

Consolidated Financial Statements of

**CAPE BRETON REGIONAL  
MUNICIPALITY**

Year ended March 31, 2014

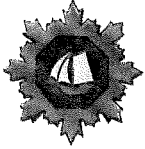
# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Financial Statements

March 31, 2014

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# **CBRM**

*A Community of Communities*

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Cape Breton Regional Municipality

## **Management's Responsibility for the Consolidated Financial Statements**

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

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

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

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

Marie Walsh

October 21, 2014



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**Chartered Accountants**  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Cape Breton Regional Municipality which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*MGM & Associates*

Chartered Accountants  
Sydney, Canada

October 21, 2014

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Position

March 31, 2014, with comparative figures for 2013

	2014	2013
<b>FINANCIAL ASSETS</b>		
Taxes receivable (note 3)	\$ 14,200,128	\$ 13,650,041
Accounts receivable (note 4)	17,309,606	16,637,914
Net prepaid benefit expense (note 5)	6,360,000	6,016,000
Due from trust fund	—	272,420
	<hr/> 37,869,734	<hr/> 36,576,375
<b>FINANCIAL LIABILITIES</b>		
Cheques issued in excess of funds on deposit (note 2)	21,087,518	27,929,099
Accounts payable and accrued liabilities (note 8)	12,243,271	12,969,867
Accrued interest on long-term debt	1,471,362	1,471,362
Due to trust funds	286,846	—
Deferred revenue	4,182,432	3,930,274
Accrued employee benefits	5,915,146	5,959,006
Solid waste management facilities liabilities (note 9)	41,161,800	41,161,800
Long-term debt (note 10)	113,278,813	115,864,393
	<hr/> 199,627,188	<hr/> 209,285,801
<b>NET DEBT</b>	(161,757,454)	(172,709,426)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 11)	346,385,846	352,562,020
Work in progress	20,422,463	8,061,611
Properties acquired at tax sale	1,561,686	1,577,115
Inventory, prepaid expenses and other	2,562,028	2,888,640
	<hr/> 370,932,023	<hr/> 365,089,386
<b>FUND BALANCES</b> (note 7)	<hr/> \$ 209,174,569	<hr/> \$ 192,379,960

Contingencies (note 12)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

\_\_\_\_\_ Mayor

\_\_\_\_\_ Clerk

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Activities

Year ended March 31, 2014, with comparative figures for 2013

	Budget (Unaudited)	2014	2013
<b>REVENUES</b>			
Taxes	\$ 95,652,055	\$ 96,514,072	\$ 92,353,433
Grants in lieu of taxes	7,589,289	7,981,789	7,876,533
Services provided to other governments	240,000	187,548	240,000
Sales of services	2,525,045	2,779,577	2,280,971
Revenue from own sources	11,705,330	10,657,400	11,009,765
Unconditional transfers from other governments	16,248,202	16,248,563	16,425,813
Conditional transfers from other governments	2,180,699	2,171,012	2,229,391
Capital grants	3,961,257	15,410,208	13,019,642
Water utility revenue	24,698,487	23,382,685	22,908,024
Investment income	—	90,303	92,858
Gain on sale of properties	—	5,750	516,189
	164,800,364	175,428,907	168,952,619
<b>EXPENSES</b>			
General government services	16,029,873	16,677,692	15,779,861
Protective services	43,527,124	42,678,698	42,959,094
Transportation services	34,987,870	35,862,476	33,082,240
Environmental health services	17,999,924	17,026,070	17,898,978
Public health and welfare services	2,285,250	1,879,835	1,887,209
Environmental development services	1,118,537	997,300	963,809
Recreation and cultural services	10,913,596	11,396,407	10,910,008
Planning and development services	302,118	302,118	300,751
Educational services	12,193,890	12,193,890	11,588,280
Water utility expenses	22,212,397	19,500,815	19,173,511
	161,570,579	158,515,301	154,543,741
Excess of revenues over expenses before the following	3,229,785	16,913,606	14,408,878
<b>NET FINANCING AND TRANSFERS</b>			
Amortization of bond discount	(20,000)	(118,997)	(136,111)
<b>CHANGE IN FUND BALANCES</b>	3,209,785	16,794,609	14,272,767
<b>FUND BALANCES, BEGINNING OF YEAR</b>		192,379,960	178,107,193
<b>FUND BALANCES, END OF YEAR</b>	\$	\$209,174,569	\$ 192,379,960

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Change in Net Debt

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
<b>CHANGE IN FUND BALANCES</b>	\$ 16,794,609	\$ 14,272,767
Tangible capital assets		
Acquisition of tangible capital assets	(8,902,338)	(27,997,593)
Amortization of tangible capital assets	15,078,512	14,798,000
	6,176,174	(13,199,593)
Other non-financial assets		
Increase in work in progress	(12,360,852)	(5,034,406)
Decrease in property acquired at tax sale	15,429	15,050
Decrease in inventory, prepaid expenses and other	326,612	201,293
	(12,018,811)	(4,818,063)
<b>DECREASE (INCREASE) IN NET DEBT</b>	10,951,972	(3,744,889)
<b>NET DEBT, BEGINNING OF YEAR</b>	(172,709,426)	(168,964,537)
<b>NET DEBT, END OF YEAR</b>	\$ (161,757,454)	\$ (172,709,426)

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Cash Flows

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in fund balances	\$ 16,794,609	\$ 14,272,767
Items not involving cash		
Amortization of tangible capital assets	15,078,512	14,798,000
Pension expense	3,517,000	5,629,000
Change in non-cash working capital		
Increase in taxes receivable	(550,087)	(1,999,596)
Decrease in accounts receivable	(671,692)	2,622,806
Contributions to defined benefit pension plan	(3,861,000)	(4,859,000)
Decrease in inventory, prepaid expenses and other	326,612	201,293
Increase (decrease) in accounts payable and accrued liabilities	(726,596)	1,460,157
Increase in deferred revenue	252,158	37,189
Increase (decrease) in accrued employee benefits	(43,860)	182,853
	<u>30,115,656</u>	<u>32,345,469</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease (increase) in due from trust fund	272,420	(272,420)
Increase (decrease) in due to trust fund	286,846	(407,522)
Issuance of long-term debt	12,682,691	4,630,333
Principal payments on long-term debt	(15,268,271)	(17,721,906)
	<u>(2,026,314)</u>	<u>(13,771,515)</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(8,902,338)	(27,997,593)
Increase in work in progress	(12,360,852)	(5,034,406)
Decrease in properties acquired at tax sale	15,429	15,050
	<u>(21,247,761)</u>	<u>(33,016,949)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>6,841,581</u>	<u>(14,442,995)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>(27,929,099)</u>	<u>(13,486,104)</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ (21,087,518)</u>	<u>\$ (27,929,099)</u>

See accompanying notes to consolidated financial statements.



# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2014

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### 1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

These consolidated financial statements of the Cape Breton Regional Municipality (the "Municipality") have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(b) Basis of consolidation

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

- Operating, capital and reserve funds of the Cape Breton Regional Municipality
- Operating and capital funds of the Cape Breton Regional Municipality Water Utility

(c) School boards

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

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

(d) Trust funds

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

(e) Fund accounting

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

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2014

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Basis of accounting

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

### (g) Cash and cash equivalents

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

### (h) Tangible capital assets

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

	Basis	Rate
General Fund		
Buildings	Straight-line	40 years
Equipment	Straight-line	5-10 years
Streets	Straight-line	50 years
Sidewalks	Straight-line	20 years
Traffic lights	Straight-line	20 years
Recreation facilities	Straight-line	5-40 years
Industrial parks	Straight-line	40 years
Waterfront development	Straight-line	50 years
Wharf – Sydney Marine Terminal	Straight-line	25 years
Garbage collection and disposal	Straight-line	25 years
Sewer collection and disposal	Straight-line	50 years
Water fund		
Structures and improvements	Straight-line	75 years
Equipment	Straight-line	5-20 years
Mains	Straight-line	75 years
Services and other	Straight-line	50 years
Meters	Straight-line	20 years
Hydrants	Straight-line	50 years

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

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2014

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Reserve funds

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

(j) Government transfers

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

(k) Deferred revenue

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

(l) Taxation and related revenues

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

(m) Employee future benefits

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

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

The Municipality has adopted the following policies:

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

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2014

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## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Employee future benefits (continued)

- (ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- (iii) Past service costs from plan amendments, transitional adjustments and actuarial gains or losses (within the limits prescribed), are deferred and amortized on a straight-line basis over the average remaining service period of active employees.

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

### (n) Use of estimates

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

## 2. CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT

	2014	2013
Operating funds	\$ (9,991,554)	\$ (8,536,185)
Reserves funds	9,305,248	6,457,284
Capital funds	(20,401,212)	(25,850,198)
	<u>\$ (21,087,518)</u>	<u>\$ (27,929,099)</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2014

### 3. TAXES RECEIVABLE

	2014	2013
Gross taxes receivable, beginning of year	\$ 14,872,488	\$13,329,161
Current year's levy of property taxes	93,118,770	89,685,338
Subtotal	107,991,258	103,014,499
Less		
Current year's collections	92,528,183	87,637,242
Reduced taxes	40,500	48,500
Allowance	(61,944)	456,269
Gross taxes receivable, end of year	15,484,519	14,872,488
Less		
Allowance for uncollectible taxes	1,284,391	1,222,447
Taxes receivable, net	\$ 14,200,128	\$13,650,041

### 4. ACCOUNTS RECEIVABLE

	2014	2013
Federal government	\$ 3,421,809	\$ 5,122,297
Provincial government	2,788,303	964,024
Other receivables	12,784,718	12,235,932
	18,994,830	18,322,253
Less allowance for doubtful accounts	1,685,224	1,684,339
	\$ 17,309,606	\$16,637,914

### 5. EMPLOYEE FUTURE BENEFITS

#### a) Retirement costs

The Municipality sponsors a contributory defined benefit pension plan for substantially all of its employees. The plan provides pensions based on length of service and final average earnings. The average age of the 711 active employees covered by the plan is 47.4. There are 19 former employees who are entitled to deferred pension benefits. At present, the plan provides benefits for 333 retirees with benefit payments being \$5,395,000 in 2014.

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2014

## 5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The following summarizes the plan for the fiscal year ended March 31, 2014 and 2013:

	2014	2013
<b>Accrued benefit obligation</b>		
Balance at beginning of year	\$ 128,508,000	\$ 121,843,000
Current service cost	4,879,000	5,551,000
Benefit payments	(5,395,000)	(4,992,000)
Interest on obligations	6,412,000	6,106,000
Accrued benefit obligation, end of year	134,404,000	128,508,000
<b>Deduct plan assets</b>		
Balance, beginning of year	121,515,000	108,905,000
Employer contributions	3,861,000	4,859,000
Employee contributions	3,123,000	2,343,000
Benefit payments	(5,395,000)	(4,992,000)
Interest on average assets	6,116,000	5,500,000
Actuarial gains	9,846,000	4,900,000
Plan assets, end of year	139,066,000	121,515,000
<b>Funded status – plan deficit</b>	4,662,000	(6,993,000)
Unamortized actuarial losses	1,698,000	13,009,000
<b>Net prepaid benefit expense</b>	\$ 6,360,000	\$ 6,016,000

### b) Defined Benefit Plan

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

	2014	2013
Discount rate	5.0%	5.0%
Expected long-term rate of return on assets	5.0%	5.0%

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

	2014	2013
Current service cost	\$ 4,879,000	\$ 5,551,000
Amortization of actuarial losses	1,465,000	1,815,000
Employee contributions	(3,123,000)	(2,343,000)
Interest on average liabilities	6,412,000	6,106,000
Interest on average assets	(6,116,000)	(5,500,000)
	\$ 3,517,000	\$ 5,629,000

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2014

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## 5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

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

### c) Defined Contribution Plan

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

The contribution for the year amounts to approximately \$316,218 (2013 - \$230,074).

### d) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$310,701 (2013 - \$315,879).

### e) 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.

The two plans provided by the Municipality had a deficiency of plan assets over liabilities of \$261,200 (2013 - \$298,100).

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2014

### 6. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2014 are \$3,018,225 (2013 - \$3,035,684).

### 7. FUND BALANCES

	2014	2013
General operating fund	\$ (39,376,676)	\$ (39,404,221)
Water operating fund	3,758,787	3,406,623
General capital fund	176,274,406	163,712,242
Water capital fund	61,049,100	58,201,266
	201,705,617	185,915,910
Reserves set aside by council	7,468,952	6,464,050
	\$ 209,174,569	\$ 192,379,960

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade accounts payable	\$ 7,065,860	\$ 8,048,656
Payroll and related	1,630,935	1,078,715
Accrued liabilities	1,146,568	1,531,036
Tax sale trust	2,399,908	2,311,460
	\$ 12,243,271	\$ 12,969,867

### 9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES

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

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



# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2014

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## 9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES (CONTINUED)

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

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

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is \$41,161,800 (2013 - \$41,161,800). The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations. We anticipate this number to grow with potential for interest rate effects on borrowing for completion and fluctuations with cost of living increases in the service markets where this work would be carried out.

## 10. 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, 2014 are as follows:

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2015	\$ 15,794,000
2016	15,794,000
2017	15,230,000
2018	14,733,000
2019	9,804,000

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# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2014

## 11. TANGIBLE CAPITAL ASSETS

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 7,790,765	\$ -	\$ 7,790,765	\$ 7,687,317
Buildings				
General government services	6,730,907	2,045,407	4,685,500	3,999,973
Protective services	3,885,217	894,634	2,990,583	3,038,395
Transportation services	8,360,980	1,060,523	7,300,457	7,449,259
Environmental services	26,905,844	5,612,667	21,293,177	21,389,744
Recreation and cultural services	13,987,395	3,189,862	10,797,533	11,061,323
Industrial parks	1,084,104	339,892	744,212	771,315
	60,954,447	13,142,985	47,811,462	47,710,009
Equipment				
General government services	2,862,466	2,734,530	127,936	-
Protective services	8,196,620	6,689,119	1,507,501	2,052,709
Public works	19,922,194	14,205,207	5,716,987	6,198,055
Environmental health services	13,678,850	13,159,495	519,355	928,736
Recreation and cultural services	1,273,532	1,043,150	230,382	318,575
	45,933,662	37,831,501	8,102,161	9,498,075
Other				
General government services	742,494	742,494	-	-
Road transport	143,976,980	39,942,840	104,034,140	107,832,768
Environmental health services	85,431,142	16,150,028	69,281,114	68,905,302
Recreation and cultural services	12,822,635	10,904,141	1,918,494	2,344,490
Waterfront development	8,861,700	3,039,158	5,822,542	5,999,831
Downtown development	1,433,906	202,703	1,231,203	1,194,264
Wharf – Sydney Marine Terminal	1,726,210	906,678	819,532	888,581
Water utility assets	136,356,252	36,781,819	99,574,433	100,501,383
	391,351,319	108,669,861	282,681,458	287,666,619
	\$ 506,030,193	\$ 159,644,347	\$ 346,385,846	\$ 352,562,020

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2014

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### 12. CONTINGENCIES

- (a) As of March 31, 2014 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, 2014 is \$1,414,263.
- d) Canadian Environmental Guidelines

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

### 13. 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, 2014 in the amount of \$1,795,245 (2013 - \$1,802,619).
- (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, 2014, the Municipality's share of these costs was \$1,364,599 (2013 - \$1,394,533).
- (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, 2013, the Municipality's contribution for these costs was \$1,106,162 (2013 - \$1,111,696).

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2014

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## 13. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS (CONTINUED)

- (d) The Cape Breton-Victoria Regional School Board

The Municipality provided a mandatory contribution in the amount of \$12,193,890 (2013 - \$11,588,280) to the Cape Breton-Victoria Regional School Board.

## 14. FINANCIAL INSTRUMENTS

- (a) Fair values

The fair value of the Municipality's financial instruments that are comprised of cash (cheques issued in excess of funds on deposit), taxes receivable, accounts receivable, short term borrowings, accounts payable and accrued liabilities and accrued interest on long-term debt approximate their carrying value due to their short-term nature.

The fair value of long-term debt is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying value.

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

- (b) Credit risk

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

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Long-term Debt

March 31, 2014, with comparative figures for 2013

	Term (years)	Interest rate - %	Matures	Balance March 31/13	Issued	Redeemed	Balance March 31/14
<b>General Fund</b>							
M.F.C.							
22-B-1	15	4.625-6.000	2017	\$ 500,000	\$ -	\$ 100,000	\$ 400,000
23-A-1	10	3.750-5.000	2013	742,500	-	742,500	-
25-A-1	10	3.760-4.515	2015	1,691,928	-	563,976	1,127,952
26-A-1	10	4.285-4.880	2016	1,989,950	-	497,487	1,492,463
27-B-1	10	4.577-5.010	2017	22,476,000	-	4,495,200	17,980,800
28-B-1	10	3.100-5.095	2018	6,472,652	-	1,078,776	5,393,876
29-A-1	10	1.679-4.329	2019	7,316,400	-	1,045,200	6,271,200
30-B-1	10	1.550-3.870	2020	17,716,800	-	2,214,600	15,502,200
31-A-1	10	1.219-3.645	2021	13,077,000	-	1,453,000	11,624,000
32-B-1	10	0.000-3.160	2022	3,797,000	-	379,700	3,417,300
33-B-1	10	0.000-3.614	2023	-	4,682,691	-	4,682,691
				75,780,230	4,682,691	12,570,439	67,892,482
<b>Water Fund</b>							
M.F.C.							
22-B-1	15	3.250-6.000	2017	833,330	-	166,666	666,664
27-A-1	15	4.385-4.770	2022	13,717,500	-	914,500	12,803,000
28-A-1	15	3.750-5.088	2023	11,200,000	-	700,000	10,500,000
30-A-1	15	1.510-4.875	2025	13,500,000	-	750,000	12,750,000
32-A-1	5	1.636-2.588	2017	833,333	-	166,666	666,667
33-A-1	10	1.330-2.979	2023	-	8,000,000	-	8,000,000
				40,084,163	8,000,000	2,697,832	45,386,331
				\$ 115,864,393	\$ 12,682,691	\$ 15,268,271	\$ 113,278,813

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
<b>REVENUES</b>		
Taxes	\$ 96,514,072	\$ 92,353,433
Grants in lieu of taxes	7,981,789	7,876,533
Services provided to other governments	187,548	240,000
Sales of services	2,779,577	2,280,971
Revenue from own sources	10,657,400	11,009,765
Unconditional transfers from other governments	16,248,563	16,425,813
Conditional transfers from other governments	2,171,012	2,229,391
	<u>136,539,961</u>	<u>132,415,906</u>
<b>EXPENSES</b>		
General government services	16,444,243	15,632,423
Protective services	41,955,716	42,140,050
Transportation services	29,814,242	27,122,211
Environmental health services	14,235,421	15,167,100
Public health and welfare services	1,879,835	1,887,209
Environmental development services	997,300	963,809
Recreation and cultural services	9,667,107	9,316,157
Educational services	12,193,890	11,588,280
	<u>127,187,754</u>	<u>123,817,239</u>
Excess of revenues over expenses before the following	9,352,207	8,598,667
<b>FINANCING AND TRANSFERS</b>		
Debenture and term loan principal instalments	(12,570,439)	(14,457,406)
Transfer from special reserve funds	3,332,902	4,085,029
Amortization of bond discount	(87,125)	(102,439)
	<u>(9,324,662)</u>	<u>(10,474,816)</u>
<b>CHANGE IN FUND BALANCE</b>	27,545	(1,876,149)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	(39,404,221)	(37,528,072)
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (39,376,676)</u>	<u>\$ (39,404,221)</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2014, with comparatives for 2013

	2014	2013
<b>OPERATING REVENUES</b>		
Metered sales	\$ 16,395,486	\$ 16,351,779
Public fire protection	6,614,505	6,184,751
Consumer's interest	371,824	358,876
	<u>23,381,815</u>	<u>22,895,406</u>
<b>OPERATING EXPENSES</b>		
Source of supply	341,359	624,842
Power and pumping	1,969,048	1,777,957
Water treatment	3,579,522	3,316,927
Transmission and distribution	3,710,881	3,574,226
Administration and general	2,596,616	2,641,212
Taxes	1,956,050	1,947,934
	<u>14,153,476</u>	<u>13,883,098</u>
Excess of revenues over expenses before the following	9,228,339	9,012,308
<b>NON-OPERATING REVENUES</b>		
Miscellaneous	870	12,618
<b>NON-OPERATING EXPENSES</b>		
Interest on debentures	1,912,769	1,868,465
Amortization of debt discounts	31,872	33,672
Other	182,790	176,937
Transfer to water capital fund	6,099,614	6,659,509
Transfer to general capital fund	650,000	650,000
	<u>8,877,045</u>	<u>9,388,583</u>
<b>CHANGE IN FUND BALANCE</b>	352,164	(363,657)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	3,406,623	3,770,280
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,758,787</u>	<u>\$ 3,406,623</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
<b>REVENUES</b>		
Capital grants	\$ 8,674,980	\$ 6,198,874
<b>EXPENSES</b>		
General government services	233,449	147,438
Protective services	722,982	819,044
Transportation services	6,048,234	5,960,029
Environmental health services	2,790,650	2,731,878
Recreation and cultural services	1,729,299	1,593,851
Planning and development services	302,118	300,751
	11,826,732	11,552,991
Deficiency of revenues over expenses before the following	(3,151,752)	(5,354,117)
<b>FINANCING AND TRANSFERS</b>		
Transfer from reserve funds	2,493,477	5,740,869
Transfer from water operating fund	650,000	650,000
Debenture and term loan principal instalments	12,570,439	14,457,406
	15,713,916	20,848,275
<b>CHANGE IN FUND BALANCE</b>	12,562,164	15,494,158
<b>FUND BALANCE, BEGINNING OF YEAR</b>	163,712,242	148,218,084
<b>FUND BALANCE, END OF YEAR</b>	\$ 176,274,406	\$ 163,712,242



# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2014, with comparatives for 2013

	2014	2013
<b>REVENUES</b>		
Capital grants	\$ -	\$ -
<b>EXPENSES</b>		
Amortization	3,251,780	3,245,010
Deficiency of revenues over expenses before the following	(3,251,780)	(3,245,010)
<b>FINANCING AND TRANSFERS</b>		
Transfer from water operating fund	6,099,614	6,659,509
<b>CHANGE IN FUND BALANCE</b>	2,847,834	3,414,499
<b>FUND BALANCE, BEGINNING OF YEAR</b>	58,201,266	54,786,767
<b>FUND BALANCE, END OF YEAR</b>	\$ 61,049,100	\$ 58,201,266

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
<b>REVENUES</b>		
Investment income	\$ 79,250	\$ 81,937
Sale of properties	5,750	516,189
Grants	6,735,228	6,815,324
	<u>6,820,228</u>	<u>7,413,450</u>
<b>FINANCING AND TRANSFERS</b>		
Transfer to operating fund	(3,332,902)	(4,085,029)
Transfer to capital funds	(2,493,477)	(5,740,869)
	<u>(5,826,379)</u>	<u>(9,825,898)</u>
<b>CHANGE IN FUND BALANCE</b>	993,849	(2,412,448)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	4,551,965	6,964,413
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 5,545,814</u>	<u>\$ 4,551,965</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
<b>REVENUES</b>		
Investment income	\$ 11,053	\$ 10,921
Grants received	-	5,443
<b>CHANGE IN FUND BALANCE</b>	11,053	16,364
<b>FUND BALANCE, BEGINNING OF YEAR</b>	1,912,085	1,895,721
<b>FUND BALANCE, END OF YEAR</b>	\$ 1,923,138	\$ 1,912,085

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Remuneration of Council

Year ended March 31, 2014

Council	Number of Months	Annual Remuneration
C. Clarke, Mayor	12	\$ 103,431
K. Saccary, Deputy Mayor	12	42,371
D. Bruckschwaiger	12	37,731
L. Cormier	12	37,371
C. Detheridge	12	37,371
I. Doncaster	12	37,371
C. Keagan	12	37,371
E. MacDonald	12	37,371
G. MacDonald	12	37,371
J. MacLeod	12	37,371
R. Paruch	12	37,371
C. Prince	12	37,371
M. Rowe	12	37,371

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Remuneration of Senior Staff

Year ended March 31, 2014

Senior Staff	Annual Remuneration
D. Campbell	\$ 73,085
R. Campbell	44,796
A. Fleming	103,261
M. Gillis	103,261
D. Kachafanas	92,122
L. MacCormack	116,421
W. MacDonald	110,384
B. MacKinnon	107,187
P. McIsaac	130,383
B. McNeil	101,572
J. Ryan	88,247
M. Walsh	146,588
B. White	78,229

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule - Expenses of Council

Year ended March 31, 2014

Council	Number of Months	Travel Expenses
C. Clarke, Mayor	12	\$ 47,542
K. Saccary, Deputy Mayor	12	19,947
D. Bruckschwaiger	12	13,891
L. Cormier	12	3,653
C. Detheridge	12	12,458
I. Doncaster	12	15,293
C. Keagan	12	14,547
E. MacDonald	12	16,138
G. MacDonald	12	12,807
J. MacLeod	12	10,387
R. Paruch	12	7,315
C. Prince	12	11,004
M. Rowe	12	15,368

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule - Expenses of Senior Staff

Year ended March 31, 2014

Senior Staff	Travel Expenses
D. Campbell	\$ -
R. Campbell	-
A. Fleming	1,212
M. Gillis	1,341
D. Kachafanas	687
L. MacCormack	10,148
W. MacDonald	12,752
B. MacKinnon	2,610
P. McIsaac	7,723
B. McNeil	5,602
J. Ryan	-
M. Walsh	13,684
B. White	6,832

# CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2014

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 2014 and 2013 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, 2014	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
<b>REVENUES</b>									
Taxation	\$ 62,734,216	\$ 15,008,992	\$ 6,576,974	\$ —	\$ —	\$ —	\$ 12,193,890	\$ —	\$ 96,514,072
Grants in lieu of taxes	7,981,789	—	—	—	—	—	—	—	7,981,789
Services provided to other governments	—	187,548	—	—	—	—	—	—	187,548
Sales of services	31,543	—	950,467	—	1,797,567	—	—	—	2,779,577
Revenue from own sources	3,052,182	926,371	—	6,626,477	—	52,370	—	—	10,657,400
Unconditional transfers from other governments	16,248,563	—	—	—	—	—	—	—	16,248,563
Conditional transfers from other governments	—	2,138,052	—	—	32,960	—	—	—	2,171,012
Capital grants	15,410,208	—	—	—	—	—	—	—	15,410,208
Metered sales	—	—	—	—	—	—	—	16,395,486	16,395,486
Public fire protection	—	—	—	—	—	—	—	6,614,505	6,614,505
Other water revenues	—	—	—	—	—	—	—	372,694	372,694
Investment income	90,303	—	—	—	—	—	—	—	90,303
Gain on sale of properties	5,750	—	—	—	—	—	—	—	5,750
	105,554,554	18,260,963	7,527,441	6,626,477	1,830,527	52,370	12,193,890	23,382,685	175,428,907
<b>EXPENSES</b>									
Salaries, wages and benefits	10,020,910	24,451,409	13,620,237	3,615,576	4,267,610	675,301	—	6,523,402	63,174,445
Interest on long-term debt	659,738	127,631	1,985,692	253,677	161,090	—	—	1,912,769	5,100,597
Materials, goods, supplies and utilities	1,061,079	1,497,050	5,172,381	2,147,907	1,943,155	12,768	—	3,950,422	15,784,732
Contracted services	1,114,034	564,821	5,024,440	6,792,832	84,831	136,510	—	956,436	14,673,904
Other operating expenses	1,117,721	15,314,825	4,011,492	1,425,428	2,560,802	172,731	—	2,906,006	27,508,805
External transfers and grants	4,350,596	—	—	—	649,820	—	—	—	17,194,306
Amortization	233,449	722,982	6,048,234	2,790,650	1,729,299	302,118	—	3,251,780	15,078,512
	18,557,527	42,678,698	35,862,476	17,026,070	11,396,407	1,299,418	12,193,890	19,500,815	158,515,301
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 86,997,027	\$ (24,417,735)	\$ (28,335,035)	\$ (10,399,593)	\$ (9,565,880)	\$ (1,247,048)	\$ —	\$ 3,881,870	\$ 16,913,606



# CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2014

Year ended March 31, 2013	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
<b>REVENUES</b>									
Taxation	\$ 60,111,569	\$ 14,357,036	\$ 6,296,548	\$ —	\$ —	\$ —	\$ 11,588,280	\$ —	\$ 92,353,433
Grants in lieu of taxes	7,876,533	—	—	—	—	—	—	—	7,876,533
Services provided to other governments	—	240,000	—	—	—	—	—	—	240,000
Sales of services	28,056	—	716,701	—	1,536,214	—	—	—	2,280,971
Revenue from own sources	3,210,400	928,209	—	6,786,152	—	85,004	—	—	11,009,765
Unconditional transfers from other governments	16,425,813	—	—	—	—	—	—	—	16,425,813
Conditional transfers from other governments	—	2,186,831	—	—	42,560	—	—	—	2,229,391
Capital grants	13,019,642	—	—	—	—	—	—	—	13,019,642
Metered sales	—	—	—	—	—	—	—	16,351,779	16,351,779
Public fire protection	—	—	—	—	—	—	—	6,184,751	6,184,751
Other water revenues	—	—	—	—	—	—	—	371,494	371,494
Investment income	92,858	—	—	—	—	—	—	—	92,858
Gain on sale of properties	516,189	—	—	—	—	—	—	—	516,189
	101,281,060	17,712,076	7,013,249	6,786,152	1,578,774	85,004	11,588,280	22,908,024	168,952,619
<b>EXPENSES</b>									
Salaries, wages and benefits	8,575,239	27,180,423	14,452,918	3,037,493	3,848,212	684,824	—	6,373,184	64,152,293
Interest on long-term debt	508,915	72,013	1,691,782	878,244	135,670	5,779	—	1,868,465	5,160,868
Materials, goods, supplies and utilities	1,026,613	1,659,154	6,063,732	784,777	1,910,740	—	—	3,894,147	15,339,163
Contracted services	1,136,988	576,565	4,061,116	6,327,527	161,844	76,854	—	1,187,899	13,528,793
Other operating expenses	1,878,440	12,651,895	852,663	4,139,059	2,609,871	196,352	—	2,604,806	24,933,086
External transfers and grants	4,393,438	—	—	—	649,820	—	—	—	16,631,538
Amortization	147,437	819,044	5,960,029	2,731,878	1,593,851	300,751	—	3,245,010	14,798,000
	17,667,070	42,959,094	33,082,240	17,898,978	10,910,008	1,264,560	11,588,280	19,173,511	154,543,741
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 83,613,990</b>	<b>\$ (25,247,018)</b>	<b>\$ (26,068,991)</b>	<b>\$ (11,112,826)</b>	<b>\$ (9,331,234)</b>	<b>\$ (1,179,556)</b>	<b>\$ —</b>	<b>\$ 3,734,513</b>	<b>\$ 14,408,878</b>