

Consolidated Financial Statements of

**CAPE BRETON REGIONAL
MUNICIPALITY**

Year ended March 31, 2008

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2008

	Page
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities	3
Consolidated Statement of Change in Net Debt	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
Schedules:	
Long-term Debt	21
Schedule of Operating Fund and Change in Fund Balance	22
Schedule of Capital Fund and Change in Fund Balance	23
Schedule of Reserve Fund and Change in Fund Balance	24
Schedule of Remuneration of Council	25
Schedule of Remuneration of Senior Staff	26



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AUDITORS' REPORT

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

We have audited the consolidated statements of financial position of the Cape Breton Regional Municipality as at March 31, 2008 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Municipality's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cape Breton Regional Municipality as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has not been subjected to the auditing procedures applied in the examination of the basic financial statements, and accordingly we express no opinion on it.

MGM & Associates

Chartered Accountants

Sydney, Canada

March 11, 2009

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007 (restated)
Financial Assets		
Cash (note 2)	\$ —	\$ 22,032,495
Taxes receivable (note 3)	11,213,827	9,621,118
Accounts receivable (note 4)	10,612,379	10,768,544
Net prepaid benefit expense (note 5)	23,738,000	22,212,000
Due from trust fund	—	540,928
Due from Cape Breton Regional Municipality Water Utility	—	2,358,998
Investment in Cape Breton Regional Municipality Water Utility (note 7)	52,367,995	49,323,871
	97,932,201	116,857,954
Liabilities		
Cheques issued in excess of funds on deposit (note 2)	601,604	—
Short-term borrowings	19,776,139	76,202,574
Accounts payable and accrued liabilities (note 8)	11,515,798	12,223,498
Accrued interest on long-term debt	1,440,687	547,762
Due to trust funds	1,354,424	—
Due to Cape Breton Regional Municipality Water Utility	130,877	—
Deferred revenue	3,426,520	3,900,629
Deferred capital contributions (note 9)	63,930,980	62,227,264
Accrued employee benefits	5,084,736	5,172,904
Solid waste management facilities liabilities (note 10)	41,161,800	41,161,800
Long-term debt (note 11)	69,662,859	29,126,107
	218,086,424	230,562,538
Net debt	(120,154,223)	(113,704,584)
Non-financial assets:		
Tangible capital assets (note 12)	174,313,140	162,050,239
Work in progress	7,399,193	6,902,475
Properties acquired at tax sale	1,840,774	1,873,572
Inventory, prepaid expenses and other	2,022,623	2,269,776
	185,575,730	173,096,062
Net assets	\$ 65,421,507	\$ 59,391,478
Municipal Position		
Amounts to be recovered (note 13)	\$ (35,940,779)	\$ (44,925,974)
Fund balances:		
Operating fund	17,247,961	23,623,692
Capital fund	27,122,039	21,792,677
Reserve funds	4,624,291	9,577,212
Equity in Cape Breton Regional Municipality Water Utility (note 7)	52,367,995	49,323,871
	101,362,286	104,317,452
Contingencies (note 14)		
Net assets	\$ 65,421,507	\$ 59,391,478

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, 2008, with comparative figures for 2007

	2008	2007 (restated)
Revenue:		
Taxes	\$ 75,846,740	\$ 69,386,896
Less amounts received for the School Board	(11,016,357)	(10,528,212)
	64,830,383	58,858,684
Grants in lieu of taxes	7,664,315	7,643,483
Services provided to other governments	68,000	68,000
Sales of services	2,362,914	2,441,738
Revenue from own sources	10,481,324	8,106,459
Unconditional transfers from other governments	17,293,018	18,336,265
Conditional transfers from other governments	1,062,523	216,617
Investment income	183,946	345,213
Sale of properties	78,195	189,975
Government grants	1,337,171	349,337
Amortization of deferred capital contributions	2,158,826	1,739,568
	107,520,615	98,295,339
Expenditures:		
General government services	14,683,393	13,269,852
Protective services	34,602,490	32,006,894
Transportation services	27,517,690	25,755,236
Environmental health services	25,691,500	14,221,873
Public health and welfare services	1,827,923	1,854,954
Environmental development services	936,430	927,761
Recreation and cultural services	8,593,277	8,279,903
Planning and development	298,836	288,130
	114,151,539	96,604,603
Net revenue (expenditures) before the following	(6,630,924)	1,690,736
Net financing and transfers:		
Amortization of bond discount	(51,759)	(51,925)
Insurance proceeds	83,393	-
Increase in equity in Cape Breton Regional Municipality		
Water Utility	3,044,124	2,717,896
Transfer from Cape Breton Regional Municipality		
Water Utility	600,000	600,000
	3,675,758	3,265,971
Change in fund balances	(2,955,166)	4,956,707
Fund balances, beginning of year:		
As previously stated	82,105,452	77,148,745
Restated (noted 17)	22,212,000	22,212,000
As restated	104,317,452	99,360,745
Fund balances, end of year	\$ 101,362,286	\$ 104,317,452

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Change in fund balances	\$ (2,955,166)	\$ 4,956,707
Decrease (increase) in amounts to be recovered from future revenue	8,985,195	(4,796,600)
	6,030,029	160,107
Tangible capital assets:		
Acquisition of tangible capital assets	(21,171,655)	(34,893,766)
Amortization of tangible capital assets	8,908,755	8,118,195
	(12,262,900)	(26,775,571)
Other non-financial assets:		
Decrease (increase) in inventory, prepaid expenses and other	847,153	(696,042)
Decrease (increase) in property acquired at tax sale	32,798	29,590
Decrease (increase) in work in progress	(496,719)	6,634,126
	383,232	5,967,674
Increase in net debt	(5,849,639)	(20,647,790)
Net debt, beginning of year	(114,304,584)	(93,056,794)
Net debt, end of year	\$(120,154,223)	\$(113,704,584)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (restated)
Cash provided by (used in):		
Operating activities:		
Change in fund balances	\$ (2,955,166)	\$ 4,956,707
Add amortization of tangible capital assets	8,908,755	8,118,195
Less amortization of deferred capital contributions	(2,158,826)	(1,739,568)
Add amortization of amounts to be recovered	8,985,195	-
Less increase in equity in Cape Breton Regional Municipality Water Utility	(3,044,124)	(2,717,896)
	9,735,834	8,617,438
Change in non-cash items:		
Decrease (increase) in taxes receivable	(1,592,709)	853,523
Decrease (increase) in accounts receivable	156,165	(4,325,230)
Increase in net prepaid benefit expense	(1,526,000)	(190,060)
Decrease (increase) in inventory, prepaid expenses and other	247,153	(696,042)
Increase (decrease) in accounts payable and accrued liabilities	(707,700)	3,029,484
Increase (decrease) in accrued interest on long-term debt	892,925	(59,838)
Increase (decrease) in deferred revenue	(474,109)	996,669
Increase (decrease) in employee future benefits	(88,168)	71,008
	(3,092,443)	(320,486)
Financing activities:		
Increase (decrease) in due to Cape Breton Regional Municipality Water Utility	130,877	(327,320)
Decrease (increase) in due from Cape Breton Regional Municipality Water Utility	2,358,998	(2,358,998)
Decrease (increase) in due from trust fund	1,895,352	(248,928)
Capital contributions received	3,862,542	2,177,253
Issuance of long-term debt	44,952,000	4,974,872
Principal payments on long-term debt	(4,415,248)	(6,762,561)
	48,784,521	(2,545,682)
Capital activities:		
Additions to tangible capital assets	(21,171,655)	(34,893,766)
Decrease (increase) in work in progress	(496,719)	6,634,126
Decrease in properties acquired at tax sale	32,798	29,590
	(21,635,576)	(28,230,050)
Net change in cash position	33,792,336	(22,478,780)
Cash position, beginning of year	(54,170,079)	(31,691,299)
Cash position, end of year	\$ (20,377,743)	\$ (54,170,079)
Cash position is defined as:		
Cash	\$ -	\$ 22,032,495
Cheques issued in excess of funds on deposit	(601,604)	-
Short-term borrowings	(19,776,139)	(76,202,574)
	\$ (20,377,743)	\$ (54,170,079)
Supplemental cash flow information:		
Cash paid during the year for:		
Interest paid	\$ 4,341,130	\$ 5,133,655

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

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

(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) Investment in Cape Breton Regional Municipality Water Utility:

The Cape Breton Regional Municipality Water Utility ("Water Utility") is a subsidiary corporation of the Municipality and is accounted for using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to those of the Municipality and inter-organizational transactions and balances are not eliminated.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) Trust funds:

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

(f) Fund accounting:

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

(g) Basis of accounting:

Revenues and 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.

(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:

Asset	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.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

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. Government grants for capital purposes are deferred and amortized to revenue at the same rate as amortization of the related tangible capital asset.

(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, retirement ages and expected health care costs.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

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) Budget figures:

Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2008 is reflected on the Schedule of Operating Fund Operations. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from reserve funds, transfers from the operating fund by the application of applicable grants, or other funds available and by debt financing. As many capital projects are carried out over one or more years, it is not practical to present annualized budget information on the Schedule of Capital Fund Operations.

(o) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and 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):

	2008	2007
Cape Breton Regional Municipality:		
Operating fund	\$(3,615,330)	\$13,333,372
Reserves funds	3,013,726	8,699,123
	<u>\$ (601,604)</u>	<u>\$22,032,495</u>

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

3. Taxes receivable:

	2008	2007
Gross taxes receivable, beginning of year	\$12,850,917	\$14,518,707
Current year's levy of property taxes	71,880,686	66,522,742
Subtotal	84,731,603	81,041,449
Less:		
Current year's collections	70,218,520	67,281,150
Reduced taxes	69,457	95,115
Allowance	770,671	814,267
Gross taxes receivable, end of year	13,672,955	12,850,917
Less:		
Allowance for uncollectible taxes	2,459,128	3,229,799
Taxes receivable, net	\$11,213,827	\$ 9,621,118

4. Accounts receivable:

	2008	2007
Federal Government	\$ 3,528,497	\$ 4,605,634
Provincial Government	2,654,173	2,022,328
Other receivables	4,615,838	4,326,964
	10,798,508	10,954,926
Less allowance for doubtful accounts	186,129	186,382
	\$10,612,379	\$10,768,544

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

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 \$3,965,000 in 2008.

The following summarizes the plan for the fiscal year ended March 31, 2008:

	Year ended March 31, 2008
Accrued benefit obligation:	
Balance at beginning of period	\$ 79,267,000
Current service cost	1,500,000
Interest on average liabilities	5,145,000
Employee contributions	2,246,000
Benefit payments	(3,965,000)
Accrued benefit obligation, December 31	84,193,000
Deduct plan assets:	
Balance at beginning of period	101,479,000
Investment loss on plan assets	(1,975,000)
Employer contributions	2,246,000
Employee contributions	1,579,000
Benefit payments	(3,965,000)
Plan assets, December 31	99,364,000
Funded status – plan surplus	15,171,000
Add unamortized items:	
Unamortized actuarial loss	8,567,000
Net prepaid benefit expense	\$ 23,738,000

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

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:

	2008
Discount rate	6.5%
Expected long-term rate of return on assets	6.5%
Rate of compensation increase	4.00%

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

	Year ended March 31, 2008
Current service cost	\$ 1,500,000
Interest on average liabilities	5,145,000
Interest on average assets	(6,592,000)
	<u>\$ 53,000</u>

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, 2008

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 \$290,279 (2007 - \$290,487).

c) Other:

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$348,120 (2007 - \$334,697).

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.

6. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2008 are \$2,587,277 (2007 - \$3,209,547).

7. Investment in Cape Breton Regional Municipality Water Utility:

The Cape Breton Regional Municipality Water Utility is a wholly-owned and controlled government business enterprise of the Municipality and is accounted for using the modified equity basis of accounting. The Water Utility is responsible for the supply of municipal water to residents of the Cape Breton Regional Municipality.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

7. Investment in Cape Breton Regional Municipality Water Utility (continued):

- (a) The following table provides condensed supplementary financial information for the Water Utility:

	2008	2007
Financial Position:		
Current assets	\$ 27,924,859	\$ 20,919,442
Capital assets	99,302,244	87,263,522
Total assets	127,227,103	108,182,964
Current liabilities	31,603,660	35,008,487
Long-term liabilities	43,255,448	23,850,606
Total liabilities	74,859,108	58,859,093
Net assets	\$ 52,367,995	\$ 49,323,871
Results of Operations:		
Operating revenues	\$ 16,739,927	\$ 15,496,691
Other income	477,226	19,384
Operating expenditures	(11,888,437)	(11,013,195)
Financing and capital expenditures	(2,167,927)	(2,031,884)
Transfer to Cape Breton Regional Municipality	(600,000)	(600,000)
Excess of revenue over expenditures	2,560,789	1,870,996
Appropriation for long-term debt repayments and capital	483,335	846,900
Increase in investment and equity	3,044,124	2,717,896
Investment and equity, beginning	49,323,871	46,605,975
Investment and equity, ending	\$ 52,367,995	\$ 49,323,871

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

7. Investment in Cape Breton Regional Municipality Water Utility (continued):

- (b) The following summarizes the Municipality's related party transactions with the Water Utility for the year:

	2008	2007
Revenues:		
Taxation	\$ 935,551	\$ 871,562
Expenditures:		
Fire protection charge	4,790,377	4,118,017
Administrative expenses, office overhead and rental of computer equipment allocated to Water Utility	1,317,112	1,317,112

All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

8. Accounts payable and accrued liabilities:

	2008	2007
Trade accounts payable	\$ 8,333,542	\$ 9,231,140
Payable to other governments	1,743,333	1,770,364
Accrued liabilities	1,438,923	1,221,994
	\$ 11,515,798	\$ 12,223,498

9. Deferred capital contributions:

	2008	2007
Balance, beginning of year	\$ 62,227,264	\$ 61,789,579
Capital contributions received	3,862,542	2,177,253
Amortized to revenue	(2,158,826)	(1,739,568)
Balance, end of year	\$ 63,930,980	\$ 62,227,264

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

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 (2007 - \$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, 2008 are as follows:

2009	\$ 8,399,163
2010	8,399,163
2011	8,399,163
2012	8,399,163
2013	8,399,163

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

12. Tangible capital assets:

	2008		2007	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 910,407	\$ –	\$ 910,407	\$ 910,407
Buildings:				
General government services	5,376,488	1,179,598	4,196,890	4,331,303
Protective services	2,134,894	450,123	1,684,771	1,544,857
Transportation services	597,388	143,815	453,573	468,508
Environmental services	25,563,409	1,684,930	23,878,479	14,501,144
Recreation and cultural services	5,406,456	1,444,256	3,962,200	3,139,569
Industrial parks	1,084,104	177,276	906,828	933,931
Equipment:				
General government services	2,669,353	2,669,353	–	–
Protective services	4,500,244	3,432,611	1,067,633	1,043,338
Public works	10,993,673	6,731,902	4,261,771	4,063,759
Environmental health services	13,476,035	8,761,982	4,714,053	6,013,364
Recreation and cultural services	762,053	533,150	228,903	297,217
Other:				
General government services	742,494	742,494	–	–
Road transport	87,315,025	16,891,410	70,423,615	68,495,724
Environmental health services	53,771,792	7,236,122	46,535,670	45,106,016
Recreation and cultural services	6,244,391	4,508,219	1,736,172	2,112,496
Waterfront development	8,861,700	1,975,699	6,886,001	7,063,235
Downtown development	1,272,545	40,196	1,232,349	722,500
Wharf – Sydney Marine Terminal	1,726,210	492,385	1,233,825	1,302,871
	\$ 233,408,661	\$ 59,095,521	\$ 174,313,140	\$ 162,050,239

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

13. Amounts to be recovered:

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

	2008	2007
Amounts to be recovered from future revenues:		
Landfill closure and post closure	\$ 32,929,440	\$ 41,161,800
Employee future benefits	2,472,755	3,090,944
Accrued interest on debt	538,584	673,230
Total	\$ 35,940,779	\$ 44,925,974

14. Contingencies:

- (a) As of March 31, 2008 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 guarantees the debt issues of the Cape Breton Regional Water Utility. As at March 31, 2008 this outstanding debt was \$21,356,665 (2007 - \$3,400,000) with maturity dates ranging from 2012 to 2018.
- (d) 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, 2008 is \$1,394,300.

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, 2008 in the amount of \$1,743,333 (2007 - \$1,770,364).

- (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, 2008, the Municipality's share of these costs was \$1,294,158 (2007 - \$1,279,516).

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

15. Transfers to provincial boards and commissions (continued):

(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, 2008, the Municipality's contribution for these costs was \$1,462,700 (2007 - \$1,454,612).

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

The Municipality provided a mandatory contribution in the amount of \$11,016,357 (2007 - \$10,528,212) 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.

(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

Notes to Consolidated Financial Statements

Year ended March 31, 2008

17. Change in accounting policy:

During the year, the Municipality applied the guidelines of PS 3250 – Retirement Benefits, for its defined benefit pension plan (the Plan). Under PS 3250, the cost of pension entitlements earned by its employees covered in the Plan is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. In addition to the Municipality's requirement to recognize a pension liability or asset, the Municipality must disclose the accrued benefit obligation and value of plan assets.

The Municipality engaged its actuary to report on the accrued benefit obligation and value of plan assets, as well as estimating the net prepaid benefit expense and pension expense as at March 31, 2008. The actuary extrapolated the results from the December 31, 2007 actuarial valuation of the Plan. The results of the report were applied retrospectively with restatement of prior years.

The financial statements have been restated to record a net prepaid benefit expense of \$22,212,000 at March 31, 2007. The net prepaid benefit expense was unattainable for March 31, 2006.

18. Comparative figures:

Certain of the 2007 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, 2008, with comparative figures for 2007

	Term (years)	Interest rate - %	Matures	Balance March 31/07	Issued	Redeemed	Balance March 31/08
M.F.C.							
68-D-1	40	5.780	2007	\$ 11,285	\$ -	\$ 11,285	\$ -
97-A-1	10	6.25	2007	500,000	-	500,000	-
22-A-1	10	5.375-6.125	2012	6,266,666	-	1,000,000	5,266,666
22-B-1	15	4.625-6.000	2017	7,100,000	-	1,100,000	6,000,000
23-A-1	10	3.750-5.000	2013	5,197,500	-	742,500	4,455,000
25-A-1	10	3.760-4.515	2015	5,075,784	-	563,976	4,511,808
26-A-1	10	4.285-4.880	2016	4,974,872	-	497,487	4,477,385
27-B-1	10	4.577-5.010	2017	-	44,952,000	-	44,952,000
				\$ 29,126,107	\$ 44,952,000	\$ 4,415,248	\$ 69,662,859

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

March 31, 2008, with comparative figures for 2007

	2008		2007
	Budget	Actual	Actual (restated)
Revenue:			
Taxes	\$ 73,986,672	\$ 75,846,740	\$ 69,386,896
Less amounts received for the School Board	(11,016,358)	(11,016,357)	(10,528,212)
	62,970,314	64,830,383	58,858,684
Grants in lieu of taxes	7,587,950	7,664,315	7,643,483
Services provided to other governments	68,000	68,000	68,000
Sales of services	2,452,900	2,362,914	2,441,738
Revenue from own sources	9,872,174	10,481,324	8,106,459
Unconditional transfers from other governments	17,293,014	17,293,014	18,336,261
Conditional transfers from other governments	1,318,670	1,062,523	216,617
	101,563,022	103,762,473	95,671,242
Expenditures:			
General government services	14,971,180	14,548,980	13,135,148
Protective services	34,242,243	34,171,231	31,905,334
Transportation services	23,766,566	23,754,394	22,265,128
Environmental health services	12,188,200	22,677,671	11,508,553
Public health and welfare services	1,885,000	1,827,923	1,854,954
Environmental development services	965,003	936,430	927,761
Recreation and cultural services	7,405,091	7,454,568	7,269,655
	95,423,283	105,371,197	88,866,533
Net revenue (expenditure) before the following	6,139,739	(1,608,724)	6,804,709
Financing and transfers:			
Debenture and term loan principal instalments	(6,139,739)	(4,715,248)	(6,162,560)
Amortization of bond discount	—	(51,759)	(51,925)
Net financing and transfers	(6,139,739)	(4,767,007)	(6,214,485)
Change in fund balance	—	(6,375,731)	590,224
Fund balance, beginning of year	1,411,692	—	—
As previously stated	—	1,411,692	821,468
Restated (note 17)	—	22,212,000	22,212,000
As restated	—	23,623,692	23,033,468
Fund balance, end of year	\$ 1,411,692	\$ 17,247,961	\$ 23,623,692

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Amortization of deferred capital contributions	\$ 2,158,826	\$ 1,739,568
Expenditures:		
General government services	134,412	134,704
Protective services	545,630	457,488
Transportation services	3,777,336	3,514,305
Environmental health services	3,013,832	2,713,320
Recreation and cultural services	1,138,709	1,010,248
Planning and development	298,836	288,130
	8,908,755	8,118,195
Net expenditure before the following	(6,749,929)	(6,378,627)
Financing and transfers:		
Transfer from reserve fund	6,750,000	130,723
Transfer from Cape Breton Regional Municipality		
Water Utility	600,000	600,000
Debenture and term loan principal instalments	4,715,248	6,162,560
Other	14,043	—
Net financing and transfers	12,079,291	6,893,283
Change in fund balance	5,329,362	514,656
Fund balance, beginning of year	21,792,677	21,278,021
Fund balance, end of year	\$ 27,122,039	\$ 21,792,677

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Investment income	\$ 183,949	\$ 345,213
Sale of properties	78,195	189,975
Government grants	1,337,171	349,337
	1,599,315	884,525
Financing and transfers:		
Transfer from operating fund	114,371	59,342
Transfer to capital fund	(6,750,000)	-
Insurance proceeds	83,393	-
	(6,552,236)	59,342
Change in fund balance	(4,952,921)	943,867
Fund balance, beginning of year	9,577,212	8,633,345
Fund balance, end of year	\$ 4,624,291	\$ 9,577,212

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2008

Council	Annual Remuneration
J. Morgan, Mayor	\$ 93,593
C. Detheridge	33,816
B. Lahey	33,816
K. Saccary	33,816
L. McNeil	33,816
V. Hall	33,816
D. Bruckschwaiger	33,816
F. Morrison	33,816
J. MacLeod	33,816
R. Paruch	33,816
T. Wilson	33,816
C. Long	33,816
R. Fogarty, Deputy Mayor	35,605
E. Marshall	33,816
G. MacLeod	37,027
C. Prince	33,816
W. Stubbart	33,816

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2008

Senior Staff	Annual Remuneration
R. Campbell	\$ 86,110
A. Fleming	86,110
D. Foster	86,110
K. MacDonald	92,733
B. MacKinnon	90,313
E. MacLeod	88,758
B. McNeil	86,110
J. Ryan	122,257
B. White	86,110
D. Wilson	92,695
M. Walsh	83,532