

Consolidated Financial Statements of

**CAPE BRETON REGIONAL  
MUNICIPALITY**

Year ended March 31, 2011

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Financial Statements

March 31, 2011

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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, 2011 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 Financial Statements:**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Sydney, Canada

February 9, 2012

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
<b>Financial Assets</b>		
Taxes receivable (note 3)	\$ 11,713,053	\$ 11,238,465
Accounts receivable (note 4)	24,584,183	21,612,043
Net prepaid benefit expense (note 5)	8,566,000	9,130,000
Due from trust fund	4,362,121	-
	<u>49,225,357</u>	<u>41,980,508</u>
<b>Liabilities</b>		
Cheques issued in excess of funds on deposit (note 2)	29,854,110	44,669,637
Accounts payable and accrued liabilities (note 8)	12,580,750	14,638,780
Accrued interest on long-term debt	1,471,362	1,427,123
Due to trust funds	-	150,529
Deferred revenue	3,338,943	3,397,190
Deferred revenue-obligatory reserve funds (note 9)	3,995,689	4,436,416
Accrued employee benefits	5,936,400	5,607,094
Solid waste management facilities liabilities (note 10)	41,161,800	41,161,800
Long-term debt (note 11)	129,861,538	105,186,511
	<u>228,200,592</u>	<u>220,675,080</u>
Net debt	(178,975,235)	(178,694,572)
<b>Non-financial assets:</b>		
Tangible capital assets (note 12)	306,062,854	270,728,133
Work in progress	28,758,662	48,842,403
Properties acquired at tax sale	1,645,230	1,668,430
Inventory, prepaid expenses and other	3,046,822	2,696,180
	<u>339,513,568</u>	<u>323,935,146</u>
<b>Net assets</b>	<u>\$ 160,538,333</u>	<u>\$ 145,240,574</u>

## Municipal Position

Amounts to be recovered (note 13)	\$ (8,985,194)	\$ (17,970,390)
<b>Fund balances:</b>		
Fund balances (note 7)	169,523,527	163,210,964
Contingencies (note 14)		
<b>Total Municipal position</b>	<u>\$ 160,538,333</u>	<u>\$ 145,240,574</u>

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, 2011, with comparative figures for 2010

	2011	2010 (Restated)
<b>Revenue:</b>		
Taxes	\$ 83,456,395	\$ 81,595,343
Less amounts received for the School Board	(10,945,272)	(11,094,720)
	72,511,123	70,500,623
Grants in lieu of taxes	7,648,915	7,436,811
Services provided to other governments	255,120	209,470
Sales of services	2,170,428	2,560,463
Revenue from own sources	13,887,960	14,005,313
Unconditional transfers from other governments	14,941,812	17,126,699
Conditional transfers from other governments	2,166,400	2,331,688
Investment income	40,689	20,238
Sale of properties	145,050	35,500
Capital grants	19,936,007	21,190,288
Water utility revenue	17,460,345	16,560,615
	151,163,849	151,977,708
<b>Expenditures:</b>		
General government services	17,240,646	19,093,563
Protective services	38,451,063	37,550,918
Transportation services	32,156,468	31,314,850
Environmental health services	24,638,397	24,651,894
Public health and welfare services	946,692	2,108,974
Environmental development services	1,032,320	981,264
Recreation and cultural services	11,237,261	8,850,269
Planning and development	300,751	299,251
Water utility expenses	16,758,519	16,249,790
	142,762,117	141,100,773
Net revenues before the following	8,401,732	10,876,935
<b>Net financing and transfers:</b>		
Amortization of bond discount	(89,169)	(73,944)
Transfer to trust funds	(2,000,000)	-
	(2,089,169)	(73,944)
Change in fund balances	6,312,563	10,802,991
<b>Fund balances, beginning of year:</b>		
As previously reported	94,016,387	97,963,553
Restatement (note 17)	69,194,577	54,444,420
As restated	163,210,964	152,407,973
Fund balances, end of year	\$ 169,523,527	\$ 163,210,964

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Change in Net Debt

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
Change in fund balances	\$ 6,312,563	\$ 10,802,991
Decrease in amounts to be recovered from future revenue	8,985,194	8,985,194
	<u>15,297,757</u>	<u>19,788,185</u>
Tangible capital assets:		
Acquisition of tangible capital assets	(48,331,590)	(28,344,002)
Amortization of tangible capital assets	12,996,871	11,727,441
	<u>(35,334,719)</u>	<u>(16,616,561)</u>
Other non-financial assets:		
Decrease (increase) in inventory, prepaid expenses and other	(350,642)	698,441
Decrease in property acquired at tax sale	23,200	29,130
Decrease (increase) in work in progress	20,083,741	(16,776,666)
	<u>19,756,299</u>	<u>(16,049,095)</u>
Increase in net debt	(280,663)	(12,877,471)
Net debt, beginning of year	(178,694,572)	(165,817,101)
Net debt, end of year	<u>\$ (178,975,235)</u>	<u>\$ (178,694,572)</u>

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
Cash provided by (used in):		
Operating activities:		
Change in fund balances	\$ 6,312,563	\$ 10,802,991
Add amortization of tangible capital assets	12,996,871	11,727,441
Add amortization of amounts to be recovered	8,985,194	8,985,194
	<u>28,294,628</u>	<u>31,515,626</u>
Change in non-cash items:		
Increase in taxes receivable	(474,588)	(369,970)
Increase in accounts receivable	(2,972,141)	(5,695,532)
Decrease in net prepaid benefit expense	564,000	11,798,000
Decrease (increase) in inventory, prepaid expenses and other	(350,642)	698,348
Decrease in accounts payable and accrued liabilities	(2,058,030)	(1,561,903)
Increase (decrease) in accrued interest on long-term debt	44,239	(249,526)
Decrease in deferred revenue	(58,247)	(150,297)
(decrease) increase in deferred revenue – obligatory reserve funds	(440,727)	2,479,030
Increase in employee future benefits	329,306	415,835
	<u>(5,416,830)</u>	<u>7,363,985</u>
Financing activities:		
Decrease (increase) in due from trust fund	(4,362,121)	81,255
Increase (decrease) in due to trust fund	(150,529)	150,529
Issuance of long-term debt	37,146,000	10,452,001
Principal payments on long-term debt	(12,470,972)	(11,131,286)
	<u>20,162,378</u>	<u>(447,501)</u>
Capital activities:		
Additions to tangible capital assets	(48,331,590)	(28,344,002)
Decrease (increase) in work in progress	20,083,741	(16,776,666)
Decrease in properties acquired at tax sale	23,200	29,130
	<u>(28,224,649)</u>	<u>(45,091,538)</u>
Net change in cash position	14,815,527	(6,659,428)
Cash position, beginning of year	(44,669,637)	(38,010,209)
Cash position, end of year	<u>\$ (29,854,110)</u>	<u>\$ (44,669,637)</u>
Cash position is defined as cash less cheques issued in excess of funds on deposit	<u>\$ (29,854,110)</u>	<u>\$ (44,669,637)</u>
Supplemental cash flow information:		
Cash paid during the year for:		
Interest paid	<u>\$ 5,328,090</u>	<u>\$ 5,445,448</u>

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

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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, expenditures 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 expenditures 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 on the consolidated statement of financial activities as a reduction of taxation revenues.

(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.



# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

### 1. Significant accounting policies (continued):

(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.

(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) 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:

General fund	Basis	Rate
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

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

Water capital fund:

Amortization is recorded in accordance with the Nova Scotia Utility and Review Board prescribed rates.

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

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### 1. Significant accounting policies (continued):

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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, retirement ages and expected health care costs.

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

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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 expenditures in the consolidated financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

### 2. Cash (cheques issued in excess of funds on deposit):

	2011	2010 (Restated)
Operating funds	\$ (2,051,445)	\$ 792,737
Reserves funds	7,669,251	10,024,473
Capital funds	(35,471,916)	(55,486,847)
	<u>\$ (29,854,110)</u>	<u>\$ (44,669,637)</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

### 3. Taxes receivable:

	2011	2010
Gross taxes receivable, beginning of year	\$ 13,295,217	\$12,828,288
Current year's levy of property taxes	80,797,171	78,687,714
Subtotal	94,092,388	91,516,002
Less:		
Current year's collections	80,267,633	77,297,369
Reduced taxes	54,250	58,375
Allowance	290,222	865,041
Gross taxes receivable, end of year	13,480,283	13,295,217
Less:		
Allowance for uncollectible taxes	1,767,230	2,056,752
Taxes receivable, net	\$ 11,713,053	\$11,238,465

### 4. Accounts receivable:

	2011	2010
Federal Government	\$ 10,739,798	\$ 6,485,453
Provincial Government	4,165,986	4,629,805
Other receivables	11,362,738	10,681,124
	26,268,522	21,796,382
Less allowance for doubtful accounts	1,684,339	184,339
	\$ 24,584,183	\$21,612,043

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

### 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 632 active employees covered by the plan is 47. There are 17 former employees who are entitled to deferred pension benefits. At present, the plan provides benefits for 255 retirees with benefit payments being \$4,644,000 in 2011.

The following summarizes the plan for the fiscal year ended March 31, 2011 and 2010:

	2011	2010 (Restated)
<b>Accrued benefit obligation:</b>		
Balance at beginning of year:		
As previously reported	\$ 96,359,000	\$ 91,147,000
Restatement	11,815,000	11,798,000
As restated	108,174,000	102,945,000
Current service cost	4,761,000	4,383,000
Benefit payments	(4,644,000)	(4,303,000)
Interest on obligations	5,412,000	5,149,000
Actuarial losses	2,721,000	-
Accrued benefit obligation, end of year	116,424,000	108,174,000
<b>Deduct plan assets:</b>		
Balance, beginning of year	100,663,000	85,243,000
Employer contributions	2,548,000	2,355,000
Employee contributions	2,109,000	1,831,000
Benefit payments	(4,644,000)	(4,303,000)
Interest on average assets	5,033,000	4,259,000
Actuarial losses	4,130,000	11,278,000
Plan assets, end of year	109,839,000	100,663,000
<b>Funded status – plan deficit</b>	<b>(6,585,000)</b>	<b>(7,511,000)</b>
Unamortized actuarial loss	15,151,000	16,641,000
<b>Net prepaid benefit expense</b>	<b>\$ 8,566,000</b>	<b>\$ 9,130,000</b>

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

## 5. Employee future benefits (continued):

### a) Defined Benefit Plan:

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

	2011	2010
Discount rate	5.0%	5.0%
Expected long-term rate of return on assets	5.0%	5.0%
Rate of compensation increase	4.10%	4.10%

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

	2011	2010
Current service cost	\$ 4,142,000	\$ 4,747,000
Interest on average liabilities	5,412,000	5,149,000
Interest on average assets	(5,033,000)	(4,259,000)
	\$ 4,521,000	\$ 5,637,000

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.

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

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## 5. 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 contribution for the year amounts to approximately \$245,618 (2010 - \$269,879).

### c) Other:

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$319,691 (2010 - \$355,461).

Employee Future Benefits – Retiring Allowances and Other Future Benefits:

The Municipality continues to pay its share of the contributions to the CBRM Defined Benefit and Defined Contribution Plans for members in receipt of benefits from a long-term disability plan sponsored and recognized by the Municipality.

### d) 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 accrued obligation in respect of service rendered to March 31, 1993 was estimated at \$1,449,473.

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 current solvency liability adjustment (per the 2009 valuation) is \$589,072 (2006 - \$705,780).

## 6. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2011 are \$5,590,699 (2010 - \$5,486,004).

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

### 7. Fund balances:

	2011	2010 (Restated)
General operating fund	\$ (26,420,718)	\$ (12,834,384)
Water operating fund	3,475,832	5,521,840
General capital fund	132,471,732	113,895,069
Water capital fund	53,970,643	50,573,871
	163,497,489	157,156,396
Reserves set aside by council	6,026,038	6,054,568
	<b>\$ 169,523,527</b>	<b>\$ 163,210,964</b>

### 8. Accounts payable and accrued liabilities:

	2011	2010 (Restated)
Trade accounts payable	\$ 10,247,286	\$ 10,883,456
Payable to other governments	862,102	2,024,384
Accrued liabilities	1,471,362	1,730,940
	<b>\$ 12,580,750</b>	<b>\$ 14,638,780</b>

### 9. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2011	2010
Balance, beginning of year	\$ 4,436,416	\$ 1,957,386
Federal grant – gasoline tax	6,955,893	7,260,065
Federal transit tax	–	317,724
Investment income	34,417	13,417
Transfers to capital fund	(3,549,947)	(2,601,544)
Transfers to operating fund	(3,881,090)	(2,510,632)
Balance, end of year	<b>\$ 3,995,689</b>	<b>\$ 4,436,416</b>
Federal gas tax	\$ 3,389,912	\$ 3,666,484
Federal transit tax	605,777	769,932
	<b>\$ 3,995,689</b>	<b>\$ 4,436,416</b>



# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

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## 10. 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 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 (2010 - \$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.

## 11. Long-term debt:

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

Principal payments required in each of the next five years on debt held as at March 31, 2011 are as follows:

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2012	\$ 17,708,000
2013	15,440,000
2014	15,440,000
2015	13,800,000
2016	13,800,000

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# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

## 12. Tangible capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,665,959	\$ -	\$ 1,665,959	\$ 910,407
Buildings:				
General government services	5,622,770	1,589,112	4,033,658	3,932,755
Protective services	2,264,734	609,611	1,655,123	1,431,083
Transportation services	5,754,689	495,083	5,259,606	5,266,434
Environmental services	26,048,320	3,623,606	22,424,714	22,813,422
Recreation and cultural services	13,322,013	2,146,700	11,175,313	7,105,335
Industrial parks	1,084,104	258,584	825,520	852,623
	55,762,589	8,722,696	47,039,893	42,312,059
Equipment:				
General government services	2,669,353	2,669,353	-	-
Protective services	5,868,029	4,963,254	904,775	883,268
Public works	15,529,489	10,288,335	5,241,154	5,324,770
Environmental health services	13,542,293	11,873,063	1,669,230	2,115,430
Recreation and cultural services	796,237	774,874	21,363	35,890
Other:				
General government services	742,494	742,494	-	-
Road transport	125,067,130	27,346,665	97,720,465	87,518,962
Environmental health services	80,522,726	11,130,541	69,392,185	48,653,228
Recreation and cultural services	9,795,096	7,509,047	2,286,049	3,558,332
Waterfront development	8,861,700	2,507,401	6,354,299	6,531,533
Downtown development	1,368,289	119,293	1,248,996	1,201,362
Wharf – Sydney Marine Terminal	1,726,210	699,532	1,026,678	1,095,726
Water utility assets	100,556,636	27,398,869	73,157,767	71,497,573
	\$ 422,808,271	\$ 116,745,417	\$ 306,062,854	\$ 270,728,133

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

## 13. Amounts to be recovered:

The amounts to be recovered in future years reported on the Consolidated Statement of Financial Position are comprised of:

	2011	2010
Amounts to be recovered from future revenues:		
Landfill closure and post closure	\$ 8,232,360	\$ 16,464,720
Employee future benefits	618,189	1,236,378
Accrued interest on debt	134,645	269,292
<b>Total</b>	<b>\$ 8,985,194</b>	<b>\$ 17,970,390</b>

## 14. Contingencies:

- (a) As of March 31, 2011 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, 2011 is \$1,394,269.
- 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 in 2012, the timeline and estimated cost to meet these guidelines will be more definitive.

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

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### 15. Transfers to provincial boards and commissions:

(a) The Cape Breton Island Housing Authority:

The Municipality shared in the operations of the Authority for the year ended March 31, 2011 in the amount of \$862,102 (2010 - \$2,024,384).

(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, 2011, the Municipality's share of these costs was \$1,387,514 (2010 - \$1,352,792).

(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, 2011, the Municipality's contribution for these costs was \$1,130,293 (2010 - \$1,426,660).

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

The Municipality provided a mandatory contribution in the amount of \$10,945,272 (2010 - \$11,094,720) to the Cape Breton-Victoria Regional School Board.

### 16. Financial instruments:

(a) Fair values:

The fair value of the Municipality's financial instruments that are comprised of cash (cheques issued in excess of funds on deposit), taxes receivable, accounts receivable, due to/from Cape Breton Regional Municipality Water Utility, 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.

It is not practical to determine the fair value of the investment in Cape Breton Regional Municipality Water Utility due to the lack of comparable market information.

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

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

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### 16. Financial instruments (continued):

(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.

### 17. Restatement:

a) Government transfers:

The Municipality is required by public sector accounting principles to report government transfers as revenue 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. In prior years, government transfers relating to capital projects had been recorded as deferred capital contributions and amortized over the life of the asset. The Municipality has adjusted the financial statements on a retroactive basis to reflect the proper accounting treatment.

b) Consolidation of Water Utility:

These consolidated financial statements are required to reflect the assets, liabilities, revenues, expenditures and changes in fund balances of all resources of the Municipality, including 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. In prior years the Municipality accounted for the Water Utility in the consolidated statements on a modified equity basis. The Municipality has determined that the Water Utility is to be accounted for on a full consolidation basis. The effect on the financial statements is a presentation of the assets, liabilities, revenue and expenses of the Utility on a consolidated basis rather than on an equity investment basis, with no change in overall fund balance.

c) Employee future benefits:

In previous years, the Municipality's actuarial valuation for employee future benefits has employed the projected benefit method pro-rated on services. This method is applicable to final average pension plans.

To better reflect the obligation of benefits under the plan, the Municipality has decided to change the valuation method to the 'traditional unit credit method' because accrued benefits as at the valuation date are not affected by future salary increases.

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

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### **17. Restatement (continued):**

These changes have been applied retrospectively with restatement of comparative numbers. The above adjustment resulted in a change to the 2010 audited comparative statements, a decrease in net prepaid benefit expense of \$11,798,000; a decrease in deferred capital contributions of \$66,242,419; a decrease in general operating fund balance of \$11,798,000; and an increase in general capital fund balance of \$66,242,419.

### **18. Comparative figures:**

Certain of the 2010 figures have been reclassified to conform with the financial statements presentation adopted in the current year.

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Long-term Debt

March 31, 2011, with comparative figures for 2010

	Term (years)	Interest rate - %	Matures	Balance March 31/10	Issued	Redeemed	Balance March 31/11
<b>General Fund</b>							
M.F.C.							
22-A-1	10	5.375-6.125	2012	\$ 3,266,666	\$ -	\$ 1,000,000	\$ 2,266,666
22-B-1	15	4.625-6.000	2017	3,800,000	-	1,100,000	2,700,000
23-A-1	10	3.750-5.000	2013	2,970,000	-	742,500	2,227,500
25-A-1	10	3.760-4.515	2015	3,383,856	-	563,976	2,819,880
26-A-1	10	4.285-4.880	2016	3,482,411	-	497,487	2,984,924
27-B-1	10	4.577-5.010	2017	35,961,600	-	4,495,200	31,466,400
28-B-1	10	3.100-5.095	2018	9,708,980	-	1,078,776	8,630,204
29-A-1	10	0.000-4.329	2019	10,452,001	-	1,045,200	9,406,801
30-B-1	10	0.000-3.87	2020	-	22,146,000	-	22,146,000
				73,025,514	22,146,000	10,523,139	84,648,375
<b>Water Fund</b>							
M.F.C.							
22-A-1	10	3.895 - 6.125	2012	1,066,665	-	166,667	899,998
22-B-1	15	3.250 - 6.000	2017	1,333,332	-	166,667	1,166,665
27-B-1	10	4.385 - 4.770	2022	16,461,000	-	914,500	15,546,500
28-B-1	10	3.750 - 5.088	2023	13,300,000	-	700,000	12,600,000
30-A-1	10	1.510 - 4.875	2025	-	15,000,000	-	15,000,000
				32,160,997	15,000,000	1,947,834	45,213,163
				\$ 105,186,511	\$ 37,146,000	\$ 12,470,973	\$ 129,861,538

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
<b>Revenue:</b>		
Taxes	\$ 83,456,395	\$ 81,595,343
Less amounts received for the School Board	(10,945,272)	(11,094,720)
	72,511,123	70,500,623
Grants in lieu of taxes	7,648,915	7,436,811
Services provided to other governments	255,120	209,470
Sales of services	2,170,428	2,560,463
Revenue from own sources	13,887,960	14,005,313
Unconditional transfers from other governments	14,941,808	17,126,703
Conditional transfers from other governments	2,166,400	2,331,688
	113,581,754	114,171,071
<b>Expenditures:</b>		
General government services	17,100,077	18,959,027
Protective services	37,946,131	36,996,966
Transportation services	26,986,649	26,521,840
Environmental health services	21,864,277	21,544,471
Public health and welfare services	946,692	2,108,974
Environmental development services	1,032,320	981,264
Recreation and cultural services	9,127,472	7,963,568
	115,003,618	115,076,110
Net revenue before the following	(1,421,864)	(905,039)
<b>Financing and transfers:</b>		
Debenture and term loan principal instalments	(10,523,139)	(9,477,939)
Transfer from (to) special reserve funds	3,102,518	(709,026)
Amortization of bond discount	(89,169)	(73,944)
Transfer to capital fund	(2,654,680)	-
Transfer to trust funds	(2,000,000)	-
Net financing and transfers	(12,164,470)	(10,260,909)
Change in fund balance	(13,586,334)	(11,165,948)
<b>Fund balance, beginning of year:</b>		
As previously reported	391,116	10,129,564
Restatement (note 17)	(13,225,500)	(11,798,000)
As restated	(12,834,384)	(1,668,436)
Fund balance, end of year	\$ (26,420,718)	\$ (12,834,384)



# CAPE BRETON REGIONAL MUNICIPALITY

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

Year ended March 31, 2011, with comparatives for 2010

	2011	2010
Operating revenue:		
Metered rate sales	\$12,378,000	\$12,091,348
Flat rate sales	4,790,377	4,790,377
Public fire protection	289,728	328,890
	<u>17,458,105</u>	<u>17,210,615</u>
Operating expenditures:		
Source of supply	431,345	538,030
Pumping	1,590,352	1,887,432
Water treatment	3,261,736	2,653,916
Transmission and distribution	3,189,985	3,291,919
Administration and general	2,306,719	2,610,867
Taxes	1,914,701	1,568,209
	<u>12,694,838</u>	<u>12,550,373</u>
Operating surplus	4,763,267	4,660,242
Non-operating revenue:		
Miscellaneous	2,240	—
Non-operating expenditures:		
Interest on debentures	2,006,707	1,579,740
Amortization of debt discounts	25,414	20,322
Other	34,572	146,787
Transfer to water capital fund	4,094,822	4,050,402
Transfer to general capital fund	650,000	650,000
	<u>6,811,515</u>	<u>6,447,251</u>
Change in fund balance	(2,046,008)	(1,787,009)
Fund balance, beginning of year	5,521,840	7,308,849
Fund balance, end of year	<u>\$ 3,475,832</u>	<u>\$ 5,521,840</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
Revenue:		
Capital grants	\$ 15,748,826	\$ 17,918,684
Expenditures:		
General government services	140,569	134,532
Protective services	504,932	553,952
Transportation services	5,169,819	4,793,013
Environmental health services	2,774,120	3,107,423
Recreation and cultural services	2,109,791	886,701
Planning and development	300,751	299,251
	10,999,982	9,774,872
Net revenue before the following	4,748,844	8,143,812
Financing and transfers:		
Transfer from operation fund	2,654,680	—
Transfer from water utility fund	650,000	—
Debenture and term loan principal instalments	10,523,139	9,477,939
	13,827,819	9,477,939
Change in fund balance	18,576,663	17,621,751
Fund balance, beginning of year:		
As previously reported	33,898,952	30,030,898
Restatement (note 17)	79,996,117	66,242,420
As restated	113,895,069	96,273,318
Fund balance, end of year	\$ 132,471,732	\$ 113,895,069

# CAPE BRETON REGIONAL MUNICIPALITY

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

Year ended March 31, 2011, with comparatives for 2010

	2011	2010
Revenue		
Government grants	\$ 1,298,938	\$ 3,199,135
Expenditures:		
Amortization	1,996,988	1,952,568
Excess of revenue over expenditures (expenditures over revenue)	(698,050)	1,246,567
Financing and transfers:		
Transfer from operating fund	4,094,822	4,050,402
Change in fund balance	3,396,772	5,296,969
Fund balance, beginning of year	50,573,871	45,276,902
Fund balance, end of year	\$ 53,970,643	\$ 50,573,871

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2011, with comparative figures for 2010

	2011			2010
	General	Water	Total	Total
<b>Revenue:</b>				
Investment income	\$ 30,170	\$ 10,519	\$ 40,689	\$ 20,238
Sale of properties	145,050	–	145,050	35,500
Grants	2,888,249	–	2,888,249	72,469
	<u>3,063,469</u>	<u>10,519</u>	<u>3,073,988</u>	<u>128,207</u>
<b>Financing and transfers:</b>				
Transfer from (to) operating fund	(3,102,518)	–	(3,102,518)	709,026
<b>Change in fund balance</b>	<b>(39,049)</b>	<b>10,519</b>	<b>(28,530)</b>	<b>837,233</b>
Fund balance, beginning of year	4,128,754	1,925,814	6,054,568	5,217,335
<b>Fund balance, end of year</b>	<b>\$ 4,089,705</b>	<b>\$ 1,936,333</b>	<b>\$ 6,026,038</b>	<b>\$ 6,054,568</b>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Remuneration of Council

Year ended March 31, 2011

Council	Annual Remuneration
J. Morgan, Mayor	\$ 99,723
C. Prince, Deputy Mayor	42,105
D. Bruckschwaiger	37,104
K. Deveaux	36,824
C. Detheridge	37,104
B. Lahey	37,104
D. LeBlanc	37,104
G. MacDonald	37,104
J. MacLeod	37,104
G. MacLeod	37,104
L. McNeil	37,104
D. Mombourquette	37,104
R. Paruch	37,104
M. Rowe	37,104
K. Saccary	37,104
W. Stubbart	37,104
T. Wilson	37,104

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Remuneration of Senior Staff

Year ended March 31, 2011

Senior Staff	Annual Remuneration
M. Burke	\$ 115,064
R. Campbell	94,540
A. Fleming	94,540
D. Foster	94,540
W. MacDonald	98,847
B. MacKinnon	103,649
B. McNeil	94,540
J. Ryan	134,227
B. White	94,540
M. Walsh	94,540

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule - Expenses of Council

Year ended March 31, 2011

Council	Travel Expenses
J. Morgan, Mayor	\$ 49,167
B. Lahey	10,862
K. Saccary	13,666
L. McNeil	13,132
G. MacDonald	10,807
D. Bruckschwaiger	10,297
K. Desveaux	6,756
J. MacLeod	11,015
R. Paruch	17,430
T. Wilson	11,154
D. Mombourquette	10,148
D. LeBlanc	9,342
C. Detheridge	11,912
M. Rowe	13,124
G. MacLeod	9,999
C. Prince, Deputy Mayor	13,481
W. Stubbart	8,266

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule - Expenses of Senior Staff

Year ended March 31, 2011

Senior Staff	Travel Expenses
J. Ryan	\$ 4,967
B. White	4,421
B. MacKinnon	7,253
W. MacDonald	3,740
M. Walsh	4,379
A. Fleming	3,129
D. Foster	13,674
B. McNeil	3,583
M. Burke	9,943
P. MacIsaac	2,159
R. Campbell	1,496