Cape Breton Regional Municipality

Audit Committee Agenda

Wednesday, September 9, 2026
1:30 p.m.

Council Chambers

Second Floor, City Hall

320 Esplanade, Sydney, Nova Scotia

Audit Committee Members:

Deputy Mayor Glenn Paruch, Chair

Councillor Earlene MacMullin

Councillor Steve Parsons

Councillor Darren O'Quinn

Councillor Kim Sheppard-Campbell

Citizen Mark Galley

Citizen Sue Forrester

Call to Order

Land Acknowledgement

Roll Call

1. **Approval of Agendas**

   1.1 Approval of Agenda - September 9, 2026

   1.2 Ratification of Agenda - December 17, 2025

2. **Financial Statement Analysis:** Nancy Dove, Chief Financial Officer; and Evan Baillie, Manager of Finance (See page __3____)

3. **2025 Audit Findings Report:** Darren Chiasson, CPA, CA – MNP Partner, Business Advisor (See page __54___)

4. **2026 Audit Service Plan Report:** Darren Chiasson, CPA, CA – MNP Partner, Business Advisor (See page __86___)

Adjournment

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Cape Breton Regional Municipality
Consolidated Financial Statements

March 31, 2025

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Cape Breton Regional Municipality (the “Municipality”) are the responsibility of the Municipality’s management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors’ Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality’s consolidated financial statements.

Nancy Dove, Chief Financial Officer

Cape Breton Regional Municipality
Consolidated Statement of Financial Position
As at March 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents (note 2)	$ 17,269,959	$ 24,119,415
Taxes receivable (note 3)	17,871,007	18,393,385
Accounts receivable (note 4)	48,464,639	40,922,629
Due from trust fund (note 13)	649,531	–
	84,255,136	83,435,429
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 5)	39,825,978	38,829,290
Deferred revenue	15,946,915	436,158
Accrued employee benefits	6,695,426	7,343,717
Asset retirement obligation (note 6)	43,659,993	42,721,266
Capital lease (note 7)	283,211	381,862
Long-term debt (note 8)	63,452,262	67,352,632
	169,863,785	157,064,925
NET DEBT	(85,608,649)	(73,629,496)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	508,008,891	475,386,549
Tangible capital assets - work in progress	86,719,300	71,944,713
Properties acquired at tax sale	1,585,197	1,585,197
Inventory, prepaid expenses and other	2,476,338	2,665,631
	598,789,726	551,582,090
ACCUMULATED SURPLUS (note 10)	$ 513,181,077	$ 477,952,594

Contingencies (note 14)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

______________________________ Mayor

______________________________ Clerk

Cape Breton Regional Municipality

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2025

	Budget (Note 17)	2025	2024
REVENUES			
Taxes	$ 126,272,495	$ 128,770,094	$ 130,655,688
Grants in lieu of taxes	10,452,600	10,869,771	10,480,435
Wastewater	11,881,227	10,837,975	–
Services provided to other governments	379,562	535,614	919,499
Sales of services	5,116,000	4,495,641	4,806,946
Revenue from own sources	13,551,913	8,046,242	7,564,488
Unconditional transfers from other governments	15,835,838	15,942,138	15,777,701
Conditional transfers from other governments	687,337	5,194,032	4,692,960
Capital grants	–	39,219,239	21,627,736
Water Utility	20,392,534	21,362,669	21,488,839
Investment income	–	731,891	1,313,531
Port of Sydney Development Corporation	–	–	3,566,346
Contributed assets	–	–	6,928,900
Gain on sale of properties	–	274,875	179,979
Disaster recovery	–	6,385,055	2,967,860
	204,569,506	252,665,236	232,970,908
EXPENSES			
General government services	20,783,908	23,449,965	18,809,258
Protective services	51,651,626	55,092,723	51,406,914
Transportation services	51,948,574	53,706,959	52,989,151
Environmental health services	30,989,863	27,727,777	26,423,318
Public health and welfare services	212,561	213,353	3,465,650
Environmental development services	2,430,161	1,218,500	1,182,880
Recreation and cultural services	14,459,344	15,175,424	14,891,487
Planning and development services	–	851,392	807,449
Educational services	17,942,800	17,942,800	16,530,308
Port of Sydney Development Corporation	305,746	–	2,380,052
Water Utility expenses	19,142,607	16,474,996	17,495,843
	209,867,190	211,853,889	206,382,310
OTHER EXPENSES			
Restructuring of Port of Sydney Development Corporation (Note 18)	–	5,582,864	–
ANNUAL SURPLUS (DEFICIT)	$ (5,297,684)	$ 35,228,483	$ 26,588,598
ACCUMULATED SURPLUS, BEGINNING OF YEAR		477,952,594	451,363,996
ACCUMULATED SURPLUS, END OF YEAR		$ 513,181,077	$ 477,952,594

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2025

	Budget (Note 17)	2025	2024
ANNUAL SURPLUS (DEFICIT)	$ (5,297,684)	$ 35,228,483	$ 26,588,598
Tangible capital assets			
Acquisition of tangible capital assets	(79,656,275)	(60,487,168)	(31,223,916)
Proceeds on disposal of tangible capital assets	–	312,156	179,979
Amortization of tangible capital assets	18,000,000	23,636,063	22,776,736
Gain on disposal of tangible capital assets	–	(274,875)	(179,979)
Disposal of Port of Sydney Development Corporation tangible capital assets		4,232,679	–
Remeasurement of ARO asset		(41,197)	–
	(66,953,959)	(32,622,342)	(8,447,180)
Other non-financial assets			
Increase in work in progress	–	(14,774,587)	(22,679,483)
Increase in inventory, prepaid expenses and other	–	189,293	(33,485)
	–	(14,585,294)	(22,712,968)
INCREASE IN NET DEBT	$ (66,953,959)	(11,979,153)	(4,571,550)
NET DEBT, BEGINNING OF YEAR		(73,629,496)	(69,057,946)
NET DEBT, END OF YEAR		$ (85,608,649)	$ (73,629,496)

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Consolidated Statement of Cash Flows
For the year ended March 31, 2025

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	$ 35,228,483	$ 26,588,598
Items not involving cash		
Amortization of tangible capital assets	23,636,063	22,776,736
Contributed assets	–	(6,928,900)
Gain on disposal of tangible capital assets	(274,875)	(179,979)
Change in non-cash working capital		
Taxes receivable	522,378	(2,060,628)
Accounts receivable	(7,542,010)	(7,054,502)
Inventory, prepaid expenses and other	189,293	(33,485)
Accounts payable and accrued liabilities and accrued interest	996,688	946,225
Deferred revenue	15,510,757	(246,418)
Accrued employee benefits	(648,291)	1,156,724
Asset retirement obligation	938,727	1,290,498
	68,557,213	36,254,869
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from trust fund	(649,531)	(17,064)
Issuance of long-term debt	8,073,100	12,387,057
Principal payments on long-term debt	(11,973,470)	(30,034,858)
Repayment of capital lease	(98,651)	(456,898)
	(4,648,552)	(18,121,763)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(60,487,168)	(23,942,488)
Disposal of Port of Sydney Development Corporation tangible capital assets	4,232,679	–
Remeasurement of ARO asset	(41,197)	–
Proceeds on disposal of tangible capital assets	312,156	179,979
Increase in work in progress	(14,774,587)	(22,679,483)
	(70,758,117)	(46,441,992)
DECREASE IN CASH AND CASH EQUIVALENTS	(6,849,456)	(28,308,886)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,119,415	52,428,301
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,269,959	$ 24,119,415

SUPPLEMENTAL CASH FLOW INFORMATION

	2025	2024
Tangible capital assets acquired through capital leases	$ –	$ 352,528

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, capital and reserve funds of the Cape Breton Regional Municipality Water Utility
- Port of Sydney Development Corporation (for March 31, 2024, refer to note 18)

(c) Segment information

The Cape Breton Regional Municipality is a diversified entity that provides a wide range of services to its residents. For management reporting purposes, the Municipality's operations and activities are organized and reported by fund. This presentation is in accordance with the Provincial Financial Reporting and Accounting Manual and was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipality services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General government services

This segment is responsible for the overall local government administration and delivery of public health and welfare services. Its tasks include direction for Municipality services, such as planning, engineering, finance, and information technology in adherence to the Municipal Government Act.

Port of Sydney Development Corporation

This segment is responsible for the operations of the Port of Sydney, through its subsidiary Port of Sydney Development Corporation. (Refer to note 18)

Protective services

This segment is primarily responsible for police, fire protection and bylaw administration for its residents.

Transportation services

The Municipality is responsible for the maintenance of certain local roads, sidewalks and street lights within its jurisdiction.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment information (continued)

Environmental health services

This segment is responsible for the maintenance and operations of waste, sewer and stormwater services provided to residents and other customers. Its tasks include the provision of waste collection, recycling and composting through a combination of its own and contracted workforces.

Recreation and cultural services

This segment is responsible for promoting and offering recreation opportunities and activities to the Municipality's residents, specializing in maintaining and assisting recreational facilities within the Municipality such as parks, arenas and libraries.

Development services

This segment is responsible for land use planning, issuance of development permits and approving subdivision applications in accordance with the Municipal Planning Strategy.

Educational services

This segment is responsible for the collection of education rates on behalf of the Province of Nova Scotia.

Water Utility

This segment manages water treatment and distribution facilities and services within the Municipality and includes activities such as plant operation and pumping, water treatment, transmission and distribution.

(d) 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.

(e) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses 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.

(h) 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.

(i) Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities, due to (from) trust fund and long-term debt.

Subsequent measurement

At each reporting date, the Municipality measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Municipality uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of revenues and expenses. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities, due to (from) trust fund and long-term debt.

Impairment

For financial assets measured at cost or amortized cost, the Municipality regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Municipality determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

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

A statement of remeasurement gains and losses has not been included in these financial statements as it would not contain any balances or transactions.

(i) 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

	Basis	Rate
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%

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) Government transfers

The Municipality recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Municipality recognizes revenues as the liability is settled.

(l) 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 performance obligation to the customer is satisfied.

(m) Taxation and other revenues

Property tax billings are prepared by the Municipality based on assessment rolls determined in accordance with Province of Nova Scotia legislation. 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 when levied. 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.

Revenue from services to other governments, sale of services and other revenues are recognized at the time when performance obligations to the customer are satisfied as long as amounts can be reasonably estimated, and collection is reasonably assured.

(n) 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 when performance obligations to the customer are satisfied 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 performance obligations to the customer being satisfied are recorded as deferred revenue.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) Use of estimates

The preparation of consolidated 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 revenue and expenses in the consolidated financial statements and accompanying notes.

Amortization is based on the estimated useful lives of tangible capital assets.

Taxes, rates and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Asset retirement obligations are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.

(q) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal or contractual obligation for the Municipality to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2025. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Asset retirement obligation (continued)

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset. For asset retirement obligations associated with tangible capital assets no longer in productive use, the Municipality recognizes an expense of the same amount as the liability.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

2. CASH AND CASH EQUIVALENTS

	2025	2024
Operating funds	$ (4,267,423)	$ (18,155,731)
Reserves funds	62,578,943	56,993,947
Capital funds	(41,041,561)	(16,900,708)
Port of Sydney Development Corporation	–	2,181,907
	$ 17,269,959	$ 24,119,415

3. TAXES RECEIVABLE

	2025	2024
Gross taxes receivable, beginning of year	$ 20,988,781	$ 18,569,304
Current year's levy of property taxes	122,923,370	125,148,533
Subtotal	143,912,151	143,717,837
Less		
Current year's collections	123,092,599	122,578,119
Reduced taxes	353,149	509,786
Allowance	(162,257)	(358,849)
Gross taxes receivable, end of year	20,628,660	20,988,781
Less		
Allowance for uncollectible taxes	2,757,653	2,595,396
Taxes receivable, net	$ 17,871,007	$ 18,393,385

4. ACCOUNTS RECEIVABLE

	2025	2024
Federal government	$ 13,295,698	$ 9,075,915
Provincial government	19,667,919	19,638,407
Due from general public	3,556,671	3,670,914
Water rates receivable	12,818,698	11,324,255
Wastewater rates receivable	4,688,251	–
	54,027,237	43,709,491
Less allowance for doubtful accounts		
Operating	4,013,497	1,671,281
Rates	1,549,101	1,115,581
	5,562,598	2,786,862
	$ 48,464,639	$ 40,922,629

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade accounts payable	$ 29,776,256	$ 28,578,312
Payroll and related	2,291,465	410,681
Accrued liabilities	3,973,185	5,821,240
Tax sale trust	3,785,072	4,019,057
	$ 39,825,978	$ 38,829,290

6. ASSET RETIREMENT OBLIGATIONS

(a) 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.

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 are considered closed, but still require varying degrees of monitoring and/or closure activities as per the regulations.

6. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

(a) Solid Waste Management Facilities Liabilities (continued)

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 $35,374,959 which have been discounted to the present value using a discount rate of 4.00% per annum. The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations and discounted to current values. Liability is expected to be fulfilled over the next 38 years.

(b) Asbestos obligation

The Municipality owns and operates several buildings that were constructed prior to 1991 which have been included under PS3280-Asset retirement obligations as it is unknown if asbestos is present. The uncertainty could present a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280, the Municipality recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at March 31, 2024. The estimated cost for removal of asbestos have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value. Liability is expected to be fulfilled over the next 2-37 years.

(c) Wharves

The municipality owns several wharves that fall within PS 3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact by removing and disposing of creosote treated lumber. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the wharves capital asset carrying value. Liability will be fulfilled in 18 years.

(d) Refrigerant

The municipality operates several facilities that fall within PS3280. Upon retirement of these facilities, here is an obligation to eliminate any environmental impact by removing and disposing of ozone depleting refrigerant materials. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value. Liability is expected to be fulfilled over the next 13-24 years.

(e) Fuel tanks

The municipality owns and operates several buildings that contain above and underground tanks that fall within PS 3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact and restore the land to its prior state. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value. Liability will be fulfilled in 2 years.

6. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

Changes to the asset retirement obligation in the year are as follows:

	2025	2024
Opening balance	$ 42,721,266	$ 41,430,768
Acquired upon adoption		–
Acquired during the year	–	57,800
Accretion expense	1,543,906	1,488,589
Liabilities settled	(605,179)	(255,891)
	$ 43,659,993	$ 42,721,266

7. CAPITAL LEASE

	2025	2024
Bank of Montreal, 5.53%, repayable in monthly instalments of principal and interest of $10,720 commencing July 2022, maturing June, 2027, secured by equipment with a net book value of $235,019 (2024 - $352,528).	$ 283,211	$ 381,862
	$ 283,211	$ 381,862

Minimum lease payments required in the next three (3) years under capital lease are as follows:

Year ended March 31,	
2026	128,642
2027	128,642
2028	32,160
	287,444
Interest included in minimum payments	6,233
	$ 283,211

8. LONG-TERM DEBT

The schedule attached to the consolidated financial statements details the various terms and conditions related to the long-term debt.

Principal payments required in each of the next five years on debt held as at March 31, 2025 are as follows:

2026	$ 14,300,061
2027	9,300,061
2028	8,675,661
2029	6,933,761
2030	5,636,261

9. TANGIBLE CAPITAL ASSETS

	Cost Beginning of Year	Additions and Transfers	Disposals and Write-downs	Cost End of Year	Amortization Beginning of Year	Additions	Disposals	Amortization End of Year	2025 Net Book Value	2024 Net Book Value
Land	$ 14,273,157	$ 508,517	$ –	$ 14,781,674	$ –	$ –	$ –	$ –	$ 14,781,674	$ 14,273,157
Buildings										
General government services	10,404,213	154,120	–	10,558,333	4,257,352	266,588	–	4,523,940	6,034,393	6,146,861
Protective services	19,845,912	189,039	–	20,034,951	3,825,225	506,676	–	4,331,901	15,703,050	16,020,687
Transportation services	11,844,716	927,889	–	12,772,605	3,778,990	321,675	–	4,100,665	8,671,940	8,065,726
Environmental services	33,281,658	–	–	33,281,658	14,109,981	832,069	–	14,942,050	18,339,608	19,171,677
Recreation and cultural services	36,259,913	5,320,544	–	41,580,457	8,842,946	1,038,144	–	9,881,090	31,699,367	27,416,967
Industrial parks	1,084,104	–	–	1,084,104	610,918	27,102	–	638,020	446,084	473,186
Asset retirement obligations	833,984	–	(60,545)	773,439	337,503	176,118	(101,742)	411,879	361,560	496,481
	113,554,500	6,591,592	(60,545)	120,085,547	35,762,915	3,168,372	(101,742)	38,829,545	81,256,002	77,791,585
Equipment										
General government services	3,007,560	–	–	3,007,560	2,974,382	33,178	–	3,007,560	–	33,178
Protective services	22,150,374	579,743	–	22,730,117	19,724,290	1,178,258	–	20,902,548	1,827,569	2,426,084
Public works	54,694,389	8,831,314	–	63,525,703	40,650,511	4,669,232	–	45,319,743	18,205,960	14,043,878
Environmental health services	13,865,475	–	–	13,865,475	13,828,879	11,687	–	13,840,566	24,909	36,596
Recreation and cultural services	2,178,987	162,231	–	2,341,218	1,840,749	37,702	–	1,878,451	462,767	338,238
	95,896,785	9,573,288	–	105,470,073	79,018,811	5,930,057	–	84,948,868	20,521,205	16,877,974
Other										
General government services	742,494	–	–	742,494	742,494	–	–	742,494	–	–
Road transport	223,485,969	14,199,769	–	237,685,738	89,315,286	5,774,230	–	95,089,516	142,596,222	134,170,683
Environmental health services	117,285,630	22,653,947	–	139,939,577	37,255,477	2,835,958	–	40,091,435	99,848,142	80,030,153
Recreation and cultural services	27,786,720	1,746,698	–	29,533,418	25,325,603	1,343,361	–	26,668,964	2,864,454	2,461,117
Waterfront development	9,163,957	1,625,936	–	10,789,893	4,840,263	589,287	–	5,429,550	5,360,343	4,323,694
Downtown development	4,231,897	–	–	4,231,897	594,644	112,521	–	707,165	3,524,732	3,637,253
Wharf – Sydney Marine Terminal	22,253,546	–	–	22,253,546	2,967,727	122,482	–	3,090,209	19,163,337	19,285,819
Asset retirement obligation – CBRM	5,304,334	–	–	5,304,334	577,128	200,260	–	777,388	4,526,946	4,727,206
Water utility assets	186,191,186	3,587,421	(37,281)	189,741,326	72,615,957	3,559,535	–	76,175,492	113,565,834	113,575,229
Port of Sydney Development Corporation assets	11,576,240	–	(11,576,240)	–	7,343,561	–	(7,343,561)	–	–	4,232,679
	608,021,973	43,813,771	(11,613,521)	640,222,223	241,578,140	14,537,634	(7,343,561)	248,772,213	391,450,010	366,443,833
	$ 831,746,415	$ 60,487,168	$ (11,674,066)	$ 880,559,517	$ 356,359,866	$ 23,636,063	$ (7,445,303)	$ 372,550,626	$ 508,008,891	$ 475,386,549

10. ACCUMULATED SURPLUS

	2025	2024
General operating fund	$ (6,695,461)	$ (6,182,295)
Water operating fund	10,290,946	8,814,236
General capital fund	356,014,159	312,610,738
Water capital fund	114,777,787	110,026,885
Port of Sydney Development Corporation	–	5,582,864
	474,387,431	430,852,428
Reserves set aside by council	38,793,646	47,100,166
	$ 513,181,077	$ 477,952,594

11. CREDIT FACILITIES

The Municipality has an operating line of credit with the Bank of Montreal of $44,000,000 (2024 – $44,000,000) at an annual interest rate of prime minus 1% per annum, repayable on demand. At March 31, 2025, the operating line of credit was undrawn.

The Municipality has a lease facility with the Bank of Montreal of $2,000,000 available to finance specific equipment up to 100% of its purchase price. Terms of the facility are determined subject to review of the underlying assets to be financed and applicable amortization. The rate is based on market rates available at the time the Municipality enters into a lease agreement. At March 31, 2025 the facility had a balance of $Nil (2024 – $381,862).

12. EMPLOYEE FUTURE BENEFITS

a) Defined benefit plan

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

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

Contributions to the Plan are required by both the employer and its employees. Total employer contributions for 2025 were $5,120,164 (2024 - $4,936,535) and are recognized as an expense in the period.

12. EMPLOYEE FUTURE BENEFITS (CONTINUED)

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 contributions for 2025 were to $116,076 (2024 - $127,426).

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 2025 valuation, the Municipality had a plan surplus of $53,500 on a going concern basis.

d) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for 2025 was $277,447 (2024 - $197,177).

13. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2025 are $2,726,176 (2024 - $4,862,176).

14. CONTINGENCIES

a) As of March 31, 2025, 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, 2025 is $888,078 (2024 - $963,851).

d) The Municipality has guaranteed working capital borrowing on behalf of Seaview Manor Corporation at March 31, 2025 up to $200,000 (2024 - $200,000).

14. CONTINGENCIES (CONTINUED)

e) Canadian Environmental Guidelines

The Municipality is subject to wastewater effluent regulations established under the Wastewater Systems Effluent Regulations (WSER) issued by the Canadian Council of Ministers of the Environment (CCME) and administered by the federal regulator. These regulations require municipalities to meet prescribed wastewater treatment standards by specific deadlines based on environmental risk assessments.

The Municipality has completed the required environmental risk assessments for all wastewater systems. Based on these assessments, several wastewater systems have received Transitional Authorizations that extend the deadline for meeting CCME effluent quality requirements to 2040.

15. 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, 2025, in the amount of $Nil (2024 - $3,269,227).

(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, 2025, the Municipality's share of these costs was $1,371,446 (2024 - $1,361,309).

(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, 2025, the Municipality's contribution for these costs was $Nil (2024 - $1,041,831).

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

The Municipality provided a mandatory contribution in the amount of $17,942,800 (2024 - $16,530,308) to the Cape Breton-Victoria Regional Centre for Education.

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), 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.

(b) Credit risk

The Municipality is exposed to credit-related losses in the event residents and entities that the Municipality provides services to are unable to fulfill their obligations. The large number of residents and customers minimizes the credit risk.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality's debentures are long term with fixed range of rates thereby mitigating its interest rate risk.

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

17. BUDGET INFORMATION

The disclosed operating and capital budget information has been approved by the Mayor and Council at the council meeting on March 6, 2024.

The following provides a reconciliation of the approved operating budgets to the budget figures reported on the consolidated statement of operations and accumulated surplus in accordance with Canadian public sector accounting standards:

	2025
Approved operating budget for the year	
General operations	$ –
Water utility operations	(3,165,376)
Wastewater operations	–
Approved budget deficit	(3,165,376)
Adjusted for:	
Transfer of operating surplus	(610,000)
Principal payments on long-term debt	13,112,316
Capital expenditure out of operations	3,365,376
Amortization tangible capital assets – general operating	(18,000,000)
Adjusted budget deficit	$ (5,297,684)

18. PORT OF SYDNEY DEVELOPMENT CORPORATION

Effective April 1, 2024, the Municipality no longer met the indicators of control of the Port of Sydney Development Corporation and, as a result, the entity is no longer included in the reporting entity. The Municipality ceased consolidating the operations of the Port of Sydney Development Corporation and has derecognized all assets and liabilities of the Port of Sydney Development Corporation as previously consolidated, resulting in a charge to operations of $5,582,864 in the year ended March 31, 2025.

Cape Breton Regional Municipality
Schedule of Long-term Debt
For the year ended March 31, 2025

	Term (years)	Interest rate - %	Matures	Balance March 31/24	Issued	Redeemed	Balance March 31/25
General Fund							
M.F.C.							
34-B-1	10	3.190	2024	1,330,000	–	1,330,000	–
35-A-1	10-20	2.749-3.449	2030	1,720,000	–	560,000	1,160,000
36-A-1	10	2.225-2.506	2026	1,873,200	–	624,400	1,248,800
37-A-1	10	2.754-3.073	2027	3,309,600	–	827,400	2,482,200
38-A-1	10	3.141-3.389	2028	5,987,499	–	1,197,499	4,790,000
FCM-1	10	2.250	2028	500,000	–	100,000	400,000
39-A-1	10	2.265- 2.561	2029	6,150,000	–	1,025,000	5,125,000
40-A-1	10	0.850 - 2.376	2031	7,046,512	–	880,814	6,165,698
41-A-1	10	1.041 - 2.259	2031	8,906,880	–	1,113,360	7,793,520
42-B-1	10	4.177 - 4.402	2032	6,833,884	–	759,321	6,074,563
43-B-1	10-15	4.897 - 5.463	2038	8,887,057	–	791,176	8,095,881
44-A-1	20	3.428 - 4.731	2044	–	8,073,100	–	8,073,100
				52,544,632	8,073,100	9,208,970	51,408,762
M.F.C.							
Promissory note							
	3	1.100	2024	–	–		
Water Fund							
M.F.C.							
30-A-1	15	4.795 - 4.875	2025	5,250,000	–	750,000	4,500,000
34-A-1	15	3.347 - 3.792	2029	2,400,000	–	400,000	2,000,000
42-A-1	5	2.908 - 3.290	2027	3,658,000	–	914,500	2,743,500
43-A-1	5	3.550 - 4.714	2028	3,500,000	–	700,000	2,800,000
				14,808,000	–	2,764,500	12,043,500
				$ 67,352,632	$ 8,073,100	$ 11,973,470	$ 63,452,262

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 2025 and 2024 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, 2025	General Government Services	Port of Sydney Development Corporation	Protective Services	Transportation Services	Environmental Health Services	Recreation and Cultural Services	Development Services	Educational Services	Water Utility	Total
REVENUES										
Taxation	$ 82,455,507	$ –	$ 19,727,258	$ 8,644,529	$ –	$ –	$ –	$ 17,942,800	$ –	$ 128,770,094
Grants in lieu of taxes	10,869,771	–	–	–	–	–	–	–	–	10,869,771
Wastewater revenue	–	–	–	–	10,837,975	–	–	–	–	10,837,975
Services provided to other governments	–	–	535,614	–	–	–	–	–	–	535,614
Sales of services	65,077	–	–	1,819,031	–	2,611,533	–	–	–	4,495,641
Revenue from own sources	2,802,158	–	1,908,779	–	3,272,914		62,391	–	–	8,046,242
Unconditional transfers from other governments	15,942,138	–	–	–	–	–	–	–	–	15,942,138
Conditional transfers from other governments	–	–	5,194,032	–	–	–	–	–	–	5,194,032
Capital grants	–	–	1,555,945	8,454,279	27,927,417	1,125,982	155,617	–	–	39,219,239
Metered sales	–	–	–	–	–	–	–	–	20,577,522	20,577,522
Other water revenues	–	–	–	–	–	–	–	–	785,147	785,147
Investment income	731,891	–	–	–	–	–	–	–	–	731,891
Contributed assets	–	–	–	–	–	–	–	–	–	–
Gain on sale of properties	274,875	–	–	–	–	–	–	–	–	274,875
Disaster recovery	–	–	–	–	6,385,055	–	–	–	–	6,385,055
	113,141,417	–	28,921,628	18,917,839	48,423,360	3,737,515	218,008	17,942,800	21,362,669	252,665,236
EXPENSES										
Salaries, wages and benefits	9,197,529	–	38,670,982	20,292,867	4,376,259	6,123,620	966,404	–	3,052,010	82,679,672
Interest on long-term debt	569,043	–	371,773	520,215	209,491	384,103	–	–	485,953	2,540,577
Materials, goods, supplies and utilities	997,160	–	1,804,469	6,922,645	2,959,996	3,420,261	11,257	–	–	16,115,788
Contracted services	1,384,494	–	1,109,841	8,150,236	13,097,627	640,000	67,179	–	1,584,654	26,034,031
Other operating expenses	9,630,526	5,582,864	11,450,726	7,055,859	3,404,690	1,409,434	173,658	–	7,768,427	46,476,184
External transfers and grants	1,584,799	–	–	–	–	778,800	–	17,942,800	–	20,306,399
Amortization	299,767	–	1,684,932	10,765,137	3,679,714	2,419,206	851,394	–	3,583,952	23,284,102
	23,663,318	5,582,864	55,092,723	53,706,959	27,727,777	15,175,424	2,069,892	17,942,800	16,474,996	217,436,753
ANNUAL SURPLUS (DEFICIT)	$ 89,478,099	$ (5,582,864)	$ (26,171,095)	$ (34,789,120)	$ 20,695,583	$ (11,437,909)	$ (1,851,883)	$ –	$ 4,887,673	$ 35,228,483

Year ended March 31, 2024	General Government Services	Port of Sydney Development Corporation	Protective Services	Transportation Services	Environmental Health Services	Recreation and Cultural Services	Development Services	Educational Services	Water Utility	Total
REVENUES										
Taxation	$ 84,909,282	$ –	$ 20,314,318	$ 8,901,780	$ –	$ –	$ –	$ 16,530,308	$ –	$ 130,655,688
Grants in lieu of taxes	10,480,435	–	–	–	–	–	–	–	–	10,480,435
Services provided to other governments	–	–	919,499	–	–	–	–	–	–	919,499
Sales of services	62,066	–	–	2,102,946	–	2,641,934	–	–	–	4,806,946
Revenue from own sources	2,610,725	3,566,346	1,677,664	–	3,225,955	–	50,144	–	–	11,130,834
Unconditional transfers from other governments	15,777,701	–	–	–	–	–	–	–	–	15,777,701
Conditional transfers from other governments	–	3,957	4,689,003	–	–	–	–	–	–	4,692,960
Capital grants	–	–	1,555,944	8,454,279	10,335,914	1,125,982	155,617	–	–	21,627,736
Metered sales	–	–	–	–	–	–	–	–	20,520,805	20,520,805
Other water revenues	–	–	–	–	–	–	–	–	968,034	968,034
Investment income	1,313,531	–	–	–	–	–	–	–	–	1,313,531
Contributed assets	–	–	–	–	–	6,928,900	–	–	–	6,928,900
Gain on sale of properties	179,979	–	–	–	–	–	–	–	–	179,979
Disaster recovery	–	–	–	–	2,967,860	–	–	–	–	2,967,860
	115,333,719	3,570,303	29,156,428	19,459,005	16,529,729	10,696,816	205,761	16,530,308	21,488,839	232,970,908
EXPENSES										
Salaries, wages and benefits	8,762,331	843,932	35,627,141	19,777,765	3,945,596	5,932,482	831,395	–	2,779,766	78,500,408
Interest on long-term debt	364,353	–	286,543	359,424	321,394	348,019	–	–	650,992	2,330,725
Materials, goods, supplies and utilities	999,111	571,167	1,661,908	6,367,077	2,401,006	3,235,570	21,882	–	5,842,241	21,099,962
Contracted services	1,123,753	94,589	975,200	6,187,670	12,267,984	1,420,471	118,129	–	1,655,837	23,843,633
Other operating expenses	5,902,535	562,395	10,050,812	10,453,496	4,286,123	1,264,970	211,474	–	2,900,425	35,632,230
External transfers and grants	4,826,959	–	1,041,831	–	–	778,800	–	16,530,308	–	23,177,898
Amortization	295,866	307,969	1,763,479	9,843,719	3,201,215	1,911,175	807,449	–	3,666,582	21,797,454
	22,274,908	2,380,052	51,406,914	52,989,151	26,423,318	14,891,487	1,990,329	16,530,308	17,495,843	206,382,310
ANNUAL SURPLUS (DEFICIT)	$ 93,058,811	$ 1,190,251	$ (22,250,486)	$ (33,530,146)	$ (9,893,589)	$ (4,194,671)	$ (1,784,568)	$ –	$ 3,992,996	$ 26,588,598

Cape Breton Regional Municipality

Schedule of Remuneration and Reportable Expenses of Council

For the year ended March 31, 2025

Council	Title	Number of Months as Elected Official	Annual Remuneration	Travel Expenses
E. MacDonald	Deputy Mayor/Councillor	12	$ 56,799	$ 9,720
S. Gillespie	Councillor	12	$ 54,761	$ –
G. MacDonald	Councillor	12	$ 54,761	$ 7,603
E. MacMullin	Councillor	12	$ 54,761	$ 5,159
D. O’Quinn	Councillor	12	$ 50,716	$ 915
S. Parsons	Councillor	12	$ 54,761	$ 1,905
G. Paruch	Councillor	12	$ 54,761	$ 925
A. McDougall-Merrill	Mayor	7	$ 90,234	$ 6,967
J. Edwards	Deputy Mayor/Councillor	7	$ 34,888	$ 4,595
D. Bruckschwaiger	Councillor	7	$ 31,755	$ 3,876
L. Green	Councillor	7	$ 31,755	$ 3,638
C. MacDonald	Councillor	7	$ 31,755	$ 3,195
K. Tracey	Councillor	7	$ 31,755	$ 836
C. Clarke	Mayor	5	$ 67,255	$ 7,753
D. MacKeigan	Councillor	5	$ 23,005	$ –
S. MacNeil	Councillor	5	$ 23,006	$ 4,685
E. Marshall	Councillor	5	$ 23,006	$ 1,633
P. Nickituk	Councillor	5	$ 23,006	$ 1,243
K. Sheppard	Councillor	5	$ 23,006	$ 1,202
D. Kachafanas	CAO	N/A	$ 85,033	$ 3,027
M. Walsh	CAO	N/A	$ 214,283	$ 11,921

Cape Breton Regional Municipality
Schedule of Operating Fund and Change in Fund Balance
For the year ended March 31, 2025
(Unaudited)

	2025	2024
REVENUES		
Taxes	$ 128,770,094	$ 130,655,688
Grants in lieu of taxes	10,869,771	10,480,435
Wastewater	10,837,975	–
Services provided to other governments	535,614	919,499
Sales of services	4,495,641	4,806,946
Revenue from own sources	13,112,256	12,615,028
Unconditional transfers from other governments	15,942,138	15,777,701
Conditional transfers from other governments	5,194,032	4,689,003
Disaster recovery	6,385,055	2,967,860
	196,142,576	182,912,160
EXPENSES		
General government services	21,158,240	18,116,372
Protective services	60,484,180	56,719,826
Transportation services	42,941,822	42,874,738
Environmental health services	24,012,799	22,033,690
Public health and welfare services	213,353	3,465,650
Environmental development services	1,218,500	1,182,880
Recreation and cultural services	12,756,217	12,978,758
Educational services	17,942,800	16,530,308
	180,763,175	173,902,222
Excess of revenues over expenses before the following	15,379,401	9,009,938
FINANCING AND TRANSFERS		
Debenture and term loan principal instalments	(10,208,971)	(8,886,065)
Transfer from (to) special reserve funds	(3,797,098)	(710,051)
Transfer to general capital fund	(1,830,857)	(884,719)
Amortization of bond discount	(55,641)	(60,880)
	(15,892,567)	(10,541,715)
CHANGE IN FUND BALANCE	(513,166)	(1,531,777)
FUND BALANCE, BEGINNING OF YEAR	(6,182,295)	(4,650,518)
FUND BALANCE, END OF YEAR	$ (6,695,461)	$ (6,182,295)

Cape Breton Regional Municipality
Schedule of Water Utility Operating Fund and Change in Fund Balance
For the year ended March 31, 2025
(Unaudited)

	2025	2024
OPERATING REVENUES		
Metered sales	$ 20,577,522	$ 20,520,805
Public fire protection	7,076,391	7,076,391
Consumer's interest	6,684	317,748
	27,660,597	27,914,944
OPERATING EXPENSES		
Source of supply	505,539	443,065
Power and pumping	1,864,635	1,626,734
Water treatment	6,007,540	5,961,827
Transmission and distribution	4,777,581	4,594,067
Administration and general	2,512,961	3,563,418
Taxes	1,884,710	1,981,992
	17,552,966	18,171,103
Excess of revenues over expenses before the following	10,107,631	9,743,841
NON-OPERATING REVENUES		
Miscellaneous	778,463	650,286
NON-OPERATING EXPENSES		
Interest on debentures	485,953	650,992
Amortization of debt discounts	20,438	20,278
Other	28,929	27,360
Transfer to water capital fund	8,224,064	7,381,082
Transfer to general capital fund	650,000	650,000
	9,409,384	8,729,712
CHANGE IN FUND BALANCE	1,476,710	1,664,415
FUND BALANCE, BEGINNING OF YEAR	8,814,236	7,149,821
FUND BALANCE, END OF YEAR	$ 10,290,946	$ 8,814,236

Cape Breton Regional Municipality
Schedule of Capital Fund and Change in Fund Balance
For the year ended March 31, 2025
(Unaudited)

		2025		2024
REVENUES				
Capital grants	$	24,404,401	$	14,240,868
Contributed assets		–		6,928,900
		24,404,401		21,169,768
EXPENSES				
General government services		2,215,646		611,728
Protective services		1,684,934		1,763,479
Transportation services		10,765,137		10,114,413
Environmental health services		3,679,714		4,389,628
Recreation and cultural services		2,419,207		1,912,729
Planning and development services		851,392		807,449
		21,616,030		19,599,426
Excess of revenues over expenses before the following		2,788,371		1,570,342
FINANCING AND TRANSFERS				
Transfer from reserve funds		27,925,222		16,997,847
Transfer from general operating fund		1,830,857		884,719
Transfer from water operating fund		650,000		650,000
Debenture and term loan principal instalments		10,208,971		8,886,065
		40,615,050		27,418,631
CHANGE IN FUND BALANCE		43,403,421		28,988,973
FUND BALANCE, BEGINNING OF YEAR		312,610,738		283,621,765
FUND BALANCE, END OF YEAR	$	356,014,159	$	312,610,738

Cape Breton Regional Municipality
Schedule of Water Utility Capital Fund and Change in Fund Balance
For the year ended March 31, 2025
(Unaudited)

	2025	2024
REVENUES		
Interest	$ 110,790	$ –
EXPENSES		
Amortization	3,583,952	3,696,928
Deficiency of revenues over expenses before the following	(3,473,162)	(3,696,928)
FINANCING AND TRANSFERS		
Transfer from water operating fund	8,224,064	7,381,082
CHANGE IN FUND BALANCE	4,750,902	3,684,154
FUND BALANCE, BEGINNING OF YEAR	110,026,885	106,342,731
FUND BALANCE, END OF YEAR	$ 114,777,787	$ 110,026,885

Cape Breton Regional Municipality
Schedule of Reserve Funds and Change in Fund Balance
For the year ended March 31, 2025
(Unaudited)

	2025	2024
REVENUES		
Investment income	$ 711,036	$ 1,307,267
Sale of properties	274,875	179,979
Grants	14,814,838	7,386,868
	15,800,749	8,874,114
FINANCING AND TRANSFERS		
Transfer from operating fund	3,797,098	710,051
Transfer to capital funds	(27,925,221)	(16,997,847)
	(24,128,123)	(16,287,796)
CHANGE IN FUND BALANCE	(8,327,374)	(7,413,682)
FUND BALANCE, BEGINNING OF YEAR	45,041,601	52,455,283
FUND BALANCE, END OF YEAR	$ 36,714,227	$ 45,041,601

Cape Breton Regional Municipality
Schedule of Water Utility Reserve Funds and Change in Fund Balance
For the year ended March 31, 2025
(Unaudited)

	2025	2024
REVENUES		
Investment income	$ 20,854	$ 6,264
CHANGE IN FUND BALANCE	20,854	6,264
FUND BALANCE, BEGINNING OF YEAR	2,058,565	2,052,301
FUND BALANCE, END OF YEAR	$ 2,079,419	$ 2,058,565

Cape Breton Regional Municipality
Water Utility
Financial Statements
March 31, 2025

Cape Breton Regional Municipality Water Utility
Financial Statements
For the year ended March 31, 2025

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Management's Responsibility for the Financial Statements

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

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

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

The financial statements have been audited by MNP LLP, independent external auditors appointed by the Water Utility. The accompanying Independent Auditors’ Report outlines their responsibilities, the scope of their examination and their opinion on the Water Utility’s financial statements.

Nancy Dove, Chief Financial Officer

Cape Breton Regional Municipality Water Utility
Statement of Financial Position – Operating Fund
As at March 31, 2025

	2025	2024
ASSETS		
Cash	$ 10,397,635	$ –
Water rates receivable (less allowance for doubtful accounts $1,549,101 (2024 - $1,115,581))	11,269,597	11,603,737
Sundry receivables	165,843	204,940
Inventories	508,820	476,899
	$ 22,341,895	$ 12,285,576
LIABILITIES		
Bank indebtedness	$ –	$ 1,541,570
Payables and accruals	4,468,017	4,168,095
Unearned revenue	1,238,569	1,447,617
Due to Cape Breton Regional Municipality General section, operating fund	6,076,712	–
Due to water utility, capital fund	3,270,122	–
	15,053,420	7,157,282
SURPLUS	7,288,475	5,128,294
	$ 22,341,895	$ 12,285,576

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility:

_____________________________ Mayor

_____________________________ Clerk

Cape Breton Regional Municipality Water Utility
Statement of Financial Activities – Operating Fund
For the year ended March 31, 2025

	2025	2025	2024
	Budget (Note 6)	Actual	Actual
OPERATING REVENUES			
Metered sales	$ 19,976,534	$ 20,577,522	$ 20,520,805
Public fire protection	7,076,391	7,076,391	7,076,391
Consumer's interest	350,000	778,463	960,113
Service connections	66,000	6,684	7,921
	27,468,925	28,439,060	28,565,230
OPERATING EXPENSES			
Source of supply	570,277	505,539	443,065
Power and pumping	2,103,301	1,864,635	1,626,734
Water treatment	5,204,401	6,007,540	5,961,827
Transmission and distribution	5,211,763	5,427,581	5,244,067
Administration and general	4,077,551	3,813,100	3,563,418
Depreciation	4,076,040	3,548,187	3,666,582
Taxes	2,081,826	1,884,710	1,981,992
	23,325,159	23,051,292	22,487,685
Excess of operating revenues over expenses before the following	4,143,766	5,387,768	6,077,545
NON-OPERATING REVENUES			
Amortization of deferred capital contributions	–	298,503	298,502
NON-OPERATING EXPENSES			
Debt charges			
Provision for principal repayment	2,949,454	2,764,500	3,564,500
Interest	844,312	485,953	650,992
Amortization of debt discounts	–	20,438	20,277
Bank fees/charges	150,000	28,929	27,360
Capital expenditures out of operations	3,365,376	226,270	150,000
	7,309,142	3,526,090	4,413,129
ANNUAL SURPLUS (DEFICIT)	$ (3,165,376)	$ 2,160,181	$ 1,962,918

See accompanying notes to financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Operating Fund Surplus
For the year ended March 31, 2025

	2025	2024
SURPLUS, BEGINNING OF YEAR	$ 5,128,294	$ 3,165,376
Annual surplus	2,160,181	1,962,918
SURPLUS, END OF YEAR	$ 7,288,475	$ 5,128,294

See accompanying notes to financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Cash Flows – Operating Fund
For the year ended March 31, 2025

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	$ 2,160,181	$ 1,962,918
Change in non-cash operating working capital		
Water rates receivable	(793,781)	(1,364,675)
Sundry receivables	39,097	(46,427)
Inventories	(31,921)	(48,927)
Payables and accruals	297,963	(357,111)
Unearned revenue	(209,048)	94,187
	1,462,491	239,965
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to Cape Breton Regional Municipality, operating fund	6,809,442	–
Increase in due to water utility, capital fund	3,667,272	(3,666,173)
	10,476,714	(3,666,173)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,939,205	(3,426,208)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(1,541,570)	1,884,638
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,397,635	$ (1,541,570)

Cash and cash equivalents consist of:		
Cash	$ 10,397,635	$ –
Bank indebtedness	–	(1,541,570)
	$ 10,397,635	$ (1,541,570)

See accompanying notes to non-consolidated financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Financial Position – Capital Fund
As at March 31, 2025

		2025		2024
ASSETS				
Cash	$	3,459,814	$	6,283,155
Cash – depreciation reserve		4,285,327		3,457,630
HST receivable		464,819		96,334
		8,209,960		9,837,119
Due from water utility, operating fund		3,270,122		–
Due from general operating fund		110,790		76,854
Unamortized debt discount		42,116		62,554
Capital assets				
Utility plant in service (Schedule A)		189,566,349		186,016,206
Work in progress		6,237,790		3,934,604
Properties adjoining watershed		174,977		174,977
		195,979,116		190,125,787
	$	207,612,104	$	200,102,314
LIABILITIES				
Accounts and holdbacks payable	$	1,168,010	$	446,725
Due to Cape Breton Regional Municipality				
General section, capital fund		3,345,511		–
General section, operating fund		–		106,469
Asset retirement obligation (Note 4)		101,805		139,086
Term debt (Schedule B)		12,043,500		14,808,000
		16,658,826		15,500,280
DEFERRED CAPITAL CONTRIBUTIONS		11,485,299		11,783,802
RESERVES				
Accumulated allowance for depreciation of utility plant		76,175,492		72,627,305
FUND BALANCE		103,292,487		100,190,927
	$	207,612,104	$	200,102,314

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility:

________________________________ Mayor

________________________________ Clerk

Cape Breton Regional Municipality Water Utility
Statement of Change in Cash – Depreciation Reserve
For the year ended March 31, 2025

	2025	2024
BALANCE, BEGINNING OF YEAR	$ 3,457,630	$ 3,457,630
Depreciation	3,548,187	3,666,582
Amortization of capital contributions	(298,503)	(298,502)
Capital purchases	(3,587,422)	(2,540,381)
Fund, end of year	3,119,892	4,285,329
Amount over (under) funded	1,165,435	(827,699)
CASH, END OF YEAR	$ 4,285,327	$ 3,457,630

Statement of Accumulated Allowance for Depreciation
For the year ended March 31, 2025

	2025	2024
BALANCE, BEGINNING OF YEAR	$ 72,627,305	$ 68,960,723
Depreciation for the year	3,548,187	3,666,582
BALANCE, END OF YEAR	$ 76,175,492	$ 72,627,305

Statement of Investment in Capital Assets
For the year ended March 31, 2025

	2025	2024
BALANCE, BEGINNING OF YEAR	$ 100,190,927	$ 96,476,427
Term debt retired	2,764,500	3,564,500
Capital out of operations	226,270	150,000
Interest	110,790	–
BALANCE, END OF YEAR	$ 103,292,487	$ 100,190,927

See accompanying notes to non-consolidated financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Financial Position – Special Reserve Fund
As at March 31, 2025

	2025	2024
ASSETS		
Cash	$ 16,466,626	$ 1,166,626
Term deposit	898,079	891,938
Due from general operating fund	14,714	–
	$ 17,379,419	$ 2,058,564
LIABILITIES		
Deferred revenue	$ 15,300,000	$ –
RESERVE		
Special reserve	$ 2,079,419	$ 2,058,564
	$ 17,379,419	$ 2,058,564

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility:

______________________________ Mayor

______________________________ Clerk

Cape Breton Regional Municipality Water Utility
Statement of Special Reserve
For the year ended March 31, 2025

					2025	2024
	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	Total	Total
BALANCE, BEGINNING OF YEAR	$ 55,793	$ 943,926	$ 342,600	$ 716,245	$ 2,058,564	$ 2,052,302
Interest on investments	835	14,183	5,837	–	20,855	6,262
BALANCE, END OF YEAR	$ 56,628	$ 958,109	$ 348,437	$ 716,245	$ 2,079,419	$ 2,058,564

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 Water Utility), Council and Service Nova Scotia and Municipal Relations.

The basis of accounting used in these financial statements differs materially from Canadian public sector accounting standards as prescribed by the Chartered Professional Accountants 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 that:

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in net assets 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 and Capital Fund. The consolidated financial statements prepared in accordance with the CPA Handbook would include consolidated statements of financial position, financial activities, changes in net financial assets, and cash flows.
- Government transfers for the acquisition of tangible capital assets be deferred and amortized to revenue in the capital fund at a rate corresponding with the amortization of the related tangible capital asset.
- 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;

(b) Cash and cash equivalents

Cash and cash equivalents of the operating fund is defined as cash on hand, deposits at banks net of outstanding cheques and deposits, and bank indebtedness.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting rates receivable outstanding.

(d) Inventories

Inventories are stated at the lower of cost and net realizable value and are measured using the first in, first out basis.

(e) 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
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

(f) 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.

(g) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal or contractual obligation for the Water Utility to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2025. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Asset retirement obligation (continued)

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset. For asset retirement obligations associated with tangible capital assets no longer in productive use, the Water Utility recognizes an expense of the same amount as the liability.

At each financial reporting date, the Water Utility reviews the carrying amount of the liability. The Water Utility recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cashflows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Water Utility continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made

(h) Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to the financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, receivables, payables and accruals, accounts and holdbacks payable and long term debt.

Subsequent measurement

At each reporting date, the Water Utility measures its financial assets and liabilities at cost or amortized cost (less impairment int eh case of financial assets), except for investments, which must be measured at fair value. The Water Utility uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of financial activities. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payable and accruals, accounts and holdbacks payable and long term debt.

Impairment

For financial assets measured at cost or amortized cost, the Water Utility regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Water Utility determines that there is a significant adverse change in the expected timing or amount of future cash flows from the asset, it recognizes an impairment loss in the statement of financial activities. Any reversals of previously recognized impairment losses are recognized in activities in the year the reversal occurs.

(h) Financial instruments

Impairment (continued)

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

(i) 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 $12,426,440 (2024 - $8,449,858).

d) The Water Utility provides public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to $7,076,391 (2024 - $7,076,391). 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, 2025, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 4.9% (2024 – 5.7%).

4. ASSET RETIREMENT OBLIGATION

The Water Utility owns water storage tanks that fall within PS 3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact and restore the lands to its prior state. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the carrying value of the related capital asset.

Changes to the asset retirement obligation in the year are as follows:

	2025	2024
Opening balance	$ 139,086	$ 139,086
Acquired during the year	–	–
Liabilities settled	37,281	–
	$ 101,805	$ 139,086

5. FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, receivables, payables and accruals and accounts and holdbacks payable approximate their fair value due to the relatively short terms to maturity.

The carrying value of inter-fund balances and due to/from Cape Breton Regional Municipality approximates its fair value due to the terms and conditions being the same or similar to current market rates available to the Water Utility.

The fair value of the debt approximates the carrying value because the contractual rates of interest approximate current market rates available to the Water Utility.

6. BUDGET INFORMATION

The disclosed budget information has been approved by the Mayor and Council at the council meeting on March 6, 2024.

Cape Breton Regional Municipality Water Utility
Schedule A - Utility Plant and Equipment
For the year ended March 31, 2025

	2025	2024
Organization	$ 4,000	$ 4,000
Working capital	70,162	70,162
	74,162	74,162
Land and land rights		
Source of supply land	1,517,777	1,435,550
Power and pumping land	343,374	343,374
Transmission land	157,021	157,021
	2,018,172	1,935,945
Structures and improvements		
Source of supply	19,012,595	19,012,595
Power and pumping	7,524,334	7,524,332
Purification structures	2,791,214	2,791,214
Distribution and storage	5,336,968	5,336,968
Shop	299,817	299,817
Asset retirement obligation	101,805	139,086
	35,066,733	35,104,012
Equipment		
Electrical pumping equipment	3,776,122	3,776,122
Diesel pumping equipment	543,261	543,261
Purification equipment	24,596,055	24,596,055
Office furniture and equipment	362,453	362,453
Transportation equipment	309,945	309,945
Meter shop equipment	30,689	30,689
Tools and work equipment	268,948	268,948
Motor operated tools	680,584	680,584
Other	690,072	690,072
	31,258,129	31,258,129
Mains		
Transmission	31,553,000	31,579,074
Distribution	56,380,075	53,903,842
	87,933,075	85,482,916
Services	16,398,335	15,751,013
Meters	12,499,457	12,304,443
Hydrants	4,318,286	4,105,586
	$ 189,566,349	$ 186,016,206

Cape Breton Regional Municipality Water Utility
Schedule B - Capital Debt
For the year ended March 31, 2025

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2024	Issued	Redeemed	Balance March 31, 2025
Municipal Finance Corporation							
30-A-1	2010	2025	4.795 – 4.875	$ 5,250,000	$ –	$ 750,000	$ 4,500,000
34-A-1	2014	2029	3.347 – 3.792	2,400,000	–	400,000	2,000,000
42-A-1	2022	2027	2.908 – 3.290	3,658,000	–	914,500	2,743,500
43-A-1	2023	2028	3.550 – 4.714	3,500,000	–	700,000	2,800,000
				$14,808,000	$ –	$ 2,764,500	$ 12,043,500

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

2026	$ 6,514,500
2027	$ 2,014,500
2028	$ 2,014,500
2029	$ 1,100,000
2030	$ 400,000

Cape Breton Regional Municipality

2025 Audit Findings

Report to the Audit Committee

March 31, 2025

Darren Chiasson, CPA, CA
T: 902.567.6401
E: darren.chiasson@mnp.ca

September 9, 2026

Members of the Audit Committee of Cape Breton Regional Municipality

Dear Audit Committee:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") and financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility") as at March 31, 2025 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Audit Committee.

We have substantially completed our audits of the consolidated financial statements of the Municipality and the financial statements of the Water Utility which have been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Independent Auditor's Report will provide unmodified opinions to the Mayor and Council of the Municipality and the Water Utility. A draft copy of our proposed Independent Auditor's Reports are attached at the end of this report.

This report is intended solely for the information and use of the Audit Committee and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

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Introduction

As auditors, we report to the Mayor and Council on the results of our examination of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") and financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility") as at and for the year ended March 31, 2025. The purpose of this Audit Findings Report is to assist you, as members of the Audit Committee, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures.

We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

Engagement Status

We have substantially completed our audit of the consolidated financial statements of the Municipality and Water Utility and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letters;
- Discussion of subsequent events with the Audit Committee;
- The Mayor and Council's review and approval of the Municipality's consolidated financial statements and the Water Utility financial statements.

Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on September 15, 2026.

Unless unforeseen complications arise, our Independent Auditor's Report will provide unmodified opinion to the Mayor and Council of the Municipality and the Water Utility. A draft copy of our proposed Independent Auditor's Reports has been included with this report.

Significant Audit, Accounting and Reporting Matters

Audit and Reporting Matters

The following significant matters arose during the course of audit that we wish to bring to your attention.

Area	Comments
Changes from Audit Service Plan	There were no deviations from the Audit Service Plan. Please refer to Appendix B for the significant areas and our audit responses.
Difficulties Encountered	The following difficulties were encountered in completing our audit procedures: • There was a significant delay in the Municipality providing a trial balance of the capital fund. • The Municipality encountered turnover in key finance personnel, who required time to acclimate themselves within their positions. • We had to significantly extend our test of capital asset additions as a result of errors in our original sample.
Identified or Suspected Fraud	Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud. While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.
Identified or Suspected Non-Compliance with Laws And Regulations	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.
Matters Arising in Connection With Related Parties	No significant matters arose during the course of our audit in connection with related parties of the Municipality.

Area	Comments
Significant Deficiencies in Internal Control	Our audit process focuses on understanding the controls utilized in management's reporting systems, including for estimates, to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing. It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls. We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the Audit Committee on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist. While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, we communicate our findings and recommendations in the Management Letter.
Matters Arising from Discussions With Management	We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Municipality. There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.
Significant Differences	A few significant adjustment were proposed to management with respect to the March 31, 2025 financial statements. A summary of significant differences has been included as Appendix B to this report.
Final Materiality	Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Municipality, and is affected by our assessment of materiality and audit risk. Final materialities used for the consolidated financial statement audit of the Municipality and the audit of the Water Utility were $8,900,000 and $1,170,000, respectively.

Auditor’s Views of Significant Accounting Practices

The application of Canadian public sector accounting standards allows and requires the Municipality to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Municipality’s accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Area	Comments
Accounting Policies	The accounting policies used by the Municipality and Water Utility are appropriate and have been consistently applied.
Accounting Estimates	The preparation of consolidated 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 revenue and expenses in the consolidated financial statements and accompanying notes. Amortization is based on the estimated useful lives of capital assets. Taxes, rates and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Asset retirement obligations are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration. By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.
Financial Statement Disclosures	The disclosures made in the notes to the consolidated and Water Utility financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated and Water Utility financial statements.

Area	Comments
Significant Unusual Transaction	The consolidated financial statements are affected by the following unusual transaction: • Effective April 1, 2024, the Municipality no longer met the indictors of control of the Port of Sydney Development Corporation. As a result, the Municipality derecognized the assets, liabilities and surplus of the Port resulting in a charge to operations of $5,582,864.

Other Matters

Management Representations

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. These letters, provided by management, have been included as additional material to this report.

Auditor Independence

We confirm to the Audit Committee that we are independent of the Municipality and Water Utility. Our draft letter to the Audit Committee discussing our independence is included as part of the additional materials attached to this report.

Appendix A - MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated and Water Utility financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Where possible, reliance was placed on the controls within these systems to reduce the extent of our testing of transactions and year-end balances. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated and Water Utility financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Municipality and Water Utility and its environment, the applicable financial reporting framework and the Municipality's and Water Utility's system of internal control (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated and Water Utility financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated and Water Utility financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees; and
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated and Water Utility financial statements;
- Not directly related to items that are material to the consolidated and Water Utility financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated and Water Utility financial statements.

Appendix B - Significant Risk Areas and Responses

Significant Risk Areas and Responses

Significant Risk Area	Response and Conclusion
Revenues Revenue is a presumed fraud risk and therefore considered a significant risk.	Government grants and other revenue -MNP reviewed supporting documentation for individual items exceeding our significant value threshold as well as a test of details of the remaining population using a random selection based on a significant risk factor. No issues were identified.
Tangible capital assets There is a risk of inaccurate classification of tangible capital assets and work in progress.	MNP performed a test of details on capital asset additions, noting the completion status of each project. No significant issues remain
Management override of internal control There is a presumed fraud risk of management override of internal control.	MNP performed a review of journal entries for unusual entries and obtained supporting documentation for high risk entries identified. No issues were identified.

Appendix C - Summary of Uncorrected Misstatements - Consolidated

(SEE ATTACHED)

SUMMARY OF DIFFERENCES

Cape Breton Regional Municipality

March 31, 2025

	SIGNIFICANT UNADJUSTED DIFFERENCES DR(CR)					
	STATEMENT OF OPERATIONS			STATEMENT OF FINANCIAL POSITION		
DESCRIPTION OF DIFFERENCES	IDENTIFIED	PRIOR YEAR	LIKELY AGGREGATE	ASSETS	LIABILITIES	NET ASSETS
To record impact of unrecorded receivable for gas tax						
Prior period	$ -	$ (6,820,774)	$ -	$ 6,820,774	$ -	$ (6,820,774)
Current year	$ 6,820,774		$ -	$ (6,820,774)	$ -	$ 6,820,774
To record impact of prior year unspent capital asset funding recognized as revenue						
Prior period	$ -	$ 6,724,941	$ -	$ -	$ (6,724,941)	$ 6,724,941
Current year	$ (6,724,941)		$ -	$ -	$ 6,724,941	$ (6,724,941)
To record impact of unrecorded payable relating to capital asset						
Prior period	$ -		$ -	$ -	$ -	$ -
Current year	$ -		$ -	$ 1,134,034	$ (1,134,034)	$ -
To record impact of prior year difference in accounting for principal payments of Water Utility in consolidated FS						
Prior period	$ -	$ (1,290,398)	$ -	$ -	$ -	$ 1,290,398
Current year	$ 1,290,398		$ -	$ -	$ -	$ (1,290,398)
To adjust for outstanding transfer recorded in error						
Prior period	$ -		$ -	$ -	$ -	$ -
Current year	$ -		$ -	$ 745,887	$ (745,887)	$ -
Total	**$ 1,386,231**	**$ (1,386,231)**	**$ -**	**$ 1,879,921**	**$ (1,879,921)**	**$ -**
Final overall materiality	$ 8,900,000	$ 8,900,001	$ 8,900,000	$ 8,900,000	$ 8,900,000	$ 8,900,000
Excess (shortfall)	**$ 7,513,769**	**$ 7,513,770**	**$ 8,900,000**	**$ 7,020,079**	**$ 7,020,079**	**$ 8,900,000**

Appendix D - Summary of Uncorrected Misstatements - Water Utility

(SEE ATTACHED)

SUMMARY OF DIFFERENCES

Cape Breton Regional Municipality Water Utility

March 31, 2025

	SIGNIFICANT UNADJUSTED DIFFERENCES DR(CR)				
	STATEMENT OF FINANCIAL ACTIVITIES		STATEMENT OF FINANCIAL POSITION		
DESCRIPTION OF DIFFERENCES	IDENTIFIED	LIKELY AGGREGATE	ASSETS	LIABILITIES	NET ASSETS
To adjust accrual for principal and interest payment on debt in the Water Utility					
Prior period	$ -	$ -	$ -	$ 274,119	$ (274,119)
Current year	$ 185,504	$ 185,504	$ -	$ (185,504)	$ 185,504
Total	**$ 185,504**	**$ 185,504**	**$ -**	**$ 88,615**	**$ (88,615)**
Final overall materiality	$ 1,170,000	$ 1,170,000	$ 1,170,000	$ 1,170,000	$ 1,170,000
Excess (shortfall)	**$ 984,496**	**$ 984,496**	**$ 1,170,000**	**$ 1,081,385**	**$ 1,081,385**

Draft Independent Auditor's Report

(See Attached)

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

Opinion

We have audited the consolidated financial statements of Cape Breton Regional Municipality and its subsidiaries (the "Municipality"), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at March 31, 2025, and the results of its consolidated financial activities, change in its net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information is presented for the purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion on the audit of the consolidated financial statements as a whole.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

MNP LLP
Commerce Tower 15 Dorchester St., Suite 500 PO Box 1, Sydney NS, B1P 6G9 T: 902.539.3900 F: 902.564.6062

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Sydney, Nova Scotia

Chartered Professional Accountants

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

Opinion

We have audited the financial statements of Cape Breton Regional Municipality Water Utility (the "Water Utility"), which comprise the statement of financial position as at March 31, 2025, and the statements of financial activities, operating fund surplus, change in cash - depreciation reserve, accumulated allowance for depreciation, investment in capital assets, special reserve and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present, in all material respects, the financial position of the Water Utility as at March 31, 2025, and the results of its financial performance and its cash flows for the year then ended in compliance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

MNP LLP
Commerce Tower 15 Dorchester St., Suite 500 PO Box 1, Sydney NS, B1P 6G9 T: 902.539.3900 F: 902.564.6062

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Sydney, Nova Scotia

Chartered Professional Accountants

Draft Management Representations

(See Attached)

September 15, 2026

MNP LLP
Commerce Tower 15 Dorchester St.
Suite 500 PO Box 1
Sydney, Nova Scotia B1P 6G9

To Whom It May Concern:

In connection with your audit of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") as at March 31, 2025 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the consolidated financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 4, 2025, for the preparation and fair presentation of the Municipality's consolidated financial statementsin accordance with Canadian public sector accounting standards. We believe these consolidated financial statements are complete and present fairly, in all material respects, the financial position of the Municipality as at March 31, 2025, and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards.

2. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements, and are reported in the appropriate period.

3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Municipality's consolidated financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the consolidated financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the consolidated financial statements.

4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.

5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.

6. The assumptions relevant to accounting estimates and disclosures appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

7. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of Canadian public sector accounting standards.

8. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the consolidated financial statements.

9. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the consolidated financial statement effects of the entries.

10. We believe the effects of those uncorrected consolidated financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. A summary of these differences has been attached to the audit findings report.

11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

12. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the consolidated financial statements.

13. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the consolidated financial statements in accordance with Canadian public sector accounting standards.

14. All liabilities, both known and contingent, requiring recognition or disclosure in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.

15. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

16. All assets, wherever located, to which the Municipality had satisfactory title at the year-end, have been fairly stated and recorded in the consolidated financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the consolidated financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the consolidated financial statements.

17. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the consolidated financial statements.

18. All cash accounts have been appropriately recorded in the consolidated financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.

19. Accounts and contributions receivable are correctly described in the records and represent valid claims as at March 31, 2025. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.

20. Inventory is correctly recorded in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.

21. All charges to tangible capital assets and additions under capital leases represent capital expenditures. No expenditures of a capital nature were charged to operations of the Municipality. Depreciation of tangible capital assets and equipment under capital leases has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the consolidated financial statements.

22. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.

23. All long-term debt and capital lease obligations have been appropriately recorded in the consolidated financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt and capital lease obligations is appropriately classified. All terms and conditions have been fully disclosed in the consolidated financial statements. We have provided you with the most current debt and financing agreements.

24. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Municipality is not entitled to the proceeds.

25. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards.

26. We have identified all known or potential contaminated sites and the costs associated with the remediation of these sites have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards.

Information Provided

1. We have responded fully to all inquiries made to us and have made available to you:

   - A complete record of all financial records that are relevant to the preparation and presentation of the consolidated financial statements, and related data and minutes of the meetings of Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
   - Additional information that you have requested from us for the purpose of your audit;
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.

3. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.

4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the consolidated financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the consolidated financial statements.

5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.

6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the consolidated financial statements, including non-compliance.

7. We have disclosed to you the identities of all related parties to the Municipality and all related party relationships and transactions of which we are aware.

8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

9. The previous year's representation letter dated January 20, 2025 is still applicable to the prior year's consolidated financial statements, and no matters have arisen that require restatement of those consolidated financial statements.

10. There are no discussions with your firm's personnel regarding employment with the Municipality.

Professional Services

1. We acknowledge the engagement letter dated June 4, 2025, which states the terms of reference regarding your professional services.

2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Municipality's audit.

Sincerely,

Cape Breton Regional Municipality

______________________________ ______________________

Signature Title

Cape Breton Regional Municipality Water Utility
320 Esplanade
Sydney, NS B1P 7B9

September 15, 2026

MNP LLP
Commerce Tower 15 Dorchester St.
Suite 500 PO Box 1
Sydney, Nova Scotia B1P 6G9

To Whom It May Concern:

In connection with your audit of the financial statements of Cape Breton Regional Municipality Water Utility (the "Water Utility") as at March 31, 2025 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 4, 2025, for the preparation and fair presentation of the Water Utility's financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia. We believe these financial statements are complete and present fairly, in all material respects, the financial position of the Water Utility as at March 31, 2025 and the results of its financial performance and its cash flows, in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.

3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Water Utility's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia, and are applied consistently throughout the financial statements.

4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.

5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.

6. The assumptions relevant to accounting estimates and disclosures appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

7. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

8. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.

9. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.

10. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these differences has been attached to audit findings report.

11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

12. All events or transactions that have occurred subsequent to the statement of financial position and for which Accounting and Reporting Handbook for Water Utilities in Nova Scotia require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.

13. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

14. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia have been adjusted or disclosed as appropriate.

15. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.

16. All assets, wherever located, to which the Water Utility had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.

17. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.

18. All cash accounts have been appropriately recorded in the financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.

19. Accounts and contributions receivable are correctly described in the records and represent valid claims as at March 31, 2025. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.

20. Inventory is correctly recorded in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.

21. All charges to tangible capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the Water Utility. Depreciation of tangible capital assets has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.

22. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.

23. All long-term debt has been appropriately recorded in the financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt is appropriately classified. All terms and conditions have been fully disclosed in the financial statements. We have provided you with the most current debt and financing agreements.

24. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Water Utility is not entitled to the proceeds.

25. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

26. We have identified all known or potential contaminated sites and asset retirement obligations and the costs associated have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards..

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:

   - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements, and related data and minutes of the meetings of Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
   - Additional information that you have requested from us for the purpose of your audit;
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.

3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.

4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.

5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.

6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.

7. We have disclosed to you the identities of all related parties to the Water Utility and all related party relationships and transactions of which we are aware.

8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

9. The previous year's representation letter dated October 28, 2024 is still applicable to the prior year's financial statements, and no matters have arisen that require restatement of those financial statements.

10. There are no discussions with your firm's personnel regarding employment with the Water Utility.

Professional Services

1. We acknowledge the engagement letter dated June 4, 2025, which states the terms of reference regarding your professional services.

2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Water Utility's audit.

Sincerely,

Cape Breton Regional Municipality Water Utility

Signature	Title

Draft Independence Communication

(See Attached)

September 15, 2026

Audit committee
Cape Breton Regional Municipality
320 Esplanade
Sydney, NS B1P 7B9

Dear Sirs/Mesdames:

We have been engaged to audit the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") as at March 31, 2025 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Municipality and its related entities or persons in financial reporting oversight roles at the Municipality and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

(a) Holding a financial interest, either directly or indirectly, in a client;
(b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
(c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
(d) Economic dependence on a client; and
(e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Municipality and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from February 5, 2025 to September 15, 2026.

We hereby confirm that MNP is independent with respect to the Municipality within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Nova Scotia as of September 15, 2026.

This report is intended solely for the use of Audit committee, management and others within the Municipality and should not be used for any other purposes.

Sincerely,

encls.

Cape Breton Regional Municipality

2026 Audit Service Plan

Report to the Audit Committee

March 31, 2026

Darren Chiasson, CPA, CA
T: 902.567.6401
E: darren.chiasson@mnp.ca

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Audit Service Plan Overview

We are pleased to present our Audit Service Plan for Cape Breton Regional Municipality and its subsidiaries (the "Municipality") which outlines the strategy we will follow to provide the Municipality's Audit Committee with our Independent Auditor's Report on the March 31, 2026 consolidated financial statements. We are providing this Audit Service Plan to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

We confirm to the Audit Committee that we are independent of the Municipality. Our letter to the Audit Committee discussing our independence will be included at the conclusion of the audit.

Topics for Discussion

We are committed to providing superior client service by maintaining effective two-way communication. Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- The management oversight process
- Any other issues and/or concerns
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and actual or suspected fraud
- Laws and regulations, including any instances of actual or suspected non-compliance
- Your specific needs and expectations

The MNP Audit Approach

Audit Materiality

The scope of our audit work is tailored to reflect the relative size of operations of the Municipality and our assessment of the potential for material misstatements in the Municipality's consolidated financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Municipality;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.

We propose to use $10,800,000 as overall materiality for audit planning purposes for the consolidated financial statements and$1,205,000 for the Water Utility financial statements.

Auditor's Approach to Internal Control

For the March 31, 2026 audit, we are planning to place low reliance on the Municipality's accounting system. This level of reliance is consistent with the prior year end, and will involve mainly substantive tests of details.

Key Changes and Developments

Based on our knowledge of the Municipality and our discussions with management, we have noted the recent developments set out below. Our audit strategy has been developed giving consideration to these factors.

ISSUES AND DEVELOPMENTS	SUMMARY
NEW REPORTING DEVELOPMENTS	• Concepts Underlying Financial Performance (New Conceptual Framework for Financial Reporting in the Public Sector) • Financial Statement Presentation (New Section PS 1202)

Detailed information on Key Changes and Developments are included as Appendix A.

Risk Assessment

Our audit process focuses on significant risks identified during the pre-planning and planning and risk assessment stage, ensuring that audit procedures are tailored to your specific circumstances and appropriately address those risks.

Based on the preliminary risk assessment procedures performed, we have identified the following significant and high risks which will be addressed during our audit. We have also outlined the proposed audit response to address those risks. We will update our risk assessment as the audit progresses for additional risks identified and will inform management of any additional significant risks identified.

SIGNIFICANT RISK AREA	PROPOSED AUDIT RESPONSE
Management override of internal controls Management override of internal controls is a presumed inherent fraud risk under auditing standards.	To respond to the overall risk of material misstatement due to fraud regarding management's override of controls, we perform the following procedures: 1. Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements 2. Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud, if applicable 3. Evaluate the rationale behind significant transactions that are not in the normal course of business and whether they have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets
Turnover of key financial personnel Changes in oversight of financial reporting and accounting processes increases the risk of undetected errors or omissions across multiple areas of the financial statements.	MNP will perform substantive testing of transactions relating to approvals and payments made during the vacancy period to ensure proper controls remained in place and operating effectively.

SIGNIFICANT RISK AREA	PROPOSED AUDIT RESPONSE
Revenue There is an inherent fraud risk associated with government grants and transfers and other revenue sources.	Government grants and transfers and other revenue sources will be tested in a seperate test of details based on the high risk factor assigned to revenue.

Audit Team

In order to ensure effective communication between the Audit Committee and MNP, we outline below the key members of our audit team that will be responsible for the audit of Cape Breton Regional Municipality and the role they will play:

RETURNING TEAM MEMBERS	CONTACT INFORMATION
Darren Chiasson, CPA, CA, Partner	E: Darren.Chiasson@mnp.ca
Kyle Musial, CPA, CA, Partner	E: Kyle.Musial@mnp.ca
David Farrell, CPA, Manager	E: David.Farrell@mnp.ca
Megan Mah, Accountant	E: Megan.Mah@mnp.ca

NEW TEAM MEMBERS	CONTACT INFORMATION
Emily MacNeil, CPA, Senior Accountant	E: Emily .MacNeil@mnp.ca
Liam Brann, Accountant	E: Liam.Brann@mnp.ca

Our partners and senior management are committed to providing you with the highest level of attention and oversight throughout the terms of this engagement, reflecting MNP's staffing model and client service philosophy. Through consistent attention from leaders, our engagement team will maintain responsibility and authority over all matters of the engagement and will drive service delivery and issue resolution. In addition, the engagement team will be actively involved and have hands-on involvement with service delivery, ensuring engagement objectives will be met.

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other MNP professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit.
Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.

Timing of the Audit

KEY DELIVERABLE	EXPECTED DATE
Year-end fieldwork procedures	August and September, 2026
Presentation of March 31, 2026 Audit Findings Report to the Audit Committee	November 2026
Presentation of Management Letter to the Audit Committee	November 2026
Issuance of Independent Auditor’s Report	November 2026

We look forward to discussing our Audit Service Plan with you, as well as any other matters of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

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Appendix A – Key Changes and Developments

We would like to bring to your attention the following accounting and auditing developments, which may have some impact on your financial reporting.

Issues and Developments Summary

New Reporting Developments

Concepts Underlying Financial Performance (New Conceptual Framework for Financial Reporting in the Public Sector)
In December 2022, the Public Sector Accounting Board (PSAB) issued *The Conceptual Framework for Financial Reporting in the Public Sector* (the Conceptual Framework) which replaces conceptual aspects of Section PS 1000 *Financial Statement Concepts* and Section PS 1100 *Financial Statement Objectives*.

The Conceptual Framework outlines:

- Characteristics of public sector entities;
- The objective of financial reporting;
- Primary users of financial reporting and their expectations;
- The role, foundations and objectives of financial statements;
- Qualitative characteristics of information in financial statements and related considerations;
- Definitions of elements;
- Criteria of general recognition and derecognition; and
- Concepts of general measurement and presentation.

The Conceptual Framework applies for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted.

As a result of the issuance of the Conceptual Framework, various Sections and Guidelines of the PSA Handbook have been withdrawn or amended. Most notably, Section PS 1000 and Section PS 1100 have been withdrawn and replaced with the Conceptual Framework. Other consequential amendments include updates to:

- References to the Conceptual Framework
- The Introduction to the Public Sector Accounting Handbook
- Section PS 1150 *Generally Accepted Accounting Principles*
- Section PS 1201 *Financial Statement Presentation*
- Section PS 1300 *Government Reporting Entity*
- Section PS 2100 *Disclosure of Accounting Policies*
- Section PS 2120 *Accounting Changes*
- Section PS 2130 *Measurement Uncertainty*
- Section PS 2200 *Related Party Disclosures*
- Section PS 3150 *Tangible Capital Assets*
- Section PS 3200 *Liabilities*
- Section PS 3210 *Assets*

Appendix A – Key Changes and Developments (continued from previous page)

- Section PS 3400 *Revenue*
- Section PS 3430 *Restructuring Transactions*
- Section PS 3450 *Financial Instruments*
- Section PS 4230 *Capital Assets Held by Not-for-Profit Organizations*

Financial Statement Presentation (New Section PS 1202)
In October 2023, the Public Sector Accounting Board (PSAB) issued Section PS 1202 *Financial Statement Presentation* which replaces PS 1201 *Financial Statement Presentation*.

The new Section PS 1202:

- Discusses going concern that builds on the discussion in *The Conceptual Framework for Financial Reporting in the Public Sector*;
- Changes the statement of financial position by:
  - Relocating the calculation of the net financial liabilities (formerly known as "net debt") or net financial assets indicator, to its own statement;
  - Introducing two categories of liabilities: financial and non-financial;
  - Adding a third component of net assets or net liabilities: "accumulated other";
  - Updating the definition of "non-financial assets";
  - Restructuring the statement to present assets, followed by liabilities, followed by net assets or net liabilities; and
  - Providing an option to show the net financial assets or net financial liabilities indicator below the indicator of financial position, with reference to the statement of net financial assets or net financial liabilities;
- Adds a statement of net financial assets or net financial liabilities that presents the revised net financial assets or net financial liabilities calculation;
- Provides the option to present the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities;
- Includes a statement of operations similar to the one in superseded Section PS 1201;
- Permits presenting an amended budget only when there is an election or when the majority of the governing body of a government organization has been newly elected or appointed;
- Adds the statement of changes in net assets or net liabilities that includes a reconciliation of each component of net assets or net liabilities and incorporates what is required in superseded Section PS 1201 to be included in the statement of remeasurement of gains and losses;
- Isolates financing activities in the statement of cash flow; and
- Includes guidance in various appendices in the form of application guidance, decision trees, illustrative examples and illustrative financial statements.

Section PS 1202 applies to fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

Appendix A – Key Changes and Developments (continued from previous page)

Various consequential amendments resulting from the issuance of Section PS 1202 have also been issued. These include various Sections and Guidelines of the PSA Handbook that have been withdrawn or amended.

MADE IN CANADA

And proud of it!

At MNP we're proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we've seen our communities are more than just a place we do business in. They're a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we're here to help our clients seize the opportunities so we can create a brighter future for the generations to come.


MNP