

Consolidated Financial Statements of

**CAPE BRETON REGIONAL
MUNICIPALITY**

Year ended March 31, 2010

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2010

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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, 2010 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, 2010 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

October 1, 2010

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Financial Assets		
Taxes receivable (note 3)	\$ 11,238,465	\$ 10,868,495
Accounts receivable (note 4)	15,882,006	9,793,983
Net prepaid benefit expense (note 5)	22,355,500	24,210,000
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)	53,671,751	53,057,576
	103,147,722	99,166,869
Liabilities		
Cheques issued in excess of funds on deposit (note 2)	35,599,758	28,858,933
Accounts payable and accrued liabilities (note 8)	12,145,634	12,645,179
Accrued interest on long-term debt	1,427,123	1,676,649
Due to trust funds	150,529	—
Due to Cape Breton Regional Municipality Water Utility	238,759	—
Deferred revenue	3,397,190	3,547,487
Deferred capital contributions (note 9)	79,996,116	66,242,420
Deferred revenue-obligatory reserve funds (note 10)	4,436,416	1,957,386
Accrued employee benefits	5,607,094	5,191,259
Solid waste management facilities liabilities (note 11)	41,161,800	41,161,800
Long-term debt (note 12)	73,025,514	72,051,452
	257,185,933	233,332,565
Net debt	(154,038,211)	(134,165,696)
Non-financial assets:		
Tangible capital assets (note 13)	199,230,560	191,763,088
Work in progress	25,032,617	7,417,317
Properties acquired at tax sale	1,668,430	1,697,560
Inventory, prepaid expenses and other	2,226,787	2,923,103
	228,158,394	203,801,068
Net assets	\$ 74,120,183	\$ 69,635,372
Municipal Position		
Amounts to be recovered (note 14)	\$ (17,970,390)	\$ (26,955,584)
Fund balances:		
Operating fund	391,116	10,129,564
Capital fund	33,898,952	30,030,898
Reserve funds	4,128,754	3,372,918
Equity in Cape Breton Regional Municipality Water Utility (note 7)	53,671,751	53,057,576
	92,090,573	96,590,956
Contingencies (note 15)		
Total Municipal position	\$ 74,120,183	\$ 69,635,372

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, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Taxes	\$ 81,595,343	\$ 77,969,891
Less amounts received for the School Board	(11,094,720)	(10,889,340)
	70,500,623	67,080,551
Grants in lieu of taxes	7,436,811	7,790,113
Services provided to other governments	209,470	209,417
Sales of services	2,560,463	2,468,442
Revenue from own sources	14,005,313	14,219,942
Unconditional transfers from other governments	17,126,703	17,481,625
Conditional transfers from other governments	2,331,688	1,636,056
Investment income	11,310	37,478
Sale of properties	35,500	489,044
Amortization of deferred capital contributions	4,164,988	3,685,862
	118,382,869	115,098,530
Expenditures:		
General government services	17,666,063	14,129,358
Protective services	37,550,918	37,616,116
Transportation services	31,314,850	28,658,437
Environmental health services	24,651,894	26,331,415
Public health and welfare services	2,108,974	1,858,563
Environmental development services	981,264	947,649
Recreation and cultural services	8,850,269	8,944,529
Planning and development	299,251	299,251
	123,423,483	118,785,318
Net expenditures before the following	(5,040,614)	(3,686,788)
Net financing and transfers:		
Amortization of bond discount	(73,944)	(66,656)
Increase in equity in Cape Breton Regional Municipality		
Water Utility	614,175	689,581
	540,231	622,925
Change in fund balances	(4,500,383)	(3,063,863)
Fund balances, beginning of year	96,590,956	99,654,819
Fund balances, end of year	\$ 92,090,573	\$ 96,590,956

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Change in fund balances	\$ (4,500,383)	\$ (3,063,863)
Decrease in amounts to be recovered from future revenue	8,985,194	8,985,195
	4,484,811	5,921,332
Tangible capital assets:		
Acquisition of tangible capital assets	(17,242,345)	(26,926,117)
Amortization of tangible capital assets	9,774,873	9,476,169
	(7,467,472)	(17,449,948)
Other non-financial assets:		
Decrease (increase) in inventory, prepaid expenses and other	696,316	(900,480)
Decrease in property acquired at tax sale	29,130	143,214
Increase in work in progress	(17,615,300)	(18,124)
	(16,889,854)	(775,390)
Increase in net debt	(19,872,515)	(12,304,006)
Net debt, beginning of year	(134,165,696)	(121,861,690)
Net debt, end of year	\$(154,038,211)	\$(134,165,696)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Change in fund balances	\$ (4,500,383)	\$ (3,063,863)
Add amortization of tangible capital assets	9,774,873	9,476,169
Less amortization of deferred capital contributions	(4,164,988)	(3,685,862)
Add amortization of amounts to be recovered	8,985,194	8,985,195
Less increase in equity in Cape Breton Regional Municipality Water Utility	(614,175)	(689,581)
	9,480,521	11,022,058
Change in non-cash items:		
Decrease (increase) in taxes receivable	(369,970)	345,332
Decrease (increase) in accounts receivable	(6,088,023)	818,396
Decrease (increase) in net prepaid benefit expense	1,854,500	(472,000)
Decrease (increase) in inventory, prepaid expenses and other	696,316	(900,480)
Increase (decrease) in accounts payable and accrued liabilities	(499,545)	1,129,381
Increase (decrease) in accrued interest on long-term debt	(249,526)	235,962
Increase (decrease) in deferred revenue	(150,297)	120,967
Increase in deferred revenue – obligatory reserve funds	2,479,030	249,919
Increase (decrease) in employee future benefits	415,835	106,523
	(1,911,680)	1,634,000
Financing activities:		
Increase (decrease) in due to Cape Breton Regional Municipality Water Utility	238,759	(130,877)
Decrease (increase) in due from Cape Breton Regional Municipality Water Utility	1,155,560	(1,155,560)
Decrease (increase) in due from trust fund	81,255	(1,435,679)
Increase in due to trust fund	150,529	–
Capital contributions received	17,918,684	5,997,302
Issuance of long-term debt	10,452,001	10,787,756
Principal payments on long-term debt	(9,477,939)	(8,399,163)
	20,518,849	5,663,779
Capital activities:		
Additions to tangible capital assets	(17,242,345)	(26,926,117)
Increase in work in progress	(17,615,300)	(18,124)
Decrease in properties acquired at tax sale	29,130	143,214
	(34,828,515)	(26,801,027)
Net change in cash position	(6,740,825)	(8,481,190)
Cash position, beginning of year	(28,858,933)	(20,377,743)
Cash position, end of year	\$ (35,599,758)	\$ (28,858,933)
Cash position is defined as cash less cheques issued in excess of funds on deposit	\$ (35,599,758)	\$ (28,858,933)
Supplemental cash flow information:		
Cash paid during the year for:		
Interest paid	\$ 3,718,921	\$ 3,821,179

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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, 2010

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, 2010

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, 2010

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):

	2010	2009
Cape Breton Regional Municipality:		
Operating fund	\$ (353,339)	\$ (147,902)
Reserves funds	8,171,128	6,243,536
Capital funds	(43,417,547)	(34,954,567)
	<u>\$ 35,599,758</u>	<u>\$ 28,858,933</u>

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

3. Taxes receivable:

	2010	2009
Gross taxes receivable, beginning of year	\$ 12,828,288	\$13,672,955
Current year's levy of property taxes	78,687,714	74,806,847
Subtotal	91,516,002	88,479,802
Less:		
Current year's collections	77,296,669	75,087,966
Reduced taxes	58,375	114,213
Allowance	865,041	449,335
Gross taxes receivable, end of year	13,295,217	12,828,288
Less:		
Allowance for uncollectible taxes	2,056,752	1,959,793
Taxes receivable, net	\$ 11,238,465	\$10,868,495

4. Accounts receivable:

	2010	2009
Federal Government	\$ 6,310,222	\$ 2,685,763
Provincial Government	4,557,336	1,919,174
Other receivables	5,198,787	5,375,175
	16,066,345	9,980,112
Less allowance for doubtful accounts	184,339	186,129
	\$ 15,882,006	\$ 9,793,983

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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 \$4,303,000 in 2010.

The following summarizes the plan for the fiscal year ended March 31, 2010 and 2009:

	2010	2009
Accrued benefit obligation:		
Balance at beginning of period	\$ 91,147,000	\$ 84,193,000
Current service cost	3,498,000	3,340,000
Interest on average liabilities	5,672,000	5,459,000
Employee contributions	345,000	1,925,000
Benefit payments	(4,303,000)	(3,770,000)
Accrued benefit obligation, December 31	96,359,000	91,147,000
Deduct plan assets:		
Balance at beginning of period	85,243,000	99,364,000
Investment gain (loss) on plan assets	15,537,000	(13,786,000)
Employer contributions	2,355,000	1,662,000
Employee contributions	1,831,000	1,773,000
Benefit payments	(4,303,000)	(3,770,000)
Plan assets, December 31	100,663,000	85,243,000
Funded status – plan surplus (deficit)	(4,304,000)	5,904,000
Add unamortized items:		
Unamortized actuarial loss	(18,051,500)	(30,114,000)
Net prepaid benefit expense	\$ 22,355,500	\$ 24,210,000

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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:

	2010	2009
Discount rate	6.30%	6.25%
Expected long-term rate of return on assets	6.30%	6.25%
Rate of compensation increase	4.10%	3.50%

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

	2010	2009
Current service cost	\$ 3,861,500	\$ 2,179,000
Interest on average liabilities	5,672,000	5,459,000
Interest on average assets	(5,324,000)	(6,448,000)
	\$ 4,209,500	\$ 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, 2010

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 \$269,879 (2009 - \$281,337).

c) Other:

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$355,461 (2009 - \$331,509).

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, 2010 are \$5,486,004 (2009 - \$4,211,858).

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, 2010

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

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

	2010	2009
Financial Position:		
Current assets	\$ 12,161,909	\$ 13,074,653
Capital assets	120,709,262	110,460,121
Total assets	132,871,171	123,534,774
Current liabilities	18,560,900	12,881,505
Long-term liabilities	60,638,520	57,595,693
Total liabilities	79,199,420	70,477,198
Net assets	\$ 53,671,751	\$ 53,057,576
Results of Operations:		
Operating revenues	\$ 17,334,113	\$ 16,960,423
Other income	179,852	240,840
Operating expenditures	(14,502,941)	(13,922,530)
Financing and capital expenditures	(3,844,683)	(3,336,985)
Transfer to Cape Breton Regional Municipality	(650,000)	(650,000)
Excess of revenue over expenditures	1,483,659	(708,252)
Appropriation for long-term debt repayments and capital	2,097,834	1,397,833
Increase in investment and equity	614,175	689,581
Investment and equity, beginning	53,057,576	52,367,995
Investment and equity, ending	\$ 53,671,751	\$ 53,057,576

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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:

	2010	2009
Revenues:		
Taxation	\$ 1,568,209	\$ 1,279,176
Expenditures:		
Fire protection charge	4,790,377	4,790,377
Administrative fee	6,444,790	6,444,790

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:

	2010	2009
Trade accounts payable	\$ 8,390,310	\$ 9,366,646
Payable to other governments	2,024,384	1,773,973
Accrued liabilities	1,730,940	1,504,560
	\$ 12,145,634	\$ 12,645,179

9. Deferred capital contributions:

	2010	2009
Balance, beginning of year	\$ 66,242,420	\$ 63,930,980
Capital contributions received	17,918,684	5,997,302
Amortized to revenue	(4,164,988)	(3,685,862)
Balance, end of year	\$ 79,996,116	\$ 66,242,420

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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:

	2010	2009
Balance, beginning of year	\$ 1,957,386	\$ 1,707,467
Federal grant – gasoline tax	7,260,065	3,660,418
Federal transit tax	317,724	813,898
Investment income	13,417	52,006
Transfers to capital fund	(2,601,544)	(1,192,475)
Transfers to operating fund	(2,510,632)	(3,083,928)
Balance, end of year	\$ 4,436,416	\$ 1,957,386
Federal gas tax	\$ 3,666,484	\$ 502,882
Federal transit tax	769,932	1,454,504
	\$ 4,436,416	\$ 1,957,386

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, 2010

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 (2009 - \$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, 2010 are as follows:

2011	\$ 10,523,139
2012	10,523,139
2013	10,523,139
2014	8,523,139
2015	7,780,639

13. Tangible capital assets:

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 910,407	\$ —	\$ 910,407	\$ 910,407
Buildings:				
General government services	5,381,297	1,448,542	3,932,755	4,062,478
Protective services	1,984,076	552,993	1,431,083	1,627,334
Transportation services	5,617,649	351,215	5,266,434	2,467,596
Environmental services	25,785,820	2,972,398	22,813,422	23,385,154
Recreation and cultural services	8,918,984	1,813,649	7,105,335	4,266,091
Industrial parks	1,084,104	231,481	852,623	879,725
	49,682,337	7,370,278	42,312,059	37,598,785

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

13. Tangible capital assets (continued):

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
Carried forward	\$ 49,682,337	\$ 7,370,278	\$ 42,312,059	\$ 37,598,785
Equipment:				
General government services	2,669,353	2,669,353	—	—
Protective services	5,398,208	4,514,940	883,268	1,055,507
Public works	14,351,932	9,027,162	5,324,770	4,260,160
Environmental health services	13,476,035	11,360,605	2,115,430	3,414,741
Recreation and cultural services	796,237	760,347	35,890	149,488
Other:				
General government services	742,494	742,494	—	—
Road transport	111,100,845	23,581,883	87,518,962	87,046,337
Environmental health services	58,173,315	9,520,087	48,653,228	47,668,289
Recreation and cultural services	9,305,165	5,746,833	3,558,332	1,469,007
Waterfront development	8,861,700	2,330,167	6,531,533	6,708,767
Downtown development	1,293,289	91,927	1,201,362	1,227,227
Wharf – Sydney Marine Terminal	1,726,210	630,484	1,095,726	1,164,780
	\$ 277,577,120	\$ 78,346,560	\$ 199,230,560	\$ 191,763,088

14. Amounts to be recovered:

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

	2010	2009
Amounts to be recovered from future revenues:		
Landfill closure and post closure	\$ 16,464,720	\$ 24,697,080
Employee future benefits	1,236,378	1,854,566
Accrued interest on debt	269,292	403,938
Total	\$ 17,970,390	\$ 26,955,584

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

15. Contingencies:

- (a) As of March 31, 2010 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, 2009 this outstanding debt was \$32,160,997 (2009 - \$34,108,831) 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.
- e) 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.

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, 2010 in the amount of \$2,024,384 (2009 - \$1,773,973).

- (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, 2010, the Municipality's share of these costs was \$1,352,792 (2009 - \$1,309,888).

- (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, 2010, the Municipality's contribution for these costs was \$1,426,660 (2009 - \$1,439,191).

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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

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

The Municipality provided a mandatory contribution in the amount of \$11,094,720 (2009 - \$10,889,340) to the Cape Breton-Victoria Regional School Board.

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. Comparative figures:

Certain of the 2009 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, 2010, with comparative figures for 2009

	Term (years)	Interest rate - %	Matures	Balance March 31/09	Issued	Redeemed	Balance March 31/10
M.F.C.							
22-A-1	10	5.375-6.125	2012	\$ 4,266,666	\$ -	\$ 1,000,000	\$ 3,266,666
22-B-1	15	4.625-6.000	2017	4,900,000	-	1,100,000	3,800,000
23-A-1	10	3.750-5.000	2013	3,712,500	-	742,500	2,970,000
25-A-1	10	3.760-4.515	2015	3,947,832	-	563,976	3,383,856
26-A-1	10	4.285-4.880	2016	3,979,898	-	497,487	3,482,411
27-B-1	10	4.577-5.010	2017	40,456,800	-	4,495,200	35,961,600
28-B-1	10	3.100-5.095	2018	10,787,756	-	1,078,776	9,708,980
29-A-1	10	0.000-4.329	2019	-	10,452,001	-	10,452,001
				\$ 72,051,452	\$ 10,452,001	\$ 9,477,939	\$ 73,025,514

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

March 31, 2010, with comparative figures for 2009

	2010	2009
	Actual	Actual
Revenue:		
Taxes	\$ 81,595,343	\$ 77,969,891
Less amounts received for the School Board	(11,094,720)	(10,889,340)
	70,500,623	67,080,551
Grants in lieu of taxes	7,436,811	7,790,113
Services provided to other governments	209,470	209,417
Sales of services	2,560,463	2,468,442
Revenue from own sources	14,005,313	14,219,942
Unconditional transfers from other governments	17,126,703	17,481,621
Conditional transfers from other governments	2,331,688	1,636,056
	114,171,071	110,886,142
Expenditures:		
General government services	17,531,527	13,971,946
Protective services	36,996,966	36,860,969
Transportation services	26,521,840	24,258,314
Environmental health services	21,544,471	23,268,783
Public health and welfare services	2,108,974	1,858,563
Environmental development services	981,264	947,649
Recreation and cultural services	7,963,568	8,072,497
	113,648,610	109,238,721
Net revenue before the following	522,461	1,647,421
Financing and transfers:		
Debenture and term loan principal instalments	(9,477,939)	(8,699,163)
Transfer to special reserve funds	(709,026)	—
Amortization of bond discount	(73,944)	(66,655)
Net financing and transfers	(10,260,909)	(8,765,818)
Change in fund balance	(9,738,448)	(7,118,397)
Fund balance, beginning of year	10,129,564	17,247,961
Fund balance, end of year	\$ 391,116	\$ 10,129,564

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Amortization of deferred capital contributions	\$ 4,164,988	\$ 3,685,865
Expenditures:		
General government services	134,533	134,412
Protective services	553,952	631,247
Transportation services	4,793,013	4,400,123
Environmental health services	3,107,423	3,062,632
Recreation and cultural services	886,701	948,504
Planning and development	299,251	299,251
	9,774,873	9,476,169
Net expenditure before the following	(5,609,885)	(5,790,304)
Financing and transfers:		
Debenture and term loan principal instalments	9,477,939	8,699,163
Change in fund balance	3,868,054	2,908,859
Fund balance, beginning of year	30,030,898	27,122,039
Fund balance, end of year	\$ 33,898,952	\$ 30,030,898

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Investment income	\$ 11,310	\$ 37,478
Sale of properties	35,500	489,044
	46,810	526,522
Financing and transfers:		
Transfer from (to) operating fund	709,026	(70,428)
Change in fund balance	755,836	456,094
Fund balance, beginning of year	3,372,918	2,916,824
Fund balance, end of year	\$ 4,128,754	\$ 3,372,918

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2010

Council	Annual Remuneration
J. Morgan, Mayor	\$ 98,407
D. Bruckschwaiger, Deputy Mayor	37,634
C. Prince, Deputy Mayor	38,499
K. Deveaux	35,557
C. Detheridge	35,557
B. Lahey	35,557
D. LeBlanc	35,557
G. MacDonald	35,557
J. MacLeod	35,557
G. MacLeod	35,557
L. McNeil	35,557
D. Mombourquette	35,557
R. Paruch	35,557
M. Rowe	35,557
K. Saccary	35,557
W. Stubbart	35,557
T. Wilson	35,557

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2010

Senior Staff	Annual Remuneration
M. Burke	\$ 111,430
R. Campbell	90,822
A. Fleming	90,822
D. Foster	90,822
W. MacDonald	97,808
B. MacKinnon	98,580
B. McNeil	90,822
J. Ryan	128,948
B. White	90,822
M. Walsh	90,822

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Council

Year ended March 31, 2010

Council	Travel Expenses
J. Morgan, Mayor	\$ 38,754
B. Lahey	11,848
K. Saccary	14,239
L. McNeil	10,006
G. MacDonald	11,051
D. Bruckschwaiger, Deputy Mayor	10,640
K. Desveaux	9,070
J. MacLeod	17,254
R. Paruch	15,070
T. Wilson	10,454
D. Mombourquette	9,790
D. LeBlanc	9,737
C. Detheridge	15,014
M. Rowe	10,955
G. MacLeod	13,508
C. Prince, Deputy Mayor	11,920
W. Stubbart	8,765

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Senior Staff

Year ended March 31, 2010

Senior Staff	Travel Expenses
J. Ryan	\$ 7,094
B. White	3,243
B. MacKinnon	6,550
W. MacDonald	7,770
M. Walsh	2,944
A. Fleming	4,117
D. Foster	15,269
B. McNeil	2,988
M. Burke	19,813
P. MacIsaac	3,115
R. Campbell	1,335