

Consolidated Financial Statements of

**CAPE BRETON REGIONAL
MUNICIPALITY**

Year ended March 31, 2009

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2009

	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



MGM & Associates
Chartered Accountants
Commerce Tower
15 Dorchester Street Suite 500
PO Box 1
Sydney NS B1P 6G9

Telephone (902) 539-3900
Fax (902) 564-6062
Internet www.mgm.ca

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, 2009 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, 2009 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

January 5, 2010

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008 (restated, Note 18)
Financial Assets		
Taxes receivable (note 3)	\$ 10,868,495	\$ 11,213,827
Accounts receivable (note 4)	9,793,983	10,612,379
Net prepaid benefit expense (note 5)	24,210,000	23,738,000
Due from trust fund	81,255	-
Due from Cape Breton Regional Municipality Water Utility	1,155,560	-
Investment in Cape Breton Regional Municipality Water Utility (note 7)	53,057,576	52,367,995
	99,166,869	97,932,201
Liabilities		
Cheques issued in excess of funds on deposit (note 2)	28,858,933	20,377,743
Accounts payable and accrued liabilities (note 8)	12,645,179	11,515,798
Accrued interest on long-term debt	1,676,649	1,440,687
Due to trust funds	-	1,354,424
Due to Cape Breton Regional Municipality Water Utility	-	130,877
Deferred revenue	3,547,487	3,426,520
Deferred capital contributions (note 9)	66,242,420	63,930,980
Deferred revenue-obligatory reserve funds (note 10)	1,957,386	1,707,467
Accrued employee benefits	5,191,259	5,084,736
Solid waste management facilities liabilities (note 11)	41,161,800	41,161,800
Long-term debt (note 12)	72,051,452	69,662,859
	233,332,565	219,793,891
Net debt	(134,165,696)	(121,861,690)
Non-financial assets:		
Tangible capital assets (note 13)	191,763,088	174,313,140
Work in progress	7,417,317	7,399,193
Properties acquired at tax sale	1,697,560	1,840,774
Inventory, prepaid expenses and other	2,923,103	2,022,623
	203,801,068	185,575,730
Net assets	\$ 69,635,372	\$ 63,714,040
Municipal Position		
Amounts to be recovered (note 14)	\$ (26,955,584)	\$ (35,940,779)
Fund balances:		
Operating fund	10,129,564	17,247,961
Capital fund	30,030,898	27,122,039
Reserve funds	3,372,918	2,916,824
Equity in Cape Breton Regional Municipality Water Utility (note 7)	53,057,576	52,367,995
	96,590,956	99,654,819
Contingencies (note 15)		
Net assets	\$ 69,635,372	\$ 63,714,040

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, 2009, with comparative figures for 2008

	2009	2008
		(restated, Note 18)
Revenue:		
Taxes	\$ 77,969,891	\$ 75,846,740
Less amounts received for the School Board	(10,889,340)	(11,016,357)
	67,080,551	64,830,383
Grants in lieu of taxes	7,790,113	7,664,315
Services provided to other governments	209,417	68,000
Sales of services	2,468,442	2,362,914
Revenue from own sources	14,219,942	10,481,324
Unconditional transfers from other governments	17,481,625	17,293,018
Conditional transfers from other governments	1,636,056	1,062,523
Investment income	37,478	162,989
Sale of properties	489,044	78,195
Amortization of deferred capital contributions	3,685,862	2,158,826
	115,098,530	106,162,487
Expenditures:		
General government services	14,129,358	14,683,393
Protective services	37,616,116	34,602,490
Transportation services	28,658,437	27,517,690
Environmental health services	26,331,415	25,691,500
Public health and welfare services	1,858,563	1,827,923
Environmental development services	947,649	936,430
Recreation and cultural services	8,944,529	8,593,277
Planning and development	299,251	298,836
	118,785,318	114,151,539
Net expenditures before the following	(3,686,788)	(7,989,052)
Net financing and transfers:		
Amortization of bond discount	(66,656)	(51,759)
Insurance proceeds	-	83,393
Increase in equity in Cape Breton Regional Municipality		
Water Utility	689,581	3,044,124
Transfer from Cape Breton Regional Municipality		
Water Utility	-	600,000
	622,925	3,675,758
Change in fund balances	(3,063,863)	(4,313,294)
Fund balances, beginning of year:		
As previously stated	101,362,286	104,317,452
Restated (noted 18)	(1,707,467)	(349,339)
As restated	99,654,819	103,968,113
Fund balances, end of year	\$ 96,590,956	\$ 99,654,819

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
		(restated, Note 18))
Change in fund balances	\$ (3,063,863)	\$ (4,313,294)
Decrease in amounts to be recovered from future revenue	8,985,195	8,985,195
	5,921,332	4,671,901
Tangible capital assets:		
Acquisition of tangible capital assets	(26,926,117)	(21,171,655)
Amortization of tangible capital assets	9,476,169	8,908,755
	(17,449,948)	(12,262,900)
Other non-financial assets:		
Decrease (increase) in inventory, prepaid expenses and other	(18,124)	847,153
Decrease in property acquired at tax sale	143,214	32,798
Increase in work in progress	(900,480)	(496,719)
	(775,390)	383,232
Increase in net debt	(12,304,006)	(7,207,767)
Net debt, beginning of year	(121,861,690)	(114,653,923)
Net debt, end of year	\$(134,165,696)	\$(121,861,690)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
		(restated, Note 18)
Cash provided by (used in):		
Operating activities:		
Change in fund balances	\$ (3,063,863)	\$ (4,313,294)
Add amortization of tangible capital assets	9,476,169	8,908,755
Less amortization of deferred capital contributions	(3,685,862)	(2,158,826)
Add amortization of amounts to be recovered	8,985,195	8,985,195
Less increase in equity in Cape Breton Regional Municipality Water Utility	(689,581)	(3,044,124)
	11,022,058	8,377,706
Change in non-cash items:		
Decrease (increase) in taxes receivable	345,332	(1,592,709)
Decrease (increase) in accounts receivable	818,396	156,165
Increase in net prepaid benefit expense	(472,000)	(1,526,000)
Decrease (increase) in inventory, prepaid expenses and other	(900,480)	247,153
Increase (decrease) in accounts payable and accrued liabilities	1,129,381	(707,700)
Increase in accrued interest on long-term debt	235,962	892,925
Increase (decrease) in deferred revenue	120,967	(474,109)
Increase in deferred revenue – obligatory reserve funds	249,919	1,358,128
Increase (decrease) in employee future benefits	106,523	(88,168)
	1,634,000	(1,734,315)
Financing activities:		
Increase (decrease) in due to Cape Breton Regional Municipality Water Utility	(130,877)	130,877
Decrease (increase) in due from Cape Breton Regional Municipality Water Utility	(1,155,560)	2,358,998
Decrease (increase) in due from trust fund	(1,435,679)	1,895,352
Capital contributions received	5,997,302	3,862,542
Issuance of long-term debt	10,787,756	44,952,000
Principal payments on long-term debt	(8,399,163)	(4,415,248)
	5,663,779	48,784,521
Capital activities:		
Additions to tangible capital assets	(26,926,117)	(21,171,655)
Increase in work in progress	(18,124)	(496,719)
Decrease in properties acquired at tax sale	143,214	32,798
	(26,801,027)	(21,635,576)
Net change in cash position	(8,481,190)	33,792,336
Cash position, beginning of year	(20,377,743)	(54,170,079)
Cash position, end of year	\$ (28,858,933)	\$ (20,377,743)
Cash position in defined as cash less cheques issued in excess of funds on deposit.		
	\$ (28,858,933)	\$ (20,377,743)
Supplemental cash flow information:		
Cash paid during the year for:		
Interest paid	\$ 3,821,179	\$ 4,341,130

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

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, 2009

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, 2009

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, 2009

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):

	2009	2008
Cape Breton Regional Municipality:		
Operating fund	\$ (147,902)	\$ (3,615,330)
Reserves funds	6,243,536	3,013,726
Capital funds	(34,954,567)	(19,776,139)
	<u>\$ 28,858,933</u>	<u>\$(20,377,743)</u>

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

3. Taxes receivable:

	2009	2008
Gross taxes receivable, beginning of year	\$ 13,672,955	\$12,850,917
Current year's levy of property taxes	74,806,847	71,880,686
Subtotal	88,479,802	84,731,603
Less:		
Current year's collections	75,087,966	70,218,520
Reduced taxes	114,213	69,457
Allowance	449,335	770,671
Gross taxes receivable, end of year	12,828,288	13,672,955
Less:		
Allowance for uncollectible taxes	1,959,793	2,459,128
Taxes receivable, net	\$ 10,868,495	\$11,213,827

4. Accounts receivable:

	2009	2008
Federal Government	\$ 2,685,763	\$ 3,528,497
Provincial Government	1,919,174	2,654,173
Other receivables	5,375,175	4,615,838
	9,980,112	10,798,508
Less allowance for doubtful accounts	186,129	186,129
	\$ 9,793,983	\$10,612,379

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

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 \$3,770,000 in 2009.

The following summarizes the plan for the fiscal year ended March 31, 2009:

	Year ended March 31, 2009
Accrued benefit obligation:	
Balance at beginning of period	\$ 84,193,000
Current service cost	1,567,000
Interest on average liabilities	5,459,000
Employee contributions	1,773,000
Benefit payments	(3,770,000)
Accrued benefit obligation, December 31	89,222,000
Deduct plan assets:	
Balance at beginning of period	\$ 99,364,000
Investment loss on plan assets	(13,786,000)
Employer contributions	1,662,000
Employee contributions	1,773,000
Benefit payments	(3,770,000)
Plan assets, December 31	85,243,000
Funded status – plan surplus	(3,979,000)
Add unamortized items:	
Unamortized actuarial loss	28,189,000
Net prepaid benefit expense	\$ 24,210,000

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

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:

	2009
Discount rate	6.25%
Expected long-term rate of return on assets	6.25%
Rate of compensation increase	3.50%

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

	Year ended March 31, 2009
Current service cost	\$ 2,179,000
Interest on average liabilities	5,459,000
Interest on average assets	(6,448,000)
	\$ 1,190,000

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, 2009

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 \$281,337 (2008 - \$290,279).

c) Other:

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$331,509 (2008 - \$348,120).

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, 2009 are \$4,211,858 (2008 - \$2,587,277).

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, 2009

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

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

	2009	2008
Financial Position:		
Current assets	\$ 13,074,653	\$ 27,924,859
Capital assets	110,460,121	99,302,244
Total assets	123,534,774	127,227,103
Current liabilities	12,881,505	31,603,660
Long-term liabilities	57,595,693	43,255,448
Total liabilities	70,477,198	74,859,108
Net assets	\$ 53,057,576	\$ 52,367,995

	2009	2008
Results of Operations:		
Operating revenues	\$ 16,960,423	\$ 16,739,927
Other income	240,840	477,226
Operating expenditures	(13,922,530)	(11,888,437)
Financing and capital expenditures	(3,336,985)	(2,167,927)
Transfer to Cape Breton Regional Municipality	(650,000)	(600,000)
Excess of revenue over expenditures	(708,252)	2,560,789
Appropriation for long-term debt repayments and capital	1,397,833	483,335
Increase in investment and equity	689,581	3,044,124
Investment and equity, beginning	52,367,995	49,323,871
Investment and equity, ending	\$ 53,057,576	\$ 52,367,995

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

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:

	2009	2008
Revenues:		
Taxation	\$ 1,279,176	\$ 935,551
Expenditures:		
Fire protection charge	4,790,377	4,790,377
Administrative expenses, office overhead and rental of computer equipment allocated to Water Utility	1,535,245	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:

	2009	2008
Trade accounts payable	\$ 9,366,646	\$ 8,333,542
Payable to other governments	1,773,973	1,743,333
Accrued liabilities	1,504,560	1,438,923
	\$ 12,645,179	\$ 11,515,798

9. Deferred capital contributions:

	2009	2008
Balance, beginning of year	\$ 63,930,980	\$ 62,227,264
Capital contributions received	5,997,302	3,862,542
Amortized to revenue	(3,685,862)	(2,158,826)
Balance, end of year	\$ 66,242,420	\$ 63,930,980

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

10. 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:

	2009	2008
Balance, beginning of year	\$ 1,707,467	\$ 349,339
Federal grant – gasoline tax	3,660,418	2,945,561
Federal transit tax	813,898	244,782
Investment income	52,006	33,181
Transfers to capital fund	(1,192,475)	(398,457)
Transfers to operating fund	(3,083,928)	(1,466,939)
Balance, end of year	\$ 1,957,386	\$ 1,707,467
Federal gas tax	\$ 502,882	\$ 1,092,389
Federal transit tax	1,454,504	615,078
	\$ 1,957,386	\$ 1,707,467

11. 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.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

11. Solid waste management facilities liabilities (continued):

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is \$41,161,800 (2008 - \$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.

12. 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, 2009 are as follows:

2009	\$ 9,477,939
2010	9,477,939
2011	9,477,939
2012	9,477,939
2013	7,477,939

13. Tangible capital assets:

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 910,407	\$ -	\$ 910,407	\$ 910,407
Buildings:				
General government services	5,376,488	1,314,010	4,062,478	4,196,890
Protective services	2,130,725	503,391	1,627,334	1,684,771
Transportation services	2,678,370	210,774	2,467,596	453,573
Environmental services	25,712,907	2,327,753	23,385,154	23,878,479
Recreation and cultural services	5,856,766	1,590,675	4,266,091	3,962,200
Industrial parks	1,084,104	204,379	879,725	906,828
	43,749,767	6,150,982	37,598,785	35,993,148

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

13. Tangible capital assets (continued):

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
Carried forward	\$ 43,749,767	\$ 6,150,982	\$ 37,598,785	\$ 35,993,148
Equipment:				
General government services	2,669,353	2,669,353	–	–
Protective services	5,066,097	4,010,590	1,055,507	1,067,633
Public works	12,044,792	7,784,632	4,260,160	4,261,771
Environmental health services	13,476,035	10,061,294	3,414,741	4,714,053
Recreation and cultural services	796,237	646,749	149,488	228,903
Other:				
General government services	742,494	742,494	–	–
Road transport	107,218,180	20,171,843	87,046,337	70,423,615
Environmental health services	56,024,910	8,356,621	47,668,289	46,535,670
Recreation and cultural services	6,665,712	5,196,705	1,469,007	1,736,172
Waterfront development	8,861,700	2,152,933	6,708,767	6,886,001
Downtown development	1,293,289	66,062	1,227,227	1,232,349
Wharf – Sydney Marine Terminal	1,726,210	561,430	1,164,780	1,233,825
	\$ 260,334,776	\$ 68,571,688	\$ 191,763,088	\$ 174,313,140

14. Amounts to be recovered:

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

	2009	2008
Amounts to be recovered from future revenues:		
Landfill closure and post closure	\$ 24,697,080	\$ 32,929,440
Employee future benefits	1,854,566	2,472,755
Accrued interest on debt	403,938	538,584
Total	\$ 26,955,584	\$ 35,940,779

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

15. Contingencies:

- (a) As of March 31, 2009 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 \$34,108,831 (2008 - \$21,356,665) 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, 2009 is \$1,738,269.

16. 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, 2009 in the amount of \$1,773,973 (2008 - \$1,743,333).
- (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, 2009, the Municipality's share of these costs was \$1,309,888 (2008 - \$1,294,158).
- (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, 2009, the Municipality's contribution for these costs was \$1,439,191 (2008 - \$1,462,700).
- (d) The Cape Breton-Victoria Regional School Board:
The Municipality provided a mandatory contribution in the amount of \$10,889,340 (2008 - \$11,016,357) to the Cape Breton-Victoria Regional School Board.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

17. 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.

18. Correction of error:

The Municipality is required by the public sector accounting principles to report any obligatory reserve funds as deferred revenue until such time these funds were disbursed by the Municipality. In prior years, the unexpended funds were recorded as revenue in the reserve funds. As at March 31, 2008 these unexpended funds relating to government grants and interest on these funds amounted to \$1,707,467.

The above adjustment resulted in the following change to the 2008 audited comparative statements:

	Increase (decrease)
Deferred revenue	\$ 1,707,467
Fund balance – reserve funds	(349,338)
Investment income	(20,957)
Government grants	(1,337,171)

19. Comparative figures:

Certain of the 2008 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, 2009, with comparative figures for 2008

	Term (years)	Interest rate - %	Matures	Balance March 31/08	Issued	Redeemed	Balance March 31/09
M.F.C.							
22-A-1	10	5.375-6.125	2012	\$ 5,266,666	\$ -	\$ 1,000,000	\$ 4,266,666
22-B-1	15	4.625-6.000	2017	6,000,000	-	1,100,000	4,900,000
23-A-1	10	3.750-5.000	2013	4,455,000	-	742,500	3,712,500
25-A-1	10	3.760-4.515	2015	4,511,808	-	563,976	3,947,832
26-A-1	10	4.285-4.880	2016	4,477,385	-	497,487	3,979,898
27-B-1	10	4.577-5.010	2017	44,952,000	-	4,495,200	40,456,800
28-B-1	10	3.100-5.095	2018	-	10,787,756	-	10,787,756
				\$ 69,662,859	\$ 10,787,756	\$ 8,399,163	\$ 72,051,452

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

March 31, 2009, with comparative figures for 2008

	2009		2008
	Budget	Actual	Actual
Revenue:			
Taxes	\$ 77,682,253	\$ 77,969,891	\$ 75,846,740
Less amounts received for the School Board	(11,017,410)	(10,889,340)	(11,016,357)
	66,664,843	67,080,551	64,830,383
Grants in lieu of taxes	7,661,162	7,790,113	7,664,315
Services provided to other governments	68,000	209,417	68,000
Sales of services	2,330,999	2,468,442	2,362,914
Revenue from own sources	13,237,025	14,219,942	10,481,324
Unconditional transfers from other governments	18,336,646	17,481,621	17,293,014
Conditional transfers from other governments	1,621,915	1,636,056	1,062,523
	109,920,590	110,886,142	103,762,473
Expenditures:			
General government services	15,231,337	13,971,946	14,548,980
Protective services	35,956,789	36,860,969	34,171,231
Transportation services	26,128,167	24,258,314	23,754,394
Environmental health services	13,100,878	23,268,783	22,677,671
Public health and welfare services	1,985,000	1,858,563	1,827,923
Environmental development services	973,542	947,649	936,430
Recreation and cultural services	7,845,714	8,072,497	7,454,568
	101,221,427	109,238,721	105,371,197
Net revenue (expenditure) before the following	8,699,163	1,647,421	(1,608,724)
Financing and transfers:			
Debenture and term loan principal instalments)	(8,699,163)	(8,699,163)	(4,715,248)
Amortization of bond discount	—	(66,655)	(51,759)
Net financing and transfers	(8,699,163)	(8,765,818)	(4,767,007)
Change in fund balance	—	(7,118,397)	(6,375,731)
Fund balance, beginning of year	—	17,247,961	23,623,692
Fund balance, end of year	\$ —	\$ 10,129,564	\$ 17,247,961

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Amortization of deferred capital contributions	\$ 3,685,865	\$ 2,158,826
Expenditures:		
General government services	134,412	134,412
Protective services	631,247	545,630
Transportation services	4,400,123	3,777,336
Environmental health services	3,062,632	3,013,832
Recreation and cultural services	948,504	1,138,709
Planning and development	299,251	298,836
	9,476,169	8,908,755
Net expenditure before the following	(5,790,304)	(6,749,929)
Financing and transfers:		
Transfer from reserve fund	-	6,750,000
Transfer from Cape Breton Regional Municipality		
Water Utility	-	600,000
Debenture and term loan principal instalments	8,699,163	4,715,248
Other	-	14,043
Net financing and transfers	8,699,163	12,079,291
Change in fund balance	2,908,859	5,329,362
Fund balance, beginning of year	27,122,039	21,792,677
Fund balance, end of year	\$ 30,030,898	\$ 27,122,039

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Investment income	\$ 37,478	\$ 162,989
Sale of properties	489,044	78,195
	<u>526,522</u>	<u>241,184</u>
Financing and transfers:		
Transfer from (to) operating fund	(70,428)	114,371
Transfer to capital fund	—	(6,750,000)
Insurance proceeds	—	83,393
	<u>(70,428)</u>	<u>(6,552,236)</u>
Change in fund balance	456,094	(6,311,052)
Fund balance, beginning of year:		
As previously stated	4,624,291	9,577,212
Restated	(1,707,467)	(349,336)
	<u>2,916,824</u>	<u>9,227,876</u>
Fund balance, end of year	<u>\$ 3,372,918</u>	<u>\$ 2,916,824</u>

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2009

Council	Annual Remuneration
J. Morgan, Mayor	\$ 95,644
C. Detheridge	34,577
B. Lahey	34,577
K. Saccary	34,577
L. McNeil	34,577
V. Hall	21,132
D. Bruckschwaiger	34,557
F. Morrison	21,132
J. MacLeod	34,557
R. Paruch	34,557
T. Wilson	34,557
C. Long	21,132
R. Fogarty, Deputy Mayor	24,190
E. Marshall	21,132
G. MacLeod	34,557
C. Prince, Deput Mayor	36,346
W. Stubbert	34,557
K. Deveaux	13,425
D. Mombourquette	13,425
D. LeBlanc	13,425
G. MacDonald	13,425
M. Rowe	13,425

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2009

Senior Staff	Annual Remuneration
R. Campbell	\$ 88,246
A. Fleming	88,246
D. Foster	88,246
K. MacDonald	42,545
B. MacKinnon	92,789
B. McNeil	88,246
J. Ryan	125,290
B. White	88,246
D. Wilson	89,163
M. Walsh	88,246
W. MacDonald	83,402
M. Burke	93,399