Fees	607,346	553,370	53,976
Total Rentals	546,783	680,079	(133,296)
Total Concessions & Franchises	387,301	365,915	21,386
Total Return on Investments/Interest on Taxes	1,632,639	1,323,098	309,541
Total Finance Revenue	28,535	33,489	(4,954)
Total Solid Waste Revenue	2,154,575	2,300,000	(145,425)
Total Recreation & Cultural Service Programs	1,809,974	1,862,000	(52,026)
Total Water Utility Charges	4,951,510	4,951,510	(0)
Total Unconditional Transfers	15,860,282	15,844,951	15,331
Total Conditional Transfers	3,462,960	3,512,960	(50,000)
Total Operating Revenue	**$ 148,154,424**	**$ 148,890,845**	**$ (736,421)**
Cost Recovery 2016 Flood Costs	189,010	-	189,010
Total Revenue	**$ 148,343,434**	**$ 148,890,845**	**$ (547,411)**
Expenditures			
Legislative	$ 1,413,113	$ 1,470,936	$ 57,823
Administration	1,169,976	1,233,343	63,367
Finance	2,443,738	2,897,017	453,279
Legal	785,317	684,515	(100,802)
Human Resources	1,606,647	1,650,262	43,615
Technology & Communications	1,190,894	1,244,687	53,793
Municipal Clerk	514,810	527,594	12,784
Fiscal Services	35,468,770	35,570,603	101,833
Occupational Health & Safety	212,608	222,183	9,575
Police Services	26,399,691	26,231,264	(168,427)
Fire Services (Incl EMO)	17,313,524	17,977,844	664,320
Engineering & Public Works	43,221,933	44,367,637	1,145,704
Planning	2,797,269	2,599,518	(197,751)
Facilities: Centre 200 & Arenas	4,070,845	3,306,912	(763,933)
Parks & Grounds	2,878,898	2,893,786	14,888
Buildings	3,390,610	3,346,211	(44,399)
Recreation	2,742,098	2,686,533	(55,565)
Total Operating Expenditures	**$ 147,600,741**	**$ 148,890,845**	**$ 1,290,104**
2016 Flood Costs	189,010	-	(189,010)
Total Expenditures	**$ 147,789,751**	**$ 148,890,845**	**$ 1,101,094**
Surplus / (Deficit)	**$ 553,683**		

CBRM
Operating Fund - Variances

Council approved CBRM's 2017/18 Operating budget on February 16, 2017. Council receives monthly reports on departmental revenues and expenditures, the results of which are summarized as follows for year ended March 31, 2018:

Revenues

Taxes:	Tax revenue was negatively impacted by a $1.1M tax concession provided to the Membertou Wellness Centre subsequent to budget approval.
Rentals:	Included in the budget is lease revenue from the Port of Sydney Development Corporation. The lease with the Port of Sydney expired March 31, 2017. No further rent was charged to the entity. The CBRM and Port of Sydney will be negotiating a new operating agreement upon finalization of the Port's strategic plan.
Interest:	Interest revenue continues to exceed budget as our outstanding receivables continue to grow. The increased revenue is offset by negative variances in allowances for uncollectible taxes and other receivables.
Solid Waste:	Negative variance is a result of reduced RRFB Diversion Credits and lower than expected tipping fees.
PY Surplus:	CBRM budgeted to use $50,000 of prior year surplus to offset extra expense related to Canada 150 Celebrations. This was not required due to the realization of a surplus for 2017/18 and remains in reserve for future use.

CBRM Tax Levy

CBRM's tax and area rates have remained unchanged for 2017/18 and 2018/19 with the exception of the minimum tax rate which was increased for the first time since implemented in 1998 for the fiscal year 2018/19.

	Residential 2018/19	Residential 2017/18	Commercial 2018/19	Commercial 2017/18
Base Rate (including fire protection)				
County	1.0045	1.0045	4.2475	4.2475
Sydney Mines	1.0696	1.0696	4.3126	4.3126
Dominion	1.1445	1.1445	4.3890	4.3890
New Waterford	1.1592	1.1592	4.4022	4.4022
Glace Bay	1.1724	1.1724	4.4154	4.4154
North Sydney	1.1846	1.1846	4.4276	4.4276
Louisbourg	1.2019	1.2019	4.4449	4.4449
Sydney/Suburban	1.5797	1.5797	4.5362	4.5362
Provincial Rates (All areas)	0.3996	0.3996	0.3996	0.3996
Service Rates:				
Hydrant (property within 1200 ft of fire hydrant)	0.2236	0.2236	0.2236	0.2236
Sewer (property within 200 ft of sewer line)	0.1910	0.1910	0.1910	0.1910
Transit (property within 2500 ft of bus route)	0.1070	0.1070	0.1070	0.1070
BIDC - Sydney			0.1000	0.1000
BIDC - North Sydney			0.1750	0.1750
Minimum Tax	500	400		
Acreage > 50,000 Commercial	0.41	0.41		
Acreage <50,000	0.25	0.25		
NFP Recreational Acreage	33.52	33.52		

Tax Levies, including deed transfer taxes, Wind Turbine tax and Bell revenue comprise 72% of CBRM's operating revenue. Tax revenue by source is noted as follows:

Tax Revenue	2017/18 Budget	2017/18 Actuals	Variance
Taxes on Assessment			
Residential Tax	69,332,352	69,563,851	231,499
Commercial Tax	31,612,630	30,417,480	(1,195,149)
Resource Tax	1,426,861	1,419,013	(7,848)
Commercial Area Rates (Fire/Sewer-Bylaw)	1,490,608	1,490,608	-
Total Taxes on Assessment	103,862,451	102,890,953	(971,498)
Bell	440,000	451,480	11,480
Wind Turbine	217,921	209,389	(8,532)
Deed Transfer Tax	2,450,000	2,551,386	101,386
Total Tax Revenue	106,970,372	106,103,207	(867,165)

Expenditures

Generally speaking, there were some significant items impacting variances in the municipality's operating expenditures for 2017/18.

Positive variances include

- Delays in backfilling positions resulting in wages being under budget;
- Provincial Transfer confirmations received after budget approval were less than anticipated;
- Street lights savings as a result of transition to LED;
- Planned investment in fire maintenance facility deferred.

Negative variances include

- Unbudgeted school demolitions (demolished due to safety concerns)
- Increased professional fees required as a result of various personnel matters and CBRM projects requiring professional services (ie. Port, Land expropriation, etc.)
- Adjustment of estimates for uncollectible receivables.
- Unplanned costs incurred as a result of the Bayplex transfer and full operation of CBU Canada Games Complex ice surface.

Legislative	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 936,317	$ 926,330	$ (9,987)
6010 BENEFITS	109,494	145,900	36,406
6030 TRAVEL/CONFERENCES	175,289	210,000	34,711
6040 PROF MEM/DUES & FEES	58,113	55,931	(2,182)
6050 OFFICE SUPPLIES	24,668	20,000	(4,668)
6060 OFFICE EQUIPMENT	6,898	6,550	(348)
6080 ADVERTISING	17,619	14,500	(3,119)
6100 COURIER	397	375	(22)
6110 TELEPHONE/FAX	25,417	39,600	14,183
6120 PUBL./SUBSCRIPTIONS	1,366	1,750	384
6130 COMPUTER HARDWARE	9,072	5,000	(4,072)
6150 MEETING EXPENSES	24,291	23,000	(1,291)
6170 PROMOTION	24,172	22,000	(2,172)
Total Expenditures	**$ 1,413,113**	**$ 1,470,936**	**$ 57,823**

- Wages and salaries includes 2 months of communiciations officer's salary that was budgeted for in Technology.
- Benefits Budget assumes all Council salaries are pensionable and all enroll in the employee benefits plan. Not all Council enroll.
- Travel/Conferences budget assumes all councillors take the weekly travel allowance or incur reimbursable travel equal to the weekly allowance amount. Budget for 2018/19 reduced to reflect anticipated actuals.
- Telephone/Fax variance is the result of actual savings from new negotiated contract.

Administration	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 349,897	$ 355,513	$ 5,616
6010 BENEFITS	58,074	57,017	(1,057)
6020 TRAINING/EDUCATION	725	4,800	4,075
6030 TRAVEL/CONFERENCES	36,417	36,500	83
6040 PROF MEM/DUES & FEES	2,310	1,675	(635)
6050 OFFICE SUPPLIES	1,126	2,800	1,674
6100 COURIER	99	-	(99)
6110 TELEPHONE/FAX	3,519	3,400	(119)
6120 PUBL./SUBSCRIPTIONS	1,102	200	(902)
6130 COMPUTER HARDWARE	131	-	(131)
6140 COMPUTER SOFTWARE	-	1,000	1,000
6150 MEETING EXPENSES	5,873	2,920	(2,953)
6170 PROMOTION	23,744	20,000	(3,744)
8100 PROFESSIONAL SERVICES	219,436	280,000	60,564
8150 GRANTS/SUBS TO ORG	467,522	467,518	(4)
Total Expenditures	**$ 1,169,976**	**$ 1,233,343**	**$ 63,367**

- Professional services is used to fund various studies/consultations during the year - some planned and other that may come up during the year. This budget was reduced in 2018/19 by $55,000.

Finance	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 1,709,893	$ 1,949,952	$ 240,059
6010 BENEFITS	328,112	356,650	28,538
6020 TRAINING/EDUCATION	5,017	23,290	18,273
6030 TRAVEL/CONFERENCES	17,155	25,100	7,945
6040 PROF MEM/DUES & FEES	4,486	5,175	689
6050 OFFICE SUPPLIES	13,157	15,500	2,343
6060 OFFICE EQUIPMENT	7,720	14,000	6,280
6080 ADVERTISING	47,609	42,650	(4,959)
6090 POSTAGE	126,811	161,200	34,389
6100 COURIER	26,024	23,800	(2,224)
6110 TELEPHONE/FAX	14,726	18,700	3,974
6130 COMPUTER HARDWARE	4,044	19,800	15,756
6140 COMPUTER SOFTWARE	49,056	57,000	7,944
6160 LIABILITY INSURANCE	272,786	334,650	61,864
6180 COST RECOVERY	(305,856)	(322,150)	(16,294)
8010 OPERATIONAL MAT/SUPP	3,763	8,500	4,737
8100 PROFESSIONAL SERVICE	44,843	55,000	10,157
8110 CONTRACTS/AGREEMENTS	41,288	56,600	15,312
8120 LEASES	12,481	11,600	(881)
8180 TAX EXEPT/WRITE OFF	20,625	40,000	19,375
Total Expenditures	**$ 2,443,738**	**$ 2,897,017**	**$ 453,279**

- Wages/Salaries were under budget due to vacant positions during the year and salary revisions.
- Postage under budget due to reduction in usage (other communication methods being employed).
- Liability insurance across the organization is over budget by $21,801. Variance is a result how budgets are allocated across departments.
- Cost recovery variance and variance with contracts and agreements are both related to tax sale procedures and net to a nominal variance.
- Tax exempt typically under budget - Improvements to the low income exemption program for 2018/19 will correct this variance going forward.

Legal	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 376,812	$ 380,873	$ 4,061
6010 BENEFITS	74,470	72,842	(1,628)
6020 TRAINING/EDUCATION	4,646	6,500	1,854
6030 TRAVEL/CONFERENCES	8,459	8,500	41
6040 PROF MEM/DUES & FEES	7,617	7,100	(517)
6050 OFFICE SUPPLIES	3,274	3,500	226
6060 OFFICE EQUIPMENT	-	4,200	4,200
6070 PHOTOCOPIER LEASE	4,850	3,100	(1,750)
6080 ADVERTISING	1,867	1,000	(867)
6100 COURIER	557	1,000	443
6110 TELEPHONE/FAX	3,369	5,400	2,031
6120 PUBL./STATUTES	13,465	10,000	(3,465)
6130 COMPUTER HARDWARE	765	3,000	2,235
6140 COMPUTER SOFTWARE	-	2,500	2,500
6150 MEETING EXPENSE	104	500	396
8100 PROFESSIONAL SERVICE	265,061	154,500	(110,561)
Total Expenditures	**$ 765,317**	**$ 664,515**	**$ (100,802)**

- Professional services - higher than typical legal costs pertaining to personnel matters - variance partially offset of positive variance in Human Resources financial report.

Human Resources	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 591,847	$ 599,922	$ 8,075
6010 BENEFITS	773,929	741,760	(32,169)
6020 TRAINING/EDUCATION	6,862	6,000	(862)
6030 TRAVEL/CONFERENCES	11,546	16,250	4,704
6040 PROF MEM/DUES & FEES	1,881	1,730	(151)
6050 OFFICE SUPPLIES	16,267	15,700	(567)
6060 OFFICE EQUIPMENT	1,512	2,500	988
6080 ADVERTISING	2,863	5,000	2,137
6110 TELEPHONE/FAX	6,642	10,000	3,358
6120 PUBL./SUBSCRIPTIONS	1,343	2,400	1,057
6130 COMPUTER HARDWARE	2,565	4,000	1,435
6150 MEETING EXPENSE	2,531	2,000	(531)
8100 PROFESSIONAL SERVICE	178,388	230,500	52,112
8110 CONTRACTS/AGREEMENTS	8,472	12,500	4,028
Total Expenditures	**$ 1,606,647**	**$ 1,650,262**	**$ 43,615**

- Benefits expense over budgeted due to required payout of benefits for retirees.
- Professional services variance partially offsets variance in Legal.

Technology/Communications	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 495,442	$ 489,413	$ (6,029)
6010 BENEFITS	105,034	96,974	(8,060)
6020 TRAINING/EDUCATION	9,355	18,000	8,645
6030 TRAVEL/CONFERENCES	12,811	20,000	7,189
6040 PROF MEM/DUES & FEES	503	1,000	497
6050 OFFICE SUPPLIES	1,484	3,000	1,516
6060 OFFICE EQUIPMENT	935	3,000	2,065
6080 ADVERTISING	1,027	500	(527)
6100 COURIER	152	300	148
6110 TELEPHONE/FAX	51,421	65,000	13,579
6120 PUBL./SUBSCRIPTIONS	625	1,000	375
6130 COMPUTER HARDWARE	129,585	130,000	415
6140 COMPUTER SOFTWARE	172,803	175,000	2,197
6150 MEETING EXPENSE	481	500	19
8110 CONTRACTS/AGREEMENTS	41,251	42,000	749
8120 LEASES SAP	84,700	100,000	15,300
8130 LICENSES/PERMITS	83,283	99,000	15,717
Total Expenditures	**$ 1,190,894**	**$ 1,244,687**	**$ 53,793**

- Leases and Licenses/Permits relate to SAP user fees and is driven by volume/occurrences.

Municipal Clerk	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 269,380	$ 266,478	$ (2,902)
6010 BENEFITS	56,492	53,766	(2,726)
6020 TRAINING/EDUCATION	4,977	5,500	523
6030 TRAVEL/CONFERENCES	6,098	6,500	402
6040 PROF MEM/DUES & FEES	894	1,000	106
6050 OFFICE SUPPLIES	3,047	5,700	2,653
6060 OFFICE EQUIPMENT	10,016	10,000	(16)
6070 PHOTOCOPY SUPPLIES	20,755	21,000	245
6080 ADVERTISING	-	750	750
6100 COURIER	315	750	435
6110 TELEPHONE/FAX	2,224	4,000	1,776
6120 PUBL./SUBSCRIPTIONS	1,387	1,800	413
6130 COMPUTER HARDWARE	1,013	6,750	5,737
6140 COMPUTER SOFTWARE	5,287	11,000	5,713
6150 MEETING EXPENSES	12,926	12,600	(326)
8110 CONTRACTS/AGREEMENTS	120,000	120,000	-
Total Expenditures	**$ 514,810**	**$ 527,594**	**$ 12,784**

Fiscal Services		**Actual**		**Annual Budget**		**Variance**
9010 INT SHRT TERM BORROW	$	373,224	$	300,000	$	(73,224)
9020 INT ON DEBT		1,679,713		1,704,972		25,259
9050 PRINC ON DEBT		13,659,140		13,659,145		5
9052 DEBT/CAP BOND DISC		86,841		95,000		8,159
9090 BANK CHARGES		64,441		86,000		21,559
9200 ALLOWANCE FOR UNCOL. TAXES		400,000		400,000		-
9210 ALL OTHER UNCOLL REC		400,000		-		(400,000)
9400 APPROP TO SPECIAL RESERVE		25,000		-		(25,000)
9420 APPROP TO CAPITAL FUND		113,182		90,000		(23,182)
9430 APPROP TO B.I.D.C.		97,197		97,197		-
9600 PROV. CORRECTIONS		1,084,442		1,100,000		15,558
9610 CB REG. HOUSING		1,821,504		2,136,000		314,496
9620 REGIONAL LIBRARY		659,902		670,000		10,098
9630 CB/VIC. SCHOOL BOARD		13,644,540		13,872,080		227,540
9640 PROPERTY ASSESSMENT		1,359,643		1,360,209		566
Total Expenditures	**$**	**35,468,770**	**$**	**35,570,603**	**$**	**101,833**

- Interest on short term borrowing is over budget due to increase in capital activity and timing of debenture proceeds.
- Allowance for uncollectible receivables - increased for loans to Bayplex and other accounts.
- Variances for provincial costs offset unanticipated demolition costs for schools (Planning Financial Report)

Occupational Health & Safety	**Actual**	**Annual Budget**	**Variance**
6000 WAGES/SALARIES	$ 151,891	$ 153,025	$ 1,134
6010 BENEFITS	32,177	29,898	(2,279)
6020 TRAINING/EDUCATION	4,544	5,850	1,306
6030 TRAVEL/CONFERENCES	7,963	11,000	3,037
6040 PROF MEM/DUES & FEES	274	535	261
6050 OFFICE SUPPLIES	1,848	3,000	1,152
6110 TELEPHONE/FAX	2,856	3,375	519
6120 PUBL/SUBSCRIPTIONS	411	2,000	1,589
6130 COMPUTER HARDWARE	3,281	2,000	(1,281)
6140 COMPUTER SOFTWARE	-	500	500
6150 MEETING EXPENSES	2,493	2,500	7
8100 PROFESSIONAL SERVICE	4,869	5,500	631
8120 LEASES	-	3,000	3,000
Total Expenditures	**$ 212,608**	**$ 222,183**	**$ 9,575**

Police Services		Actual		Annual Budget		Variance
GL 6000, 6010 , & 6011 WAGES & BENEFITS NET OF COST RECOVERY	$	22,988,164	$	22,386,035	$	(602,129)
6020 TRAINING/EDUCATION		85,121		145,927		60,806
6030 TRAVEL/CONFERENCES		103,260		105,000		1,740
6040 PROF MEM/DUES & FEES		1,955		5,000		3,045
6050 OFFICE SUPPLIES		48,741		53,000		4,259
6060 OFFICE EQUIPMENT		62,421		50,000		(12,421)
6070 PHOTOCOPY SUPPLIES		14,813		18,000		3,187
6080 ADVERTISING		3,862		5,000		1,138
6090 POSTAGE & 6100 COURIER		10,339		7,000		(3,339)
6110 TELEPHONE/FAX		263,903		260,840		(3,063)
6120 PUBL./SUBSCRIPTIONS		4,499		6,000		1,501
6130 COMPUTER HARDWARE		163,821		200,000		36,179
6140 COMPUTER SOFTWARE		181,764		115,000		(66,764)
6150 MEETING EXPENSES		18,980		17,000		(1,980)
6160 LIABILITY INSURANCE		4,849		4,000		(849)
6170 PROMOTION		8,900		11,000		2,100
7000 HEAT		48,677		50,000		1,323
7010 ELECTRICAL		107,986		99,650		(8,336)
7020 WATER		7,428		8,000		572
7030 BLDG/FACILITY MAINT		67,190		71,000		3,810
7040 BLDG/FACILITY REPAIR		12,861		49,000		36,139
7050 BLDG/FACILITY INSURANCE		16,532		12,500		(4,032)
7060 BLDG/FACILITY RENOV		7,235		20,000		12,765
7070 BLDG/FACILITY RENTAL		53,258		68,000		14,742
7110 SECURITY		712		3,700		2,988
7505 GASOLINE & DIESEL		402,304		375,000		(27,304)
7510 VEH/EQUIP REPAIRS		329,042		287,717		(41,325)
7520 VEH/EQUIP INSURANCE		52,721		60,000		7,279
7530 VEH/EQUIP REPLACEMENT		473,278		580,000		106,722
7540 VEH/EQUIP RENTAL		224		9,000		8,776
7550 VEH/EQUIP TOWING		1,730		5,000		3,270
7560 VEH/EQUIP GEN SUPPLY		297		10,000		9,703
8000 OPERATIONAL EQUIP		35,746		193,784		158,038
8010 OPERATIONAL MAT/SUPP		103,585		181,373		77,788
8020 MAINTENANCE EQUIP		4,735		3,570		(1,165)
8030 MAINTENANCE MAT/SUPP		-		19,000		19,000
8040 COMM EQUIPMENT LINES		5,479		10,000		4,521
8090 UNIFORMS/CLOTHING		119,333		220,000		100,667
8100 PROFESSIONAL SERVICE		123,155		95,000		(28,155)
8110 CONTRACTS/AGREEMENTS		195,347		102,000		(93,347)
8125 MAJOR INVESTIGATIONS		92,770		129,168		36,398
8130 LICENSES/PERMITS		2,992		10,000		7,008
8150 GRANTS/SUBS TO ORG		169,680		170,000		320
Total expended excluding 2016 Flood Costs	**$**	**26,399,691**	**$**	**26,231,264**	**$**	**(168,427)**
8165 2016 FLOOD COSTS		469		-		(469)
Total Expenditures	**$**	**26,400,160**	$	**26,231,264**	**$**	**(168,896)**

- Wages/Benefits and Cost recovery variance:
  - Overtime incurred to ensure adequate coverage greated than anticipated ($190K)
  - Numerous Retirements triggered benefit payouts ($90K)
  - Budgeting error for group benefits ($125)
  - Distribution of cost recovery spread over other GL but budgeted fully in wages ($150K)
  - Pension plan transfer resulted in 2 months of increased pension premiums not budgeted ($45K)
- Computer Hardware/Software - CAD upgrade completed ahead of schedule (anticipated next fiscal year)
- Contracts and agreements include $54K of facility repair costs.
- Management reduced spending in other areas to minimize cost overruns in wages (ie. vehicle replacement/operational equipment)
- 2018/19 budget readjusted to better reflect actual spending patterns.

Fire Services Including EMO	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 5,272,808	$ 5,649,030	$ 376,222
6010 BENEFITS	1,025,089	1,054,049	28,960
6011 MISC. BENEFITS	137,098	123,165	(13,933)
6020 TRAINING/EDUCATION	131,755	177,539	45,784
6030 TRAVEL/CONFERENCES	37,031	51,100	14,069
6040 PROF MEM/DUES & FEES	10,022	11,732	1,710
6050 OFFICE SUPPLIES	8,614	12,100	3,486
6060 OFFICE EQUIPMENT	7,653	12,950	5,297
6070 PHOTOCOPY SUPPLIES	-	500	500
6080 ADVERTISING	5,413	5,350	(63)
6100 COURIER	60	451	391
6110 TELEPHONE/FAX	35,412	44,999	9,587
6120 PUBL./SUBSCRIPTIONS	4,437	2,700	(1,737)
6130 COMPUTER HARDWARE	8,505	14,007	5,502
6140 COMPUTER SOFTWARE	849	16,006	15,157
6150 MEETING EXPENSES	3,928	4,404	476
6170 PROMOTION	32,970	38,000	5,030
7000 HEAT	77,684	92,351	14,667
7010 ELECTRICAL	75,746	64,536	(11,210)
7020 WATER	30,062	24,523	(5,539)
7030 BLDG/FACILITY MAINT	45,480	63,729	18,249
7040 BLDG/FACILITY REPAIR	34,598	225,571	190,973
7050 BLDG/FACILITY INS	10,984	8,217	(2,767)
7080 PLANT MAINTENANCE	-	400	400
7500 VEH/EQUIP MAINT.	205,829	107,476	(98,353)
7505 GASOLINE/DIESEL	67,468	80,758	13,290
7510 VEH/EQUIP REPAIRS	507	4,000	3,493
7520 VEH/EQUIP INSURANCE	70,650	60,109	(10,541)
7530 VEH/EQUIP REPLACEMENT	54,636	85,000	30,364
7540 VEH/EQUP RENTAL	-	204	204
7550 VEH/EQUIP TOWING	5,162	2,000	(3,162)
7560 VEH/EQUIP GEN SUPPLY	20,021	16,000	(4,021)
8000 OPERATIONAL EQUIP	367,698	355,000	(12,698)
8010 OPERATIONAL MAT/SUPP	58,687	45,870	(12,817)
8020 MAINTENANCE EQUIP	41,708	52,599	10,891
8040 COMM EQUIPMENT LINES	57,819	40,000	(17,819)
8090 UNIFORMS/CLOTHING	56,232	79,452	23,220
8100 PROFESSIONAL SERVICE	9,220	9,538	318
8110 CONTRACTS/AGREEMENTS	81,507	89,638	8,131
8120 LEASES	297,192	325,193	28,001
8130 LICENSES/PERMITS	17,500	17,335	(165)
8150 GRANTS/SUBS TO ORG	1,721,823	1,726,594	4,771
8195 WATER SUPPLY & HYDR	7,183,668	7,183,669	1
Total expended excluding 2016 Flood Costs	**$ 17,313,524**	**$ 17,977,844**	**$ 664,320**
8165 2016 FLOOD COSTS	13,989	-	(13,989)
Total Expenditures	**$ 17,327,514**	**$ 17,977,844**	**$ 650,330**

- Wages and Salaries
  - Fire prevention officer positions vacant (2)
  - Training overtime was not incurred but budgeted for.
  - Overtime budget was overestimated (reduced by $50K in the 2018/19 budget)
- Bldg Facility/Repair - $200K in planned upgrades to Maintenance Facility deferred.
- Vehicle Mainenance/Equip - first year servicing volunteer fleet - budget was deficient. Budget has been increased by $62K for 2018/19.

Public Works	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	15,084,796	15,456,245	371,449
6010 BENEFITS	3,204,524	3,575,909	371,385
6011 MISC BENEFITS	30,977	26,000	(4,977)
6020 TRAINING/EDUCATION	71,750	132,000	60,250
6030 TRAVEL/CONFERENCES	125,571	120,000	(5,571)
6040 PROF MEM/DUES & FEES	20,456	19,400	(1,056)
6050 OFFICE SUPPLIES	28,891	26,500	(2,391)
6060 OFFICE EQUIPMENT	56,607	33,850	(22,757)
6070 PHOTOCOPY SUPPLIES	12,194	15,000	2,806
6080 ADVERTISING	59,770	118,100	58,330
6100 COURIER	4,970	2,500	(2,470)
6110 TELEPHONE/FAX	151,711	149,300	(2,411)
6120 PUBL./SUBSCRIPTIONS	1,041	1,000	(41)
6130 COMPUTER HARDWARE	34,421	34,950	529
6140 COMPUTER SOFTWARE	61,927	51,820	(10,107)
6150 MEETING EXPENSES	1,749	3,900	2,151
6160 LIABILITY INSURANCE	117,946	160,000	42,054
6170 PROMOTION	119,967	250,000	130,033
6180 COST RECOVERY	(421,088)	(270,000)	151,088
7000 HEAT	119,008	145,000	25,992
7010 ELECTRICAL	875,797	925,000	49,203
7020 WATER	108,011	94,800	(13,211)
7030 BLDG/FACILITY MAINT	35,419	14,000	(21,419)
7040 BLDG/VACILITY REPAIR	50,374	14,000	(36,374)
7050 BLDG/FACILITY INS	74,101	67,164	(6,937)
7070 BLDG/FACILITY RENTAL	7,708	-	(7,708)
7080 PLANT MAINTENANCE	517,670	426,000	(91,670)
7100 MAINT. TOOLS/EQUIP	4,740	5,000	260
7110 SECURITY	250,145	249,800	(345)
7120 PROPERTY TAX	38,066	53,000	14,934
7500 VEH/EQUIP MAINT.	2,169	-	(2,169)
7505 GASOLINE & DIESEL	1,077,079	1,377,000	299,921
7510 VEH/EQUIP REPAIRS	1,814,643	1,785,000	(29,643)
7520 VEH/EQUIP INSURANCE	234,873	167,630	(67,243)
7540 VEH/EQUIP RENTAL	90,617	30,000	(60,617)
7550 VEH/EQUIP TOWING	21,708	15,000	(6,708)
7560 VEH/EQUIP GEN SUPPLY	23,893	3,500	(20,393)
7570 VEH/EQUIP TOOLS	15,838	10,000	(5,838)
8000 OPERATIONAL EQUIP	186,727	191,000	4,273
8010 OPERATIONAL MAT/SUPP	2,851,325	2,641,776	(209,549)
8020 MAINTENANCE EQUIP	1,884	-	(1,884)
8025 COMMUNITY EVENTS	3,600	-	(3,600)
8040 COMM EQUIPMENT LINES	61,717	89,700	27,983
8050 COST OF SALES	135	-	(135)
8080 STREET LIGHTS	2,330,683	2,700,000	369,317
8090 UNIFORMS/CLOTHING	92,184	82,600	(9,584)
8100 PROFESSIONAL SERVICE	477,473	419,500	(57,973)
8110 CONTRACTS/AGREEMENTS	12,125,529	12,113,793	(11,736)
8120 LEASES	576,588	505,000	(71,588)
8130 LICENSES/PERMITS	133,484	82,400	(51,084)
8135 REGULATORY FEES	98,195	133,500	35,305
8140 EASEMENTS/ROW COSTS	152,371	120,000	(32,371)
Total expended excluding 2016 Flood Costs	43,221,933	44,367,637	1,145,704
8165 2016 FLOOD COSTS	12,339	-	(12,339)
Total Expenditures	43,234,271	44,367,637	1,133,366

- Wages/Salaries - various positions vacant for an extended period of time due to leaves or turnover.
- Benefits - WCB surcharge refund received from 2015/2016 reduced benefits for current year
- Advertising/promotion - increased utilization of other social media and collaborative advertising methods (citizen handbook). Solid Waste radio contracts have been reduced in addition to public service announcements.
- Cost recovery increase relates to Canada 150 Celebrations (Parks Canada - Louisbourg run)
- Gasoline - fleet fuel consumption lower than anticipated (weather related)
- Operational material/supplies - increase mostly related to transit/fleet
- Street lights - conversion to LED resulted in cost savings.

Planning/Bylaw/Inspection Statement of Expenditures March 31, 2018

Planning / ByLaw / Planning Inspection	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 1,253,855	$ 1,287,913	$ 34,058
6010 BENEFITS	267,833	255,950	(11,883)
6020 TRAINING/EDUCATION	16,297	17,000	703
6030 TRAVEL/CONFERENCES	34,753	31,000	(3,753)
6040 PROF MEM/DUES & FEES	7,498	7,000	(498)
6050 OFFICE SUPPLIES	14,325	19,500	5,175
6060 OFFICE EQUIPMENT	8,143	14,500	6,357
6080 ADVERTISING	14,358	32,000	17,642
6110 TELEPHONE/FAX	15,885	24,000	8,115
6120 PUBL./SUBSCRIPTIONS	264	1,300	1,036
6130 COMPUTER HARDWARE	4,502	13,000	8,498
6140 COMPUTER SOFTWARE	5,241	7,000	1,759
6150 MEETING EXPENSE	1,963	4,200	2,237
6170 PROMOTION	17,540	30,000	12,460
7130 DEMOLITIONS	456,578	120,000	(336,578)
7505 GASOLINE & DIESEL	-	11,000	11,000
8000 OPERATIONAL EQUIPMENT	24,163	23,000	(1,163)
8010 OPERATIONAL MAT/SUPP	6,009	4,000	(2,009)
8090 UNIFORMS / CLOTHING	6,752	8,500	1,748
8100 PROFESSIONAL SERVICE	45,937	53,000	7,063
8110 CONTRACTS/AGREEMENTS	389,228	436,795	47,567
8130 LICENSES/PERMITS	82,802	73,860	(8,942)
8135 REGULATORY FEES	37,817	45,000	7,183
8150 GRANTS /SUBS TO ORG	85,526	80,000	(5,526)
Total Expenditures	**$ 2,797,269**	**$ 2,599,518**	**$ (197,751)**

- Wages/Salaries - surplus relates to employee turnover (positions vacant pending replacement)
- Demolitions - variance relates to unanticipated school demolitions (St. Agnes, MacLennan)
- Contracts/Agreements - savings on renegotiated contracts (ie. SPCA)

Facilities **Statement of Expenditures** **March 31, 2018**

(C200, County/

Centennial / CBU / Bayplex Arenas)

Facilities		Actual		Annual Budget		Variance
6000 WAGES	$	1,522,360	$	1,218,168	$	(304,192)
6010 BENEFITS		245,285		211,944		(33,341)
6020 TRAINING		1,779		6,000		4,221
6030 TRAVEL/CONFERENCES		10,586		8,000		(2,586)
6040 PROF MEM/DUES & FEES		2,049		1,500		(549)
6050 OFFICE SUPPLIES		9,448		5,000		(4,448)
6060 OFFICE EQUIPMENT		288		2,000		1,712
6080 ADVERTISING		50,993		10,000		(40,993)
6100 COURIER		1,655		1,500		(155)
6110 TELEPHONE/FAX		18,602		24,500		5,898
6130 COMPUTER HARDWARE		3,798		4,000		201.86
6140 COMPUTER SOFTWARE		2,137		3,000		863
6150 MEETING EXPENSES		697		1,000		303
6160 LIABILITY INSURANCE		13,394		28,000		14,606
7000 HEAT		148,821		41,500		(107,321)
7010 ELECTRICAL		548,521		520,000		(28,521)
7020 WATER		26,392		44,000		17,608
7030 BLDG/FACILITY MAINT		71,870		90,000		18,130
7040 BLDG/FACILITY REPAIR		86,050		60,000		(26,050)
7050 BLDG/FACILITY INS		27,221		19,700		(7,521)
7060 BLDG/FACILITY RENOV		34,351		25,000		(9,351)
7080 PLANT MAINTENANCE		98,110		45,000		(53,110)
7110 SECURITY		155,042		65,000		(90,042)
7500 VEH/EQUIP MAINT		362		1,000		638
7505 GASOLINE/DIESEL		104		-		(104)
7510 VEH/EQUIP REPAIRS		19,611		12,500		(7,111)
7520 VEH/EQUIP INSURANCE		2,628		3,600		972
7540 VEH/EQUIP RENTAL		500		2,500		2,000
8000 OPERATIONAL EQUIPMENT		23,704		5,000		(18,704)
8010 OPERATIONAL MAT/SUPP		158,021		142,500		(15,521)
8050 COST OF SALES		668,633		565,000		(103,633)
8090 UNIFORMS/CLOTHING		11,691		7,500		(4,191)
8100 PROFESSIONAL SERVICE		69,530		2,500		(67,030)
8110 CONTRACTS/AGREEMENTS		36,076		130,000		93,924
8130 LICENSES/PERMITS		536		-		(536)
Total Expenditures	**$**	**4,070,845**	**$**	**3,306,912**	**$**	**(763,933)**

- Wages/Salaries
  - $130K relates to salaries for CBU which weren't budgeted
  - Overtime for events staffwas underbudgeted
  - More labour costs incurred to transition ice pad to basketball court
- Advertising increase due to promotion of Scotties bid
- Heat - increase due to full utilization of CBU arena (during Bayplex closure)
- Plant Maintenance - Brine lines required replacement at C200; Compressors at County and CBU.
- Security - extra security costs incurred for CBU & Bayplex
- Cost of Sales - accrual for $47K in excess ticking fees estimated for Sept - March. Increased budget by $50K for 2018/19.
- 8100/8110 - net positive variance - coding

Parks & Grounds	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 1,367,470	$ 1,666,580	$ 299,110
6010 BENEFITS	312,897	345,475	32,578
6020 TRAINING/EDUCATION	13,515	2,387	(11,128)
6030 TRAVEL/CONFERENCES	14,854	8,104	(6,750)
6040 PROF MEM/DUES & FEES	-	200	200
6050 OFFICE SUPPLIES	1,650	2,153	503
6060 OFFICE EQUIPMENT	-	500	500
6080 ADVERTISING	386	300	(86)
6110 TELEPHONE/FAX	7,118	5,750	(1,368)
6130 COMPUTER HARDWARE	-	250	250
7000 HEAT	5,582	3,866	(1,716)
7010 ELECTRICAL	84,895	75,000	(9,895)
7020 WATER	26,956	22,600	(4,356)
7030 BLDG/FACILITY MAINT	3,401	5,100	1,699
7040 BLDG/FACILITY REPAIR	7,712	7,750	38
7060 BLDG/FACILITY RENOV	5,239	7,303	2,064
7080 PLANT MAINTENANCE	757	1,664	907
7110 SECURITY	5,459	7,100	1,641
7510 VEH/EQUIP REPAIRS	447	1,350	903
7530 VEH/EQUIP REPLACEMENT	25,000	25,000	-
7540 VEH/EQUIP RENTAL	842	15,000	14,158
7560 VEH EQUIP SUPPLY	469	-	(469)
8000 OPERATIONAL EQUIP	28,521	25,423	(3,098)
8010 OPERATIONAL MAT/SUPP	391,786	345,000	(46,786)
8020 MAINTENANCE EQUIP	52,130	32,000	(20,130)
8080 STREET LIGHTS	1,726	-	(1,726)
8090 UNIFORMS/CLOTHING	12,889	12,283	(606)
8100 PROFESSIONAL SERV	-	313	313
8110 CONTRACTS & AGRMNT	506,916	275,335	(231,581)
8140 EASEMENTS/ROW COST	280	-	(280)
Total expended excluding 2016 Flood Costs	**$ 2,878,898**	**$ 2,893,786**	**$ 14,888**
8165 2016 FLOOD COSTS	161,821	-	(161,821)
Total Expenditures	**$ 3,040,719**	**$ 2,893,786**	**$ (146,933)**

- Wages/Salaries
  - Surplus relates to employee turnover (positions vacant pending replacement)
  - Budget error - reduced by $150K for 2018/19
- Operational materials/supplies - under budgeted - increased budget for 2018/19
- Contracts/Agreements
  - Maintenance contract for Grand Lake Rd Multi Use Path (budgeted in Capital- moved to operating.
  - Resurface required for Wentworth Park
  - Cost share playground on Henry St.
  - Budget deficient (increased by $75,000 for 2018/19)

Buildings	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	$ 1,232,776	$ 1,384,787	$ 152,011
6010 BENEFITS	282,438	314,994	32,556
6020 TRAINING/EDUCATION	6,526	2,500	(4,026)
6030 TRAVEL/CONFERENCES	-	2,500	2,500
6040 PROF MEM/DUES & FEES	581	100	(481)
6050 OFFICE SUPPLIES	2,118	800	(1,318)
6060 OFFICE EQUIPMENT	3,614	3,700	86
6110 TELEPHONE/FAX	8,379	8,150	(229)
6130 COMPUTER HARDWARE	3,405	4,000	595
6140 COMPUTER SOFTWARE	173	4,000	3,827
6150 MEETING EXPENSE	345	-	(345)
7000 HEAT	96,966	105,000	8,034
7010 ELECTRICAL	531,580	461,980	(69,600)
7020 WATER	25,894	20,000	(5,894)
7030 BLDG/FACILITY MAINT	26,319	11,250	(15,069)
7040 BLDG/VACILITY REPAIR	5,071	55,000	49,930
7050 BLDG/FACILITY INS	203,517	154,500	(49,017)
7060 BLDG/FACILITY RENOV	276,816	271,400	(5,416)
7070 BLDG/FACILITY RENTAL	3,414	7,600	4,186
7080 PLANT MAINTENANCE	236	18,500	18,264
7100 MAINT. TOOLS/EQUIP	7,764	3,500	(4,264)
7110 SECURITY	111,167	114,000	2,833
7505 GASOLINE & DIESEL	-	4,000	4,000
7510 VEH/EQUIP REPAIRS	-	2,000	2,000
7540 VEH/EQUIP RENTAL	2,953	750	(2,203)
7570 VEH/EQUIP TOOLS	-	3,450	3,450
8000 OPERATIONAL EQUIP	7,805	8,700	895
8010 OPERATIONAL MAT/SUPP	119,031	75,000	(44,031)
8020 MAINTENANCE EQUIP	-	4,000	4,000
8030 MAINTENANCE MAT/SUPP	-	6,500	6,500
8080 STREET LIGHTS	35	-	(35)
8090 UNIFORMS/CLOTHING	8,889	4,750	(4,139)
8100 PROFESSIONAL SERVICE	38,828	68,800	29,972
8110 CONTRACTS/AGREEMENTS	323,969	160,000	(163,969)
8150 GRANTS/SUBS TO ORG	60,000	60,000	-
Total expended excluding 2016 Flood Costs	**$3,390,610**	**$3,346,211**	**(44,399)**
8165 2016 FLOOD COSTS	392	-	(392)
Total Expenditures	**$ 3,391,001**	**$ 3,346,211**	**$ (44,790)**

- Wages/Salaries
  - Surplus relates to employee turnover (positions vacant pending replacement)
  - Budget error - reduced by $50K for 2018/19
- Electrical - Spike in power for City Hall due to more usage of building - effieciency upgrades ongoing.
- Operational Materials/Supplies - more supplies required due to transfer of numerous schools - increased budget for 2018/19 by $25,000
- Contracts/Agreements - South Bar School demolition more than budgeted due to asbestos abatement
  - variance offset by variance in professional services (coding discrepancies)

Recreation/Cultural Services	Actual	Annual Budget	Variance
6000 WAGES/SALARIES	1,083,611	$ 1,007,668	$ (75,943)
6010 BENEFITS	155,695	138,288	(17,407)
6020 TRAINING/EDUCATION	12,256	16,000	3,744
6030 TRAVEL/CONFERENCES	21,992	35,000	13,008
6040 PROF MEM/DUES & FEES	3,892	3,500	(392)
6050 OFFICE SUPPLIES	5,538	8,000	2,462
6060 OFFICE EQUIPMENT	10,318	8,000	(2,318)
6080 ADVERTISING	73,854	75,000	1,146
6110 TELEPHONE/FAX	9,964	15,000	5,036
6120 PUBL./SUBSCRIPTIONS	111	400	289
6130 COMPUTER HARDWARE	2,741	7,000	4,259
6160 LIABILITY INSURANCE	9,669	10,000	331
7070 BLDG/FACILITY RENTAL	38,364	46,000	7,636
8000 OPERATIONAL MAT/SUPPLY	179,102	175,000	(4,102)
8025 COMMUNITY EVENTS	377,613	384,615	7,002
8150 SCOLORSHIPS	20,000	20,000	-
8160 SPECIAL EVENTS & FESTIVALS	335,360	356,562	21,202
8170 OPERATING GRANTS POLICY	402,017	380,500	(21,517)
Total Expenditures	**$ 2,742,098**	**$ 2,686,533**	**$ (55,565)**

- Wages/Salaries - 45 additional students hired for Canada 150 Celebrations

CBRM

Schedule of Operating Fund

Reconciliation to PSAB - Change in Fund Balance

FRAM requires that any excess of revenues over expenditures for municipal tax purposes in the General Operating Fund be transferred to Operating Reserve. As such, the current year surplus, before PSAB adjustments, of $553,683 is allocated to reserve.

Other liabilities, under PSAB Standards, are required to be recognized in the year end consolidated financial statements. These do not form part of our internal statements as they are long term obligations that are not funded or rated for. PSAB requires these to be funded however this would significantly increase tax rates. Such liabilities include changes in recognized values for Pension obligations, Landfill Closure obligations, and other employee benefit accruals. Furthermore, these adjustments are excluded from the calculation of the Financial Condition Indicators.

Annual costs with respect to pension contributions, employee benefits, and monitoring/mitigation costs with respect to landfills are budgeted for annually.

The schedule below details the transition of our internal annual surplus to the change in fund balance reported under PSAB standards in our audited financial statements.

		2018	2017
ANNUAL SURPLUS, INTERNAL F/S		553,683	1,185,273
RECONCILING ITEMS			
	Surplus allocation	(553,683)	(1,905,273)
	Pension adjustment	(9,153,000)	720,000
	Landfill closure liability	(500,000)	
	Transfer from reserve (Pension liability)	3,137,000	
	Vacation accrual	-	(599,574)
		(7,069,683)	(1,784,847)
ANNUAL DEFICIT, PSAB		(6,516,000)	(599,574)

CBRM

Schedule of Operating Fund

Reconciliation to PSAB - Fund Balance

The Change in Fund Balance reflects the changes in PSAB reconciling items from one year to the next.

The composition of PSAB reconciling items as they pertain to CBRM's Beginning and Ending Fund Balance as reported in the audited financial statements is as follows:

		2018	2017
ACCULULATED DEFICIT PSAB, BEGINNING OF YEAR		(40,920,937)	(40,321,363)
CURRENT YEAR RECONCILING ITEMS			
	Pension adjustment	(9,153,000)	720,000
	Landill closure liabilty	(500,000)	
	Transfer from reserve (pension liability)	3,137,000	
	Surplus allocation		(720,000)
	Vacation accrual	-	(599,574)
		(6,516,000)	(599,574)
ACCUMULATED DEFICIT, PSAB, END OF YEAR		(47,436,937)	(40,920,937)
PSAB RECONCILING ITEMS COMPRISED OF:			
	Landfill closure liability	(41,661,800)	(41,161,800)
	Vacation accrual	(4,429,928)	(4,429,928)
	Interest accrual	(1,471,362)	(1,471,362)
	Pension asset		6,932,000
	Transfer to reserve		(916,000)
	Sick benefit accrual	126,153	126,153
		(47,436,937)	(40,920,937)

CBRM
Capital & Debt

As in prior years, capital spending in 2017/18 was less than budgeted, largely due to the deferral of the 2nd Berth project. Required borrowing for 2017/18 capital projects is $10,250,000, nearly $3.5M less than budgeted.

CBRM
Financial Condition Index *(Draft)*

The Province, in collaboration with NSFM and AMANS developed 13 indicators to provide a general picture of municipal financial condition including strengths, trends and risk areas requiring attention. The 2017/18 draft results bring no surprises, as our "report card" is fairly consistent year over year as there has not been any significant fluctuations in operating results or financial position from year to year.

Indicator Name	2017-18	2016-17
Reliance on Government Transfers	★ 12.6%	12.9%
Uncollected Taxes	17.7%	16.7%
3 Year Change in Tax Base	★ 7.3%	10.9%
Reliance on Single Business or Instituion	★ 1.5%	1.1%
Residential Tax Effort	★ 2.7%	2.7%
# of Deficits in the Last 5 Years	★ 0 out of 5 years	0 out of 5 years
Years with a Budget Accuracy within + or - 5% in the last five years	★ 5 out of 5 years	5 out of 5 years
Liquidity	1.1	1.1
Operating Reserve	5.1%	6.5%
Debt Service Cost	14.3%	14.9%
Outstanding Operating Debt	★ 12.0%	13.4%
Undepreciated Assets	★ 61.3%	62.9%
Combined Operating & Capital Reserves	5.3%	7.3%

Uncollected Taxes

The Municipality continues to struggle with tax collection, however Council has recently adopted improvements to both the Tax Collection Policy and the Property Auctions Policy to afford staff the tools to streamline collection procedure. In addition, Council has supported increasing resources for tax collection efforts which has had a positive effect on collections over the past 12 months.

The Nova Scotia Health Authority receivable has historically inflated the calculation of the FCI for Uncollected taxes. This receivable, which had grown to $2.4M by March 31, 2018 was subsequently collected in April. A quick recalculation demonstrates what our indicator would be excluding this account. While CBRM continues to maintain a high risk (>15%) rating for Uncollected Taxes as of year end, we are hopeful that with the improvements to the policies noted above, that we will see this indicator improve in the coming years.

Financial Condition Indicator: - Uncollected Taxes [Net receivables/taxes on assessment]		
Taxes Receivable	20,363,959	19,453,462
Allowance for uncollectible taxes	- 2,186,474	- 2,504,847
Net Taxes Receivable	18,177,486	16,948,615
FCI: Uncollected Taxes	17.7%	16.7%
NSHA Receivable	- 2,430,000	- 2,062,485
FCI - Uncollected Taxes (net of NSHA Receivable)	15.3%	14.7%

Operating Reserve

Budgets and forecasts are closely monitored to prevent budget overruns and recognize cost savings whenever possible resulting in continued year end operating surpluses. Over the last 5 years, CBRM has appropriated over $3,800,000 to an operating reserve as a result of reduced spending and debt management. We continue to explore other revenue generating strategies and economic development opportunities to grow our tax base to enable CBRM to provided expanded services and grow reserves. However, with an FCI of 5.1% for operating reserves compared to the provincial threshold of 10% of expenses ($12M) we continue to rate in the high risk category in this indicator.

General Operating Reserve	6,426,574	=	5.1%
Total Expenses (including debenture payments)	126,142,376		

Combined Reserves

CBRM invests in excess of $30M in capital projects annually which includes the participation of various funding partners. CBRM has made concerted efforts to address infrastructure needs and maintaining service delivery requirements, while being fiscally responsible in how overall debt is managed. The accessibility of federal and provincial infrastructure programs is critical to our ability to reduce our current infrastructure deficit. Funds will be appropriated to reserves as funds become available however until our infrastructure deficit is addressed, it is unlikely that we will see improvements in this indicator in the near future.

Combined Reserve	7,533,618	5.3%
Total Expenses (including debenture payments and amortization)	140,934,933	

Appendix I – FCI Thresholds

FCI – Base Indicators

Low Risk · Moderate Risk · High Risk

Indicator Name / Rationale	Thresholds	Interpretations
3-year Change in Tax Base This indicator illustrates the growth in property assessment. Municipalities rely heavily on the property tax to fund services; therefore, healthy growth in property tax is important to a municipality's financial position. If growth in assessments does not keep pace with inflation, it is a sign that the municipality may have trouble maintaining the current service levels without raising the tax rate.	Low Risk: Equal or Greater than Consumer Price Index (CPI) rate - **3% for 2017 year.** Moderate Risk: Less than CPI High Risk: Negative Growth	◆ A percentage lower than the CPI rate indicates property assessments are growing slower than the inflation. ◆ A percentage higher than the CPI rate indicates property assessments are growing faster than the inflation. ◆ A negative percentage indicates a decrease in assessment value, which usually indicates serious economic concerns in the region, either because of the loss of a major employer or persistent economic and demographic decline.
Reliance on a Single Business or Institution This indicator shows how much a municipality's tax base depends on a single commercial or institutional account. Government Finance Officers Association (GFOA) recommends that municipalities are aware of any reliance on a single industry or employer when making financial plans including budgeting and establishing reserves.	Low Risk: Less than 10% Moderate Risk: 10% to 15% High Risk: Greater than 15%	◆ A low percentage indicates that the municipality may not rely on a single business or institution for a large part of its tax revenue. ◆ A high percentage indicates that the municipality may have a greater reliance on a single business or institution for its tax revenue. Often a large tax account will be a key part of the local economy, so a major operational change or business closure can have a significant impact on the municipality and the community's economic health.
Residential Tax Effort This indicator shows how much of a household's income is required to pay the average tax bill. This indicator combines two other indicators: residential tax burden and median household income to provide a comparison for relative tax burden rather than simply comparing property tax rates. Measures of tax burden and effort are important so that council can assess the affordability of taxes in relation to service levels when setting a municipality's budget.	Low Risk: Less than 4% Moderate Risk: 4% to 6% High Risk: Greater than 6%	◆ A lower result suggests the municipality may have more flexibility to increase the tax rate. ◆ A higher result suggests that the municipality may have less flexibility to increase the tax rate, if additional revenue is required.

Appendix I – FCI Thresholds

FCI – Structure Indicators

Low Risk · Moderate Risk · High Risk

Indicator Name / Rationale	Thresholds	Interpretations
Uncollected Taxes This indicator measures how much of current and previous years' taxes were not collected at year end, compared to the current taxes billed. Failure to collect taxes can significantly impact actual revenue, cash flow, and thereby could hinder their ability to provide services. The potential lost or delayed tax revenue could threaten the financial health of the municipality.	Low Risk: Less than 10% Moderate Risk: 10% to 15% High Risk: Greater than 15%	◆ A low percentage indicates the municipality is managing tax revenue collection. ◆ A high percentage may indicate the municipality is having trouble monitoring and collecting overdue tax accounts.
Budget Accuracy It is important that municipalities can accurately project revenues and expenditures. Difficulty projecting revenues and expenditures may lead to future deficits, and can make longer term budgeting decisions and strategic planning challenging.	Low Risk: All budgets within +/-5% of actuals in the last 5 years Moderate Risk: One budget not within the +/-5% of actuals in the last 5 years High Risk: Two or more budgets not within the +/-5% of actuals in the last 5 years	◆ The larger the number (either positive or negative), the bigger the discrepancy between budgeted and actual expenditures. ◆ A negative number means that actual expenditures were greater than budgeted. ◆ A positive number means that actual expenditures were less than budgeted.
Operating Reserves This indicator shows the total value of funds held in operating reserves compared to a single year's operating budget. Reserves can play an important role in prudent budget planning.	Low Risk: Greater than 20% Moderate Risk: 10% to 20% High Risk: Less than 10%	◆ A high percentage indicates more funds are held in operating reserves, which indicates higher flexibility to address unexpected events in the future. ◆ A low percentage indicates less flexibility to address unexpected events in the future, which could put the municipality in a deficit position.

Appendix I – FCI Thresholds

FCI – Structure Indicators (continued)

Low Risk · Moderate Risk · High Risk

Indicator Name / Rationale	Thresholds	Interpretations
Debt Service Municipalities are not allowed to incur debt because of operating deficits, but they can borrow funds to purchase/construct capital assets. The debt service result provides an indication of how much of a municipality's revenue is devoted to debt repayment. Own source revenue is used instead of total revenue to allow analysis of only the revenue within council's control.	Low Risk: Less than 10% Moderate Risk: 10% to 15% High Risk: Greater than 15%	◆ A low number may indicate that the municipality has deferred capital projects to keep the debt load low. This may also indicate that the municipality has prudent financial debt management. ◆ A high number may indicate the municipality has borrowed a large amount of debt. This could limit its ability to borrow in the future, and paying the debt expense will tie up operating revenue. However, it is important to note that a municipality with an aggressive debt repayment schedule will have a higher debt service indicator due to the larger principal payments.
Outstanding Operating Debt This measure calculates the municipality's borrowing limit per the MGA Section 84. A municipality may borrow to cover the annual current expenditures of the municipality that has been authorized by the council, but their borrowing can not exceed 50% of the combined total of the taxes levied and government transfers.	Low Risk: Less than 25% Moderate Risk: 25% to 50% High Risk: Greater than 50%	◆ A low percentage may indicate that a municipality is covering the annual current expenditures without a high reliance on borrowing. ◆ A high percentage may indicate that a municipality has a high debt load relative to their revenue base.
Undepreciated Assets This indicator provides an estimate of the useful life left in the municipality's capital assets. Municipalities across Canada are facing significant infrastructure challenges. Therefore, it is important to keep informed of the age and condition of its capital assets to ensure they are making timely and appropriate investments.	Low Risk: More than 50% Moderate Risk: 35% to 50% High Risk: Less than 35%	◆ A lower percentage indicates older infrastructure. It does not necessarily indicate the condition of the assets. Some older assets still could be in a good working condition. ◆ A higher percentage indicates newer infrastructure.

Appendix I – FCI Thresholds

FCI – Roof (Key) Indicators

Low Risk   Moderate Risk   High Risk

Indicator Name / Rationale	Thresholds	Interpretations
Deficits in the Last 5 Years Deficits are an important indication of financial health for municipalities. All municipalities are required to prepare balanced operating budgets. Any operatng deficits incurred are required to be repaid in the following budget year.	(Low Risk) None in the last 5 years (Moderate Risk) One or more in the last 5 years (High Risk) One or more in the last 2 years with one material (0.5% of total operating expenses)	◆ Several deficits in a 5-year period may indicate financial difficulty. However, results should be interpreted in context; unpredictable events beyond the control of a municipality can significantly affect its budgeted revenues or expenditures. Further investigation is required to determine the size and cause of any deficit.
Liquidity Liquidity is a key short-term financial performance indicator. Low liquidity can indicate a cash flow problem, and may indicate concern in other areas such as revenue collection.	(Low Risk) Greater than 1.5 (Moderate Risk) 1 to 1.5 (High Risk) Less than 1	◆ A liquidity below 1.0 indicates that the municipality has less cash and assets that are easily converted to cash on hand than the amount required to pay current obligations. ◆ A municipality with an exceptionally high liquidity may be better served by investing in instruments that will earn interest revenue.
Reliance on Government Transfers This indicator measures how much of total revenues come from government transfers. This assesses a municipality's level of independence in making decisions.	(Low Risk) Less than 15% (Moderate Risk) 15% to 20% (High Risk) Greater than 20%	◆ A low indicator may indicate higher self-sufficiency; therefore, might provide council increased autonomy in making decisions. ◆ A high score may indicate a higher dependency on government transfers which could limit councils' autonomy in making decisions.
Combinded Reserves This indicator provides the total value of funds aside for planned future needs (e.g. capital projects), to smooth expenses (e.g. winter road maintenance reserve) or for the unexpected expenses.	(Low Risk) More than 40% (Moderate Risk) 30% to 40% (High Risk) Less than 30%	◆ A low percentage may indicate the municipality has limit flexibility to offset unexpected losses or increases in expenses. ◆ A high percentage indicates would indicate that a municipality is setting aside money for future needs.

CBRM Water Utility
Operating Fund

Over the last two years, Water Utility Management have been working with consultants to undertake a water rate study. On May 30, 2017 the Nova Scotia Utility and Review Board heard CBRW's application for water rate increases which was officially approved on June 27, 2017 with new rates coming into effect July 1, 2017. The increase in water utility revenue reported in the March 31, 2018 financial statements is a direct result of this increase. Rate increases were approved as follows:

	Unmetered	5/8"	Remaining
2017/18	15.90%	14.80%	16.5%-21.9%
2018/19	2.90%	2.60%	2.6%-4.7%
2019/20	3.40%	2.90%	3.3%-5.8%

A schedule of approved rates is noted below:

Approved Rate Schedule

BASE RATE					
	July 1-2017		April 1-2018		April 1-2019
Meter Size					
Unmetered	$156.97		$161.48		$166.91
5/8"	$59.11		$61.46		$63.71
3/4"	$87.47		$90.97		$94.30
1"	$144.19		$149.98		$155.50
1 1/2"	$285.99		$297.52		$308.48
2"	$456.16		$474.56		$492.06
3"	$909.92		$946.67		$981.61
4"	$1,420.41		$1,477.80		$1,532.35
6"	$2,838.44		$2,953.15		$3,062.18
8"	$5,107.28		$5,313.71		$5,509.91
CONSUMPTION RATE - per cubic metre (m3)					
	July 1-2017		April 1-2018		April 1-2019
Block 1					
0-16,000 m3	$1.44	0-18,000 m3	$1.47	0-20,000 m3	$1.52
Block 2					
> 16,000 m3	$0.88	> 18,000 m3	$0.88	> 20,000 m3	$0.91
Raw Water					
Raw Water	$0.56	Raw Water	$0.59	Raw Water	$0.61

Note 1 cubic metre (m3) = 220 imperial gallons (ig)

Consolidated Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY

Year ended March 31, 2018

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2018

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, 2018, with comparative figures for 2017

	2018	2017
FINANCIAL ASSETS		
Taxes receivable (note 3)	$ 18,177,486	$ 16,948,615
Accounts receivable (note 4)	15,902,081	13,695,940
Accrued pension asset (note 5)	–	9,153,000
	34,079,567	39,797,555
FINANCIAL LIABILITIES		
Cheques issued in excess of funds on deposit (note 2)	26,316,498	25,647,641
Accounts payable and accrued liabilities (note 8)	21,389,187	16,447,162
Accrued interest on long-term debt	1,471,362	1,471,362
Due to trust funds	65,695	103,995
Deferred revenue	126,790	99,126
Accrued employee benefits	5,965,122	6,073,842
Solid waste management facilities liabilities (note 9)	41,661,800	41,161,800
Capital lease (note 10)	431,600	675,282
Long-term debt (note 11)	84,811,686	94,184,660
	182,239,740	185,864,870
NET DEBT	(148,160,173)	(146,067,315)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 12)	400,093,623	380,975,570
Work in progress	5,871,654	9,385,383
Properties acquired at tax sale	1,585,197	1,587,376
Inventory, prepaid expenses and other	4,222,450	3,010,515
	411,772,924	394,958,844
FUND BALANCES (note 7)	$ 263,612,751	$ 248,891,529

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, 2018, with comparative figures for 2017

	Budget (Unaudited)	2018	2017
REVENUES			
Taxes	$ 107,067,569	$ 106,103,207	$ 104,113,361
Grants in lieu of taxes	8,766,456	8,972,792	8,644,345
Services provided to other governments	446,726	340,408	336,068
Sales of services	2,559,489	2,542,979	2,357,676
Revenue from own sources	8,860,792	11,036,266	6,739,136
Unconditional transfers from other governments	15,844,951	15,860,282	15,841,135
Conditional transfers from other governments	547,352	666,203	813,192
Capital grants	–	16,911,215	10,230,318
Water utility revenue	18,488,075	18,229,707	16,062,968
Investment income	–	150,403	85,375
Port of Sydney Development Corporation	1,964,282	2,015,669	1,660,013
Gain on sale of properties	–	89,895	938,223
Disaster recovery	–	189,010	2,397,976
	164,545,692	183,108,036	170,219,786
EXPENSES			
General government services	17,673,280	15,990,145	15,795,514
Protective services	40,322,230	41,394,317	40,964,479
Transportation services	39,022,693	35,577,606	35,594,603
Environmental health services	16,219,395	18,782,021	18,472,041
Public health and welfare services	2,233,197	1,918,701	2,112,858
Environmental development services	1,174,123	1,127,637	1,169,528
Recreation and cultural services	11,005,178	13,448,362	13,324,216
Planning and development services	302,118	302,118	302,118
Educational services	13,872,080	13,644,540	13,522,080
Port of Sydney Development Corporation	2,097,740	2,314,933	2,306,499
Water Utility expenses	12,908,598	14,613,354	14,609,917
	156,830,632	159,113,734	158,173,853
Excess of revenues over expenses before the following	7,715,060	23,994,302	12,045,933
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(127,000)	(120,080)	(131,662)
Transfer of pension plan net assets	–	(9,153,000)	–
CHANGE IN FUND BALANCES	$ 7,588,060	14,721,222	11,914,271
FUND BALANCES, BEGINNING OF YEAR		248,891,529	236,977,258
FUND BALANCES, END OF YEAR		$ 263,612,751	$ 248,891,529

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2018, with comparative figures for 2017

		2018		2017
CHANGE IN FUND BALANCES	$	14,721,222	$	11,914,271
Tangible capital assets				
Acquisition of tangible capital assets		(37,878,379)		(23,366,273)
Proceeds on disposal of tangible capital assets		139,247		551,686
Amortization of tangible capital assets		18,710,974		18,122,216
Gain on disposal of tangible capital assets		(89,895)		(938,223)
		(19,118,053)		(5,630,594)
Other non-financial assets				
Decrease (increase) in work in progress		3,513,729		(2,279,638)
Decrease (increase) in property acquired at tax sale		2,179		(39,795)
Increase in inventory, prepaid expenses and other		(1,211,935)		(275,911)
		2,303,973		(2,595,344)
DECREASE (INCREASE) IN NET DEBT		(2,092,858)		3,688,333
NET DEBT, BEGINNING OF YEAR		(146,067,315)		(149,755,648)
NET DEBT, END OF YEAR	$	(148,160,173)	$	(146,067,315)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	$ 14,721,222	$ 11,914,271
Items not involving cash		
Amortization of tangible capital assets	18,710,974	18,122,216
Gain on disposal of tangible capital assets	(89,895)	(938,223)
Pension expense	3,107,499	2,997,000
Transfer of pension plan net assets	9,153,000	–
Change in non-cash working capital		
Increase in taxes receivable	(1,228,871)	(1,500,603)
Increase in accounts receivable	(2,206,141)	(3,496,073)
Contributions to defined benefit pension plan	(3,107,499)	(3,717,000)
Increase (decrease) in accounts payable and accrued liabilities	4,942,025	(768,876)
Increase in deferred revenue	27,664	88,484
Increase (decrease) in accrued employee benefits	(108,720)	839,764
Increase in solid waste management facilities liabilities	500,000	–
Increase in inventory, prepaid expenses and other	(1,211,935)	(275,911)
	43,209,323	23,265,049
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to trust fund	(38,300)	(186,680)
Issuance of long-term debt	8,274,000	6,244,000
Principal payments on long-term debt	(17,646,974)	(17,520,069)
Repayment of capital lease	(243,682)	(181,082)
	(9,654,956)	(11,643,831)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(37,878,379)	(22,986,659)
Proceeds on disposal of tangible capital assets	139,247	551,686
Decrease (increase) in work in progress	3,513,729	(2,279,638)
Decrease (increase) in properties acquired at tax sale	2,179	(39,795)
	(34,223,224)	(24,754,406)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(668,857)	(13,133,188)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(25,647,641)	(12,514,453)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (26,316,498)	$ (25,647,641)
Supplemental cash flow information		
Assets acquired through capital lease	$ –	$ 379,614

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee future benefits

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

(o) Use of estimates

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

2. CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT

	2018	2017
Operating funds	$ (11,534,305)	$ (17,974,071)
Reserves funds	13,109,371	14,406,954
Capital funds	(28,411,540)	(22,372,401)
Port of Sydney Development Corporation	519,976	291,877
	$ (26,316,498)	$ (25,647,641)

3. TAXES RECEIVABLE

	2018	2017
Gross taxes receivable, beginning of year	$ 19,453,462	$ 18,474,120
Current year's levy of property taxes	103,100,341	101,394,974
Subtotal	122,553,803	119,869,094
Less		
Current year's collections	101,850,846	99,867,469
Reduced taxes	20,625	26,902
Allowance	318,373	521,261
Gross taxes receivable, end of year	20,363,959	19,453,462
Less		
Allowance for uncollectible taxes	2,186,474	2,504,847
Taxes receivable, net	$ 18,177,486	$ 16,948,615

4. ACCOUNTS RECEIVABLE

	2018	2017
Federal government	$ 2,506,615	$ 1,874,033
Provincial government	2,322,491	1,287,699
Other receivables	12,519,540	11,653,833
	17,348,646	14,815,565
Less allowance for doubtful accounts	1,446,565	1,119,625
	$ 15,902,081	$ 13,695,940

5. EMPLOYEE FUTURE BENEFITS

a) Defined benefit plan

On January 26, 2018, the Municipality signed a transfer agreement with Public Service Superannuation Plan Trustee Incorporated ("PSSPTI") to transition its pension plan to the PSSP, a contributory multi-employer defined benefit pension plan administered by the PSSPTI, which provides pension benefits based on length of service and earnings. Prior to this, the Municipality Pension Plan was a defined benefit pension plan covering substantially all of its employees.

Upon entering into such agreements, assets and liabilities of a Municipality pension plan are in whole, or in part, transferred to the PSSP. On or after the transfer date, members of the former Municipality pension plan are deemed to be retirees within the PSSP.

5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The transition was accounted for as a settlement as the Municipality transferred the assets and any remaining obligation of its pension plan to the PSSP. In accordance with the transfer agreement, the Municipality will have no further obligations or liabilities in respect of its former pension plan and is only responsible to make payments to the PSSP as an employer. The resulting loss on the transfer of the pension benefit has been recorded directly on the consolidated statement of operations.

At the date of transition, based on the actuarial methodology and assumptions of the PSSP, the Municipality's plan had assets available to transfer of $185,221,000 and actuarial liabilities of $165,324,000.

The PSSP is accounted for as a defined contribution plan as the obligation to pay retirement obligations does not reside with the Municipality.

The accrued surplus of the PSSP as at March 31, 2018 is $206,972,000. Contributions to the Plan are required by both the employer and its employees. Total employer contributions for 2018 were $640,326 and are recognized as an expense in the period.

b) Defined Contribution Plan

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

The contribution for the year amounts to approximately $171,836 (2017 - $245,369).

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 $248,320 (2017 - $255,460).

6. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2018 are $3,346,909 (2017 - $3,281,477).

7. FUND BALANCES

	2018	2017
General operating fund	$ (47,436,936)	$ (40,920,937)
Water operating fund	1,466,250	348,816
General capital fund	210,385,106	200,758,054
Water capital fund	85,476,480	72,342,599
Port of Sydney Development Corporation	4,167,614	4,188,675
	254,058,514	236,717,207
Reserves set aside by council	9,554,237	12,174,322
	$ 263,612,751	$ 248,891,529

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade accounts payable	$ 15,084,611	$ 10,505,306
Payroll and related	874,890	1,325,579
Accrued liabilities	2,613,845	1,974,302
Tax sale trust	2,815,841	2,641,975
	$ 21,389,187	$ 16,447,162

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.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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 $41,661,800 (2017 - $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

		2018		2017
RCAP leasing, 10.87%, repayable in monthly instalments of principal and interest of $17,229 commencing April 2016, maturing November, 2018	$	132,381	$	313,875
Bank of Montreal, 2.50%, repayable in monthly instalments of principal and interest of $5,671 commencing December 2016, maturing November, 2022		299,219		361,407
		431,600		675,282
Portion due within one year		205,890		274,806
	$	225,710	$	400,476

10. CAPITAL LEASE (CONTINUED)

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

Year ended March 31,		
2019	$	205,890
2020		68,058
2021		68,058
2022		68,058
2023		45,372
		455,436
Interest included in minimum payments		23,836
	$	431,600

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, 2018 are as follows:

2019	$ 13,545,841
2020	12,467,069
2021	11,421,869
2022	9,207,269
2023	12,326,769

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

12. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	$ 10,000,423	$ –	$ 10,000,423	$ 9,969,861
Buildings				
General government services	8,699,295	2,801,730	5,897,565	4,886,601
Protective services	9,864,903	1,517,409	8,347,494	5,473,773
Transportation services	10,855,016	2,064,042	8,790,974	8,981,364
Environmental services	32,007,935	8,791,680	23,216,255	23,826,098
Recreation and cultural services	17,324,789	4,846,932	12,477,857	12,654,497
Industrial parks	1,084,104	448,302	635,802	662,904
	79,836,042	20,470,095	59,365,947	56,485,237
Equipment				
General government services	2,874,846	2,846,621	28,225	56,449
Protective services	16,062,563	12,128,732	3,933,831	4,152,325
Public works	29,720,550	21,978,860	7,741,690	6,161,281
Environmental health services	13,850,203	13,695,223	154,980	203,401
Recreation and cultural services	1,612,141	1,528,279	83,862	158,345
	64,120,303	52,177,715	11,942,588	10,731,801
Other				
General government services	742,494	742,494	–	–
Road transport	167,608,179	57,962,341	109,645,838	107,704,590
Environmental health services	99,413,115	23,896,463	75,516,652	75,381,183
Recreation and cultural services	21,280,224	17,657,853	3,622,371	4,237,125
Waterfront development	8,861,700	3,748,039	5,113,661	5,290,895
Downtown development	1,433,906	317,689	1,116,217	1,144,951
Wharf – Sydney Marine Terminal	1,726,210	1,182,871	543,339	612,387
Water utility assets	168,844,751	50,597,092	118,247,659	104,228,590
Port of Sydney assets	10,087,061	5,108,133	4,978,928	5,188,950
	479,997,640	161,212,975	318,784,665	303,788,671
	$ 633,954,408	$ 233,860,785	$ 400,093,623	$ 380,975,570

13. CONTINGENCIES

(a) As of March 31, 2018 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, 2018 is $1,228,499 (2017 - $1,293,366).

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, 2018 in the amount of $1,821,504 (2017 - $2,014,014).

(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, 2018, the Municipality's share of these costs was $1,359,643 (2017 - $1,360,209).

(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, 2018, the Municipality's contribution for these costs was $1,084,442 (2017 - $1,090,725).

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 $13,644,540 (2017 - $13,522,080) 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. The Port of Sydney Development Corporation draws down the fund in compliance with the agreement.

As of March 31, 2018, $1,184,891 (2017 - $1,467,955) 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.

(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 2017 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, 2018, with comparative figures for 2017

	Term (years)	Interest rate - %	Matures	Balance March 31/17	Issued	Redeemed	Balance March 31/18
General Fund							
M.F.C.							
22-B-1	15	5.875-6.000	2017	$ 100,000	$ –	$ 100,000	$ –
27-B-1	10	4.955-5.010	2017	4,495,200	–	4,495,200	–
28-B-1	10	4.895-5.095	2018	2,157,547	–	1,078,776	1,078,771
29-A-1	10	3.649-4.329	2019	3,135,600	–	1,045,200	2,090,400
30-B-1	10	2.875-3.870	2020	8,858,400	–	2,214,600	6,643,800
31-A-1	10	2.355-3.645	2021	7,265,000	–	1,453,000	5,812,000
32-B-1	10	2.040-3.160	2022	2,278,200	–	379,700	1,898,500
33-B-1	10	1.743-3.614	2023	3,277,884	–	468,269	2,809,615
34-B-1	10	1.387-3.190	2024	10,640,000	–	1,330,000	9,310,000
35-A-1	10-20	1.040-3.449	2030	5,640,000	–	560,000	5,080,000
36-A-1	10	1.150-2.506	2026	6,244,000	–	624,400	5,619,600
37-A-1	10	1.734-3.073	2027	–	8,274,000	–	8,274,000
				54,091,831	8,274,000	13,749,145	48,616,686
Water Fund							
M.F.C.							
22-B-1	15	5.875-6.000	2017	166,663	–	166,663	–
27-A-1	15	4.560-4.770	2022	10,059,500	–	914,500	9,145,000
28-A-1	15	4.684-5.088	2023	8,400,000	–	700,000	7,700,000
30-A-1	15	3.730-4.875	2025	10,500,000	–	750,000	9,750,000
32-A-1	5	2.355-2.588	2017	166,666	–	166,666	–
33-A-1	10	1.610-2.979	2023	5,600,000	–	800,000	4,800,000
34-A-1	15	1.366-3.792	2029	5,200,000	–	400,000	4,800,000
				40,092,829	–	3,897,829	36,195,000
				$ 94,184,660	$ 8,274,000	$17,646,974	$ 84,811,686

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
REVENUES		
Taxes	$ 106,103,207	$ 104,113,361
Grants in lieu of taxes	8,972,792	8,644,345
Services provided to other governments	340,408	336,068
Sales of services	2,542,979	2,357,676
Revenue from own sources	15,987,776	11,852,435
Unconditional transfers from other governments	15,860,282	15,841,135
Conditional transfers from other governments	338,649	325,834
Disaster recovery	189,010	2,380,241
	150,335,103	145,851,095
EXPENSES		
General government services	15,742,286	15,579,227
Protective services	46,681,447	46,088,189
Transportation services	28,474,121	28,899,110
Environmental health services	15,944,433	15,674,536
Public health and welfare services	1,918,701	2,112,858
Environmental development services	1,127,637	1,169,528
Recreation and cultural services	10,990,195	10,830,683
Educational services	13,644,540	13,522,080
	134,523,360	133,876,211
Excess of revenues over expenses before the following	15,811,743	11,974,884
FINANCING AND TRANSFERS		
Debenture and term loan principal instalments	(13,749,140)	(13,622,234)
Transfer from special reserve funds	1,145,331	1,698,649
Transfer to general capital fund	(484,092)	(553,511)
Amortization of bond discount	(86,841)	(97,362)
Transfer of pension plan net assets	(9,153,000)	–
	(22,327,742)	(12,574,458)
CHANGE IN FUND BALANCE	(6,515,999)	(599,574)
FUND BALANCE, BEGINNING OF YEAR	(40,920,937)	(40,321,363)
Transfer to reserve fund	–	–
FUND BALANCE, END OF YEAR	$ (47,436,936)	$ (40,920,937)

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2018, with comparatives for 2017

	2018	2017
OPERATING REVENUES		
Metered sales	$ 17,839,774	$ 15,694,007
Public fire protection	7,183,668	7,183,669
Consumer's interest	389,558	368,961
	25,413,000	23,246,637
OPERATING EXPENSES		
Source of supply	307,506	312,672
Power and pumping	1,646,920	1,694,265
Water treatment	3,828,043	4,047,340
Transmission and distribution	3,767,579	3,749,277
Administration and general	2,571,434	2,618,638
Taxes	1,973,418	2,008,519
	14,094,900	14,430,711
Excess of revenues over expenses before the following	11,318,100	8,815,926
NON-OPERATING REVENUES		
Miscellaneous	376	–
Disaster recovery	–	17,735
	376	17,735
NON-OPERATING EXPENSES		
Interest on debentures	1,659,902	1,728,742
Amortization of debt discounts	33,244	34,300
Other	268,859	172,758
Transfer to water capital fund	7,589,037	7,127,050
Transfer to general capital fund	650,000	650,000
	10,201,042	9,712,850
CHANGE IN FUND BALANCE	1,117,434	(879,189)
FUND BALANCE, BEGINNING OF YEAR	348,816	1,228,005
FUND BALANCE, END OF YEAR	$ 1,466,250	$ 348,816

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
REVENUES		
Capital grants	$ 5,168,127	$ 3,334,059
Disposal of assets – gain on insurance proceeds	–	858,701
	5,168,127	4,192,760
EXPENSES		
General government services	247,859	216,287
Protective services	1,896,539	2,059,959
Transportation services	7,103,485	6,695,493
Environmental health services	2,837,588	2,797,505
Recreation and cultural services	2,458,167	2,493,533
Planning and development services	302,118	302,118
	14,845,756	14,564,895
Deficiency of revenues over expenses before the following	(9,677,629)	(10,372,135)
FINANCING AND TRANSFERS		
Transfer from reserve funds	4,421,444	3,472,267
Transfer from general operating fund	484,092	553,511
Transfer from water operating fund	650,000	650,000
Debenture and term loan principal instalments	13,749,145	13,622,234
	19,304,681	18,298,012
CHANGE IN FUND BALANCE	9,627,052	7,925,877
FUND BALANCE, BEGINNING OF YEAR	200,758,054	192,832,177
FUND BALANCE, END OF YEAR	$ 210,385,106	$ 200,758,054

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2018, with comparatives for 2017

	2018	2017
REVENUES		
Capital grants	$ 9,000,000	$ –
EXPENSES		
Amortization	3,541,203	3,229,216
Deficiency of revenues over expenses before the following	5,458,797	(3,229,216)
FINANCING AND TRANSFERS		
Transfer from water operating fund	7,589,037	7,127,050
Sale of property	86,047	–
	7,675,084	7,127,050
CHANGE IN FUND BALANCE	13,133,881	3,897,834
FUND BALANCE, BEGINNING OF YEAR	72,342,599	68,444,765
FUND BALANCE, END OF YEAR	$ 85,476,480	$ 72,342,599

CAPE BRETON REGIONAL MUNICIPALITY

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

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
REVENUES		
Wharfage and berthage	$ 556,468	$ 532,961
Passenger tax	944,540	660,304
Events	75,625	78,228
Security	150,873	140,864
Storage and rental	194,767	163,016
Craft market	90,389	72,503
Sundry	3,007	12,137
Government funding	327,554	487,358
	2,343,223	2,147,371
EXPENSES		
Advertising and promotion	71,838	102,619
Bad debts (recovery)	(7,693)	9,628
Business development harbor	210,867	348,347
Cruise activities	41,627	35,173
Dues and fees	39,098	67,926
Events	3,822	3,037
Insurance	61,918	52,252
Interest and bank charges	6,172	9,660
Interest on long-term debt	–	5,974
Miscellaneous	18,138	25,458
Office and administration	35,186	15,607
Professional fees	69,047	54,339
Repairs and maintenance	349,890	165,022
Rent	13,220	–
Security	165,813	133,332
Travel	30,631	36,793
Utilities	200,844	179,018
Wages and benefits	680,500	740,183
	1,990,918	1,984,368
Excess of revenues over expenses before the following	352,305	163,003
Amortization of capital assets	(324,015)	(365,643)
Loss on disposal of capital assets	(49,351)	(6,525)
Derecognition of assets under capital lease	(713,224)	–
	(1,086,590)	(372,168)
CHANGE IN FUND BALANCE	(734,285)	(209,165)
FUND BALANCE, BEGINNING OF YEAR	4,901,899	5,111,064
FUND BALANCE, END OF YEAR	$ 4,167,614	$ 4,901,899

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
REVENUES		
Investment income	$ 142,391	$ 77,500
Sale of properties	53,199	86,047
Grants	2,743,088	6,896,259
	2,938,678	7,059,806
FINANCING AND TRANSFERS		
Transfer to operating fund	(1,145,331)	(1,698,649)
Transfer to capital funds	(4,421,444)	(3,472,267)
	(5,566,775)	(5,170,916)
CHANGE IN FUND BALANCE	(2,628,097)	1,888,890
FUND BALANCE, BEGINNING OF YEAR	10,161,715	8,272,825
FUND BALANCE, END OF YEAR	$ 7,533,618	$ 10,161,715

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
REVENUES		
Investment income	$ 8,012	$ 7,875
CHANGE IN FUND BALANCE	8,012	7,875
FUND BALANCE, BEGINNING OF YEAR	2,012,607	2,004,732
FUND BALANCE, END OF YEAR	$ 2,020,619	$ 2,012,607

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2018

Council	Number of Months	Annual Remuneration
C. Clarke, Mayor	12	$ 113,526
E. MacDonald, Deputy Mayor	12	47,923
G. MacDonald	12	41,020
D. Bruckschwaiger	12	41,020
K. Coombs	12	41,020
I. Doncaster	12	41,020
S. Gillespie	12	41,020
J. MacLeod	12	41,020
E. MacMullin	12	41,020
E. Marshall	12	41,020
A. McDougall	12	41,020
R. Paruch	12	41,020
C. Prince	12	41,020

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2018

Senior Staff	Annual Remuneration
D. Campbell Ryan	$ 99,360
J. Campbell (8 months)	70,601
M. Gillis	113,389
D. Kachafanas	113,389
W. MacDonald	117,979
G. MacDougall	113,389
B. MacKinnon	126,435
J. MacKinnon	140,692
P. MacIsaac	144,410
M. Merritt (3 months)	52,433
W. Murphy	113,389
M. Walsh	188,588

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Council

Year ended March 31, 2018

Council	Number of Months	Travel Expenses
C. Clarke, Mayor	12	$ 26,595
E. MacDonald, Deputy Mayor	12	14,518
G. MacDonald	12	15,590
D. Bruckschwaiger	12	12,739
K. Coombs	12	530
I. Doncaster	12	16,157
S. Gillespie	12	240
J. MacLeod	12	12,821
E. MacMullin	12	5,815
E. Marshall	12	12,283
A. McDougall	12	14,860
R. Paruch	12	7,908
C. Prince	12	11,938

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Senior Staff

Year ended March 31, 2018

Senior Staff		Travel Expenses
D. Campbell Ryan	$	7,476
J. Campbell (8 months)		2,394
M. Gillis		3,703
D. Kachafanas		5,180
W. MacDonald		12,007
G. MacDougall		1,407
B. MacKinnon		7,582
J. MacKinnon		9,989
P. MacIsaac		5,027
M. Merritt (3 months)		209
W. Murphy		7,896
M. Walsh		16,400

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2018

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 2018 and 2017 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, 2018	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	$ 68,789,248	$ –	$ 16,457,643	$ 7,211,776	$ –	$ –	$ –	$ 13,644,540	$ –	$ 106,103,207
Grants in lieu of taxes	8,972,792	–	–	–	–	–	–	–	–	8,972,792
Services provided to other governments	–	–	340,408	–	–	–	–	–	–	340,408
Sales of services	28,535	–	–	704,470	–	1,809,974	–	–	–	2,542,979
Revenue from own sources	7,789,702	2,015,669	1,051,370	–	2,154,575	–	40,620	–	–	13,051,936
Unconditional transfers from other governments	15,860,282	–	–	–	–	–	–	–	–	15,860,282
Conditional transfers from other governments	–	327,554	338,649	–	–	–	–	–	–	666,203
Capital grants	7,911,215	–	–	–	–	–	–	–	9,000,000	16,911,215
Metered sales	–	–	–	–	–	–	–	–	17,839,773	17,839,773
Other water revenues	–	–	–	–	–	–	–	–	389,933	389,933
Investment income	150,403	–	–	–	–	–	–	–	–	150,403
Gain (loss) on sale of properties	53,199	(49,351)	–	–	–	–	–	–	86,047	89,895
Disaster recovery	392	–	14,458	1,721	9,818	162,621	–	–	–	189,010
	109,555,768	2,293,872	18,202,528	7,917,967	2,164,393	1,972,595	40,620	13,644,540	27,315,753	183,108,036
EXPENSES										
Salaries, wages and benefits	7,934,475	680,500	30,144,785	14,651,140	3,669,158	4,687,317	857,173	–	1,759,817	64,384,365
Interest on long-term debt	605,014	–	199,700	1,009,106	159,269	144,291	–	–	1,659,902	3,777,282
Materials, goods, supplies and utilities	906,831	589,742	1,405,143	4,684,145	2,085,488	2,412,005	15,058	–	4,017,143	16,115,555
Contracted services	1,252,619	279,914	795,817	4,768,889	8,334,112	644,379	48,577	–	1,022,385	17,146,692
Other operating expenses	3,683,704	440,762	5,867,893	3,360,841	1,696,406	2,342,301	206,829	–	2,612,904	20,211,640
External transfers and grants	3,278,344	–	1,084,440	–	–	759,902	–	13,644,540	–	18,767,226
Amortization	247,859	324,015	1,896,539	7,103,485	2,837,588	2,458,167	302,118	–	3,541,203	18,710,974
	17,908,846	2,314,933	41,394,317	35,577,606	18,782,021	13,448,362	1,429,755	13,644,540	14,613,354	159,113,734
ANNUAL SURPLUS (DEFICIT)	$ 91,646,922	$ (21,061)	$(23,191,789)	$ (27,659,639)	$ (16,617,628)	$ (11,475,767)	$ (1,389,135)	$ –	$ 12,702,399	$ 23,994,302

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2017

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	282,500	–	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	7,143,097	324,678	59,826	–	1,203,250	15,040,239
Other operating expenses	4,762,401	587,856	6,023,844	3,915,108	2,384,795	2,917,818	251,794	–	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	2,493,537	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

Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Year ended March 31, 2018

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Financial Statements

Year ended March 31, 2018

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Management's Responsibility for the Financial Statements

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

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

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

The financial statements have been audited by 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, 2018, with comparative figures for 2017

	2018	2017
ASSETS		
Water rates receivable (less allowance for doubtful accounts $615,282 (2017 - $615,282)	$ 7,303,292	$ 6,229,532
Sundry receivables	114,377	77,024
Inventories	333,548	341,861
	$ 7,751,217	$ 6,648,417
LIABILITIES		
Bank indebtedness	$ 406,167	$ 2,944,209
Payables and accruals	3,722,271	3,939,711
Due to Cape Breton Regional Municipality General section, operating fund	1,041,661	2,281,841
Due to water utility, capital fund	6,557,428	3,120,958
	11,727,527	12,286,719
DEFICIT	(3,976,310)	(5,638,302)
	$ 7,751,217	$ 6,648,417

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality:

____________________________ Mayor

____________________________ Clerk

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Activities – Operating Fund

Year ended March 31, 2018, with comparative figures for 2017

		2018	2017
	Budget	Actual	Actual
OPERATING REVENUES			
Metered sales	$ 18,088,944	$ 17,839,774	$ 15,694,007
Public fire protection	7,183,675	7,183,668	7,183,669
Consumer's interest	333,125	389,558	368,961
Service connections	66,000	376	–
	25,671,744	25,413,376	23,246,637
OPERATING EXPENSES			
Source of supply	565,000	307,506	312,672
Power and pumping	2,042,530	1,646,920	1,694,265
Water treatment	3,724,190	3,828,043	4,047,340
Transmission and distribution	4,581,366	4,417,579	4,399,277
Administration and general	2,947,273	2,571,434	2,618,638
Depreciation	3,873,980	3,541,203	3,229,216
Taxes	2,246,750	1,973,418	2,008,519
	19,981,089	18,286,103	18,309,927
Excess of operating revenues over expenses before the following	5,690,655	7,127,273	4,936,710
NON-OPERATING REVENUES			
Amortization of deferred capital contributions	142,178	287,171	142,178
Disaster recovery	–	–	17,735
	142,178	287,171	159,913
NON-OPERATING EXPENSES			
Debt charges			
Provision for principal repayment	3,897,834	3,640,447	3,897,834
Interest on debentures	1,624,874	1,659,902	1,728,742
Amortization of debt discounts	32,000	33,244	34,300
Bank fees/charges	128,125	268,859	165,623
Capital expenditures out of operations	150,000	150,000	–
	5,832,833	5,752,452	5,826,499
CHANGE IN FUND BALANCE	$ –	$ 1,661,992	$ (729,876)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Operating Fund Deficit

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
DEFICIT, BEGINNING OF YEAR	$(5,638,302)	$(4,908,426)
Change in fund balance	1,661,992	(729,876)
DEFICIT, END OF YEAR	$(3,976,310)	$(5,638,302)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Cash Flows – Operating Fund

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	$ 1,661,992	$ (729,876)
Change in non-cash operating working capital		
Decrease (increase) in water rates receivable	(1,073,760)	26,422
Increase in sundry receivables	(37,353)	(7,674)
Decrease (increase) in inventories	8,313	(45,926)
Decrease in payables and accruals	(217,440)	(138,182)
	341,752	(895,236)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to Cape Breton Regional Municipality, operating fund	(1,240,180)	1,963,711
Increase (decrease) in due to water utility, capital fund	3,436,470	(543,430)
	2,196,290	1,420,281
INCREASE IN CASH AND CASH EQUIVALENTS	2,538,042	525,045
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(2,944,209)	(3,469,254)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (406,167)	$ (2,944,209)

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, 2018, with comparative figures for 2017

	2018	2017
ASSETS		
Cash	$ –	$ 3,282,768
Cash - depreciation reserve (note 2)	480,170	480,170
HST receivable	56,531	31,955
Grants receivable	900,463	271,304
	1,437,164	4,066,197
Due from water utility, operating fund	6,557,428	3,120,958
Unamortized debt discount	192,408	225,652
Capital assets		
Utility plant in service (Schedule A)	168,669,776	151,109,504
Work in progress	396,133	4,511,406
Properties adjoining watershed	174,977	174,977
	169,240,886	155,795,887
	$ 177,427,886	$ 163,208,694
LIABILITIES		
Bank indebtedness	$ 1,510,957	$ –
Accounts and holdbacks payable	754,502	412,424
Due to Cape Breton Regional Municipality		
General section, capital fund	146,650	–
Term debt (Schedule B)	36,195,000	40,092,828
	38,607,109	40,505,252
DEFERRED CAPITAL CONTRIBUTIONS	12,642,910	4,200,659
RESERVES		
Accumulated allowance for depreciation of utility plant (note 3)	50,597,092	47,055,889
FUND BALANCE	75,580,775	71,446,894
	$ 177,427,886	$ 163,208,694

See accompanying notes to financial statements.

On behalf of the Board:

________________________ Chairman

________________________ Commissioner

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Change in Cash – Depreciation Reserve

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
BALANCE, BEGINNING OF YEAR	$ 480,170	$ 480,170
Depreciation	3,541,203	3,229,216
Amortization of capital contributions	(287,171)	(142,178)
Capital purchases	(3,254,032)	(3,087,038)
CASH, END OF YEAR	$ 480,170	$ 480,170

Statement of Accumulated Allowance for Depreciation

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
BALANCE, BEGINNING OF YEAR	$ 47,055,889	$ 43,826,673
Depreciation for the year	3,541,203	3,229,216
BALANCE, END OF YEAR	$ 50,597,092	$ 47,055,889

Statement of Investment in Capital Assets

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
BALANCE, BEGINNING OF YEAR	$ 71,446,894	$ 67,549,060
Term debt retired	3,897,828	3,897,834
Capital out of operations	150,000	–
Transfer from special reserve	86,053	–
BALANCE, END OF YEAR	$ 75,580,775	$ 71,446,894

See accompanying notes to non-consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Special Reserve Fund

March 31, 2018, with comparative figures for 2017

	2018	2017
ASSETS		
Cash	$ 1,166,626	$ 1,166,626
Term deposit	853,994	845,982
	$ 2,020,620	$ 2,012,608
RESERVE		
Special reserve	$ 2,020,620	$ 2,012,608

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, 2018, with comparative figures for 2017

	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	2018 Total	2017 Total
BALANCE, BEGINNING OF YEAR	$ 53,956	$ 912,666	$ 329,741	$ 716,245	$ 2,012,608	$2,004,732
Interest on investments	321	5,449	2,242	–	8,012	7,876
BALANCE, END OF YEAR	$ 54,277	$ 918,115	$ 331,983	$ 716,245	$ 2,020,620	$2,012,608

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:

- 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. 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 $7,318,731 (2017 - $7,407,827).

2. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY (CONTINUED)

d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to $7,183,668 (2017 - $7,183,669). The charge is governed by the Nova Scotia Utility and Review Board.

e) The water utility is not exempt from municipal taxation within the Cape Breton Regional Municipality.

f) The various funds of the Cape Breton Regional Municipality Water Utility and the Municipality include a series of interfund balances as noted in the respective funds. All interfund balances will be settled within the next fiscal period. No interest has been charged or paid on the interfund balances outstanding.

3. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2018, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 6.7% (2017 – 4.7%).

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Schedule A - Utility Plant and Equipment

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
Organization	$ 4,000	$ 4,000
Working capital	70,162	70,162
	74,162	74,162
Land and land rights		
Source of supply land	1,218,531	1,083,789
Power and pumping land	343,374	343,374
Transmission land	157,021	157,021
	1,718,926	1,584,184
Structures and improvements		
Source of supply	19,012,595	18,655,778
Power and pumping	7,303,865	6,583,680
Purification structures	2,757,842	2,521,721
Distribution and storage	4,629,397	4,078,372
Shop	299,817	299,817
	34,003,516	32,139,368
Equipment		
Electrical pumping equipment	3,773,660	3,747,484
Diesel pumping equipment	543,261	517,343
Purification equipment	23,116,607	22,905,890
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	690,073	326,466
	29,775,771	29,149,353
Mains		
Transmission	29,300,392	21,717,881
Distribution	45,812,669	41,365,472
	75,113,061	63,083,353
Services	13,321,698	11,045,295
Meters	11,196,886	10,968,398
Hydrants	3,465,756	3,065,391
	$ 168,669,776	$ 151,109,504

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Schedule B - Capital Debt Charges

Year ended March 31, 2018, with comparative figures for 2017

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2017	Issued	Redeemed	Balance March 31, 2018
Municipal Finance Corporation							
22-B-1	2002	2017	3.250 – 6.000	$ 166,663	$ –	$ 166,663	$ –
27-A-1	2007	2022	4.385 – 4.770	10,059,500	–	914,500	9,145,000
28-A-1	2008	2023	3.750 – 5.088	8,400,000	–	700,000	7,700,000
30-A-1	2010	2025	1.510 – 4.875	10,500,000	–	750,000	9,750,000
32-A-1	2012	2017	1.636 – 2.558	166,665	–	166,665	–
33-A-1	2013	2023	1.330 – 2.979	5,600,000	–	800,000	4,800,000
34-A-1	2014	2029	1.245 – 3.792	5,200,000	–	400,000	4,800,000
				$ 40,092,828	$ –	$ 3,897,828	$ 36,195,000

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

2019	$ 3,564,500
2020	3,564,500
2021	3,564,500
2022	3,564,500
2023	8,137,000

MGM & Associates
Chartered Professional Accountants

Audit Findings Report

Cape Breton Regional Municipality

Year ended March 31, 2018

September 18, 2018

Contents

The Appendices are an integral part of our Audit Findings Report to the Audit Committee

This Audit Findings Report is confidential and intended solely for the use of the Audit Committee, Management and others within the Municipality. It is intended to assist the Audit Committee in carrying out and discharging its responsibilities to review and approve the financial statements of the Municipality as at and for the year ended March 31, 2018. It should not be used for any other purpose. No responsibility for loss or damages, if any, to any third party is accepted as this report has not been prepared for, and is not intended for, any other purposes.

Overview

Purpose of this report

- We have issued this report to assist members of the Audit Committee in your review of the financial statements.
- We welcome your questions and look forward to discussing our findings with you at this meeting.

Basis for Information

- The matters that we raise within this report
  - arise from the financial statement audit
  - are matters that we believe need to be brought to your attention.
- This report may not include all matters of interest to you. Please let us know of other areas you would like to discuss with us.

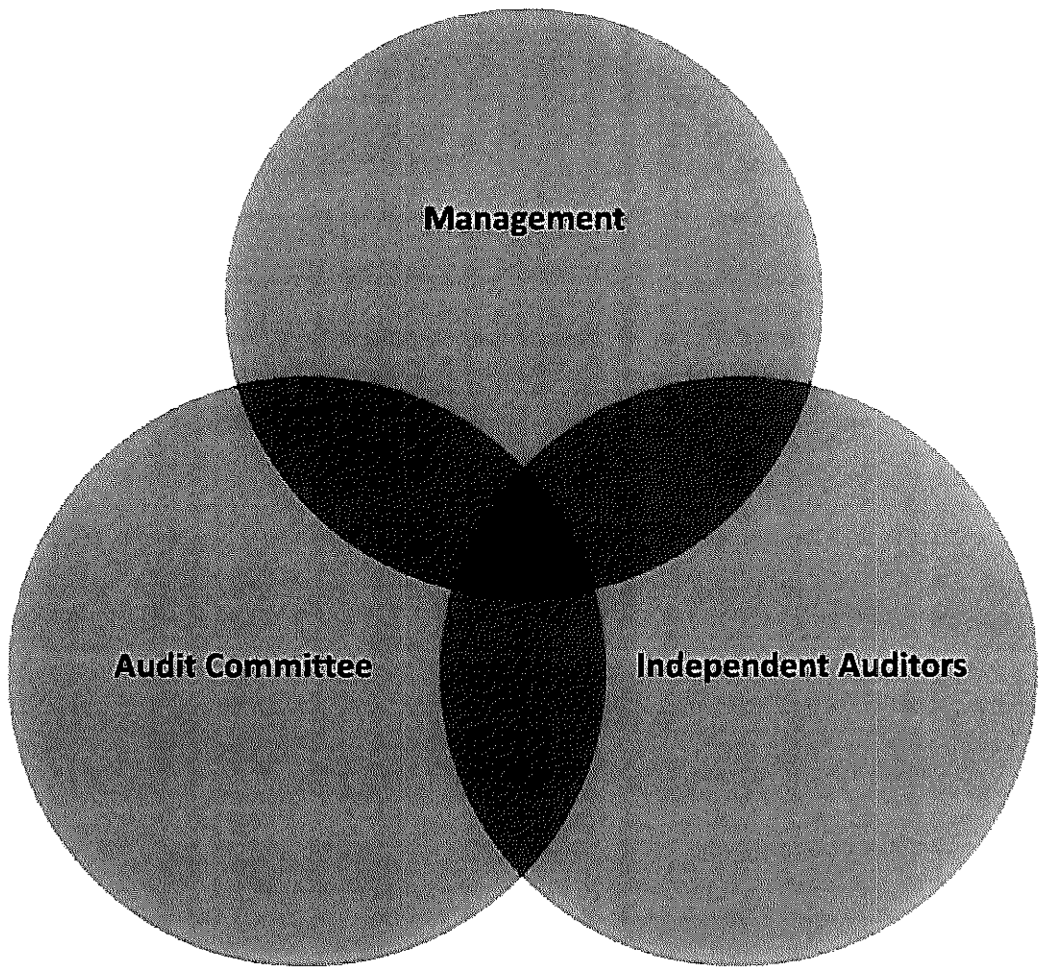
Audit status: Complete

- We have completed our audit of the Municipality's financial statements in accordance with Canadian generally accepted auditing standards.
- We expect to be in a position to release our Independent Auditors' Report dated September 18, 2018 subject to:
  - completing our discussions with the Audit Committee
  - obtaining the Council's approval of the financial statements.

Scope of a financial statement audit

- We perform an audit to provide reasonable assurance whether the financial statements are free of misstatements. In auditing, absolute assurance is not attainable because of such factors as (1) the nature of audit evidence (it is based on the use of testing, and much of the evidence available to the auditor is persuasive, rather than conclusive), (2) the inherent limitations of internal control over financial reporting, and (3) the characteristics of fraud. Accordingly, there is a risk that material misstatements, fraud and other illegal acts may exist and not be detected by an audit performed in accordance with professional standards.
- In an audit, we also make specific enquiries of management and obtain a supporting representation letter from management concerning the effectiveness of internal controls and the representations embodied in the financial statements, including the notes.
- In planning and performing a financial statement audit, we consider internal control over financial reporting to determine the nature, extent and timing of audit procedures. A financial statement audit does not provide assurance on the Municipality's internal controls.
- Refer to Appendix 1 for our draft Independent Auditors' Report.

Key Responsibilities Regarding Financial Reporting



Misstatements

Misstatements

- Misstatements generally consist of differences between the amount, classification, or presentation of a reported financial statement element, account, or item and the amount, classification, or presentation that would have been reported under the financial reporting framework.

Evaluating Misstatements

- Management is responsible for the financial statements and, accordingly, evaluates the misstatements identified during the audit to determine whether individually, and in the aggregate, these misstatements, in their judgment, are material to the financial statements.
- Management has represented that these audit differences, individually and in the aggregate, are, in their judgment, not material to the financial statements. Refer to draft management representation letter in Appendix 2.

Audit Differences

- Audit differences are proposed adjustments of a misstatement in the financial statements that, in our professional judgment, may have not been detected except through our audit procedures performed. We have encouraged management to correct these audit differences.
- Any misstatement identified by management during the audit and subsequently corrected is not considered an audit difference.
- For ease of discussion, audit differences are categorized by
  - Adjusted differences – *refer to Appendix 3*
  - Unrecorded differences – *refer to Appendix 4*
  - Uncorrected and corrected omissions or other errors in financial statement presentation – *none were identified during the audit*

Matters Pertaining to the Financial Statement Audit

Significant unusual transactions

- We did not identify, in the course of our financial statement audit, any significant unusual transactions.

Accounting policies

- Management describes their critical accounting policies and key estimates that are subject to uncertainty in note 1 to the financial statements.
  - We identified no material changes in selection or application of accounting policies.
  - We identified, during the course of our financial statement audit, no accounting policies in controversial or emerging areas.

Related party transactions

- We did not identify, in the course of our financial statement audit, any related party transactions outside the normal course of business that involve significant judgments made by management concerning measurement and disclosure.
- Refer to draft management representation letter in Appendix 2.

Matters Pertaining to the Financial Statement Audit

Material weaknesses in internal control over financial reporting

- We did not identify, in the course of our financial statement audit, any material weaknesses in the design, implementation or operating effectiveness of internal control over financial reporting, including anti-fraud controls.
- Our audit has not been designed to determine the adequacy of internal control over financial reporting for management purposes. Refer to draft management representation letter in Appendix 2.

Illegal and fraudulent activities

- We did not identify, during our financial statement audit, any illegal acts or possibly illegal acts.
- Refer to draft management representation letter in Appendix 2.
- We did not identify, during our financial statement audit, any:
  - matters that pose questions regarding the honesty and integrity of management
  - fraud or suspected fraud involving management
  - fraud or suspected fraud involving employees who have significant roles in internal control over financial reporting
  - fraud or suspected fraud (whether caused by management or other employees) that results, or may result, in a non-trivial misstatement of the financial statements except as discussed with the Audit Committee
  - matters that may cause future financial statements to be materially misstated
- Refer to draft management representation letter in Appendix 2.

Matters Pertaining to the Financial Statement Audit

Auditors' independence

- We are not aware of any relationships between the Municipality and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that occurred from September 25, 2017 to September 18, 2018.

Dealings with Management

- We received the full cooperation of management and employees of the Municipality and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit.
- We had no disagreements with management, and we have resolved all auditing, accounting and presentation issues to our satisfaction.

Consultation with other Accountants

- We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

Matters Pertaining to the Financial Statement Audit

Major issues discussed with Management that influence our audit appointment

- We did not engage in discussion with management about any major issues in connection with our appointment as auditors.

Matters Pertaining to the Financial Statement Audit

Involvement with designated public documents and continuous disclosure documents

- A designated public document includes:
  - an annual report
  - another public document when we have been engaged to read or perform services with respect to that document
  - Annual Information Form
- For designated public documents, professional standards require us to:
  - determine whether the financial statements and our draft Independent Auditors' Report have been accurately reproduced
  - compare the financial statements and our draft Independent Auditors' Report ultimately posted on the Website to the original
  - read the designated public document and assess whether any of the information appears to be inconsistent with the financial statements or our knowledge obtained in the course of our financial statement audit
  - perform procedures for documents produced in another language
  - discuss with management any information that appears to be inconsistent, a material misstatement of fact or a misrepresentation
  - report any unresolved matters to the Audit Committee
- Professional standards do not require us to perform, and we have not performed, any procedures to verify any of the information in the designated public document, other than the financial statements and our draft Independent Auditors' Report.

Appendix 1

Draft Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Cape Breton Regional Municipality which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
September 18, 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Cape Breton Regional Municipality Water Utility which comprise the statements of financial position as at March 31, 2018 and the statements of financial activities, operating fund deficit, reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality Water Utility as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared for the Cape Breton Regional Municipality Water Utility to comply with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. As a result the financial statements may not be suitable for another purpose.

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
September 18, 2018

Appendix 2

Draft Management Representation Letter

Cape Breton Regional Municipality

320 Esplanade
Sydney, Nova Scotia
B1P 1A7

September 18, 2018

MGM & Associates
PO Box 1
Sydney, NS
B1P 6G9

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the consolidated financial statements of Cape Breton Regional Municipality for the year ended March 31, 2018, for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of Municipality personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

1. **Financial Statements**

   We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 23, 2018 for:

   a) Preparing and fairly presenting the consolidated financial statements in accordance with Canadian public sector accounting standards;

   b) Providing you all relevant information, such as:

      i. Accounting records, supporting data and other relevant documentation,

      ii. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and

      iii. Information on any other matters, of which we are aware, that is relevant to the preparation of the consolidated financial statements;

   c) Ensuring that all transactions have been recorded in the accounting records and are reflected in the consolidated financial statements; and

   d) Designing and implementing such internal control as we determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

2. Fraud and Non-Compliance

We have disclosed to you:

a) All of our knowledge in relation to actual, alleged or suspected fraud affecting the Municipality's consolidated financial statements involving:

   i. Management;

   ii Employees who have significant roles in internal control; or

   iii. Others where the fraud could have a material effect on the consolidated financial statements;

b) All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;

c) All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the consolidated financial statements;

d) All known, actual, or possible litigation and claims that should be considered when preparing the consolidated financial statements; and

e) The results of our risk assessments regarding possible fraud or error in the consolidated financial statements.

3. Related Parties

We confirm that there were no related-party relationships or transactions that occurred during the year.

4. Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We believe that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. Subsequent Events

All events subsequent to the date of the consolidated financial statements and for which Canadian public sector accounting standards requires adjustment or disclosure have been adjusted or disclosed.

6. Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the consolidated financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the consolidated financial statements.

7. Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

8. Misstatements

We believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the consolidated financial statements as a whole. A list of the uncorrected misstatements is attached to this letter.

9. Other Representations

Accounting Policies

All significant accounting policies are disclosed in the consolidated financial statements and are consistent with those used in the previous period.

Future Plans

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.

Yours truly,

____

Jennifer Campbell, CPA, CA,
Chief Financial Officer

Cape Breton Regional Municipality Water Utility
320 Esplanade
Sydney, Nova Scotia
B1P 1A7

September 18, 2018

MGM & Associates
PO Box 1
Sydney, NS
B1P 6G9

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the financial statements of Cape Breton Regional Municipality Water Utility for the year ended March 31, 2018, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of Utility personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

1. **Financial Statements**

   We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 23, 2018 for:

   a) Preparing and fairly presenting the financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia;

   b) Providing you all relevant information, such as:

      i. Accounting records, supporting data and other relevant documentation,

      ii. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and

      iii. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;

   c) Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and

d) Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

2. Fraud and Non-Compliance

We have disclosed to you:

a) All of our knowledge in relation to actual, alleged or suspected fraud affecting the Utility's financial statements involving:

 i. Management;

 ii Employees who have significant roles in internal control; or

 iii. Others where the fraud could have a material effect on the financial statements;

b) All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;

c) All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;

d) All known, actual or possible litigation and claims that should be considered when preparing the financial statements; and

e) The results of our risk assessments regarding possible fraud or error in the financial statements.

3. Related Parties

We confirm that there were no related-party relationships or transactions that occurred during the year.

4. Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We believe that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. Subsequent Events

All events subsequent to the date of the financial statements and for which Accounting and Reporting Handbook for Water Utilities in Nova Scotia requires adjustment or disclosure have been adjusted or disclosed.

6. Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

7. Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

8. Misstatements

We believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter.

9. Other Representations

Accounting Policies

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

Future Plans

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

Yours truly,

____

Jennifer Campbell, CPA, CA,
Chief Financial Officer

Appendix 3

Adjusting Journal Entries

Cape Breton Regional Municipality

Summary of Adjusted Audit Differences
March 31, 2018

Description	Impact of audit difference on financial statement captions - Increase/(Decrease)						
	Excess of Revenue over Expenses — Audit differences arising in			Statement of Financial Position			
	Current Period	Prior Period	Total	Surplus	Financial Assets	Financial Liabilities	Non-Financial Assets
Adjusted audit differences in the current period							
Deferred Revenue	-	-	-	-	-	(9,000,000)	-
Capital Grant	9,000,000	-	-	-	-	-	-
To record PSAB adjustment for capital grants received by the Water Utility							
Aggregate of Adjusted audit differences	9,000,000	-	-	-	-	(9,000,000)	-

Appendix 4

Unadjusted Audit Differences

Cape Breton Regional Municipality

Summary of Unadjusted Audit Differences
March 31, 2018

Impact of audit difference on financial statement captions - Increase/(Decrease)

Description	Excess of Revenue over Expenses – Audit differences arising in: Current Period	Prior Period	Total	Statement of Financial Position: Surplus	Financial Assets	Financial Liabilities	Non-Financial Assets
Effect of prior periods unadjusted audit differences:	-	288,733	288,733	800,105	-	(560,356)	239,749
Unadjusted audif differences in the current period							
Deferred Charges	-	-	-	-	-	-	120,000
Accrued Liabilities	-	-	-	-	-	120,000	-
To adjust current year portion of deferred charge regarding RELAYS project							
Prepaids	-	-	-	-	-		(345,180)
Accrued liabilities	-	-	-	-	-	(345,180)	
To reverse item recorded as PVS not paid at yearend Q1 2019							
Amortization expense	217,017	-	217,017	-	-	-	-
Accumulated amortization	-	-	-	-	-	-	217,017
Reduce excess amortization recorded by client/SAP.							
Pension expense	(112,542)	-	(112,542)	-	-	-	-
Accrued liabilities	-	-	-	-	-	112,542	-
To record pension accrual							
Capital grant		271,304	271,304	271,304	-	-	-
Capital grant	(271,304)	-	(271,304)	-	-	-	-
to record prior year error for grant not record in revenue							
Capital assets	-	-	-	-	-	-	(250,000)
Accumulated amortization	-	-	-	-	-	-	225,000
Amortization expense	25,000	-	25,000	-	-	-	-
Grant expense	-	-	-	(50,000)	-	-	-
To remove assets and related amortization associated with capitalized fire truck grants.							
Accrued interest	-	-	-	-	-	(169,513)	-
Interest expense	169,513	-	169,513	-	-	-	-
To adjust long-term debt interest accrual per confirmation.							
Aggregate of unadjusted audit differences	27,684	560,037	587,721	1,021,409	-	(842,507)	206,586

Cape Breton Regional Municipality
Water Utility

Summary of Unadjusted Audit Differences
March 31, 2018

Impact of audit difference on financial statement captions - Increase/(Decrease)

Description	Excess of Revenue over Expenses — Audit differences arising in: Current Period	Prior Period	Total	Statement of Financial Position: Surplus (Deficit)	Assets	Liabilities
Effect of prior periods unadjusted audit differences:	-	-	-	-	-	-
Unadjusted audit differences in the current period						
Accrued interest	-	-	-	-	-	(37,003)
Interest expense	37,003	-	37,003	-	-	-
To adjust long-term debt interest accrual per confirmation.						
Aggregate of unadjusted audit differences	**37,003**	**-**	**37,003**	**-**	**-**	**(37,003)**