



Consolidated Financial Statements of

**CAPE BRETON REGIONAL
MUNICIPALITY**

Year ended March 31, 2012

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Cape Breton Regional Municipality which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Sydney, Canada

December 18, 2012

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011 (Restated)
FINANCIAL ASSETS		
Taxes receivable (note 3)	\$ 11,650,445	\$ 11,713,053
Accounts receivable (note 4)	19,260,720	24,584,183
Net prepaid benefit expense (note 5)	6,786,000	8,566,000
Due from trust fund	—	4,362,121
	37,697,165	49,225,357
FINANCIAL LIABILITIES		
Cheques issued in excess of funds on deposit (note 2)	13,486,104	29,854,110
Accounts payable and accrued liabilities (note 8)	11,509,710	12,580,750
Accrued interest on long-term debt	1,471,362	1,471,362
Due to trust funds	407,522	—
Deferred revenue	3,893,085	3,338,943
Accrued employee benefits	5,776,153	5,936,400
Solid waste management facilities liabilities (note 9)	41,161,800	41,161,800
Long-term debt (note 10)	128,955,966	129,861,538
	206,661,702	224,204,903
NET DEBT	(168,964,537)	(174,979,546)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	339,362,427	306,062,854
Work in progress	3,027,205	28,758,662
Properties acquired at tax sale	1,592,165	1,645,230
Inventory, prepaid expenses and other	3,089,933	3,046,822
	347,071,730	339,513,568
Net assets	\$ 178,107,193	\$ 164,534,022
MUNICIPAL POSITION		
Amounts to be recovered (note 12)	\$ —	\$ (8,985,194)
Fund balances		
Fund balances (note 7)	178,107,193	173,519,216
TOTAL MUNICIPAL POSITION	\$ 178,107,193	\$ 164,534,022

Contingencies (note 13)

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, 2012, with comparative figures for 2011

	Budget	2012	2011 (Restated)
REVENUES			
Taxes	\$ 87,654,321	\$ 87,797,712	\$ 83,456,395
Grants in lieu of taxes	7,788,852	8,092,695	7,648,915
Services provided to other governments	240,000	239,970	255,120
Sales of services	2,345,000	2,476,755	2,170,428
Revenue from own sources	10,928,028	10,858,463	13,887,960
Unconditional transfers from other governments	16,878,701	16,601,736	14,941,808
Conditional transfers from other governments	2,146,580	2,159,230	2,166,400
Capital grants	4,054,090	12,912,151	19,460,863
Water utility revenue	17,820,377	19,906,420	17,460,345
Investment income	—	117,013	75,106
Sale of properties	—	47,500	145,050
	149,855,949	161,209,645	161,668,390
EXPENSES			
General government services	15,272,336	17,059,881	17,240,642
Protective services	38,620,734	38,571,328	38,451,063
Transportation services	33,340,529	33,343,884	32,156,468
Environmental health services	16,879,928	25,994,753	24,638,397
Public health and welfare services	591,096	84,590	946,692
Environmental development services	1,103,654	1,030,364	1,032,320
Recreation and cultural services	10,725,097	10,814,178	11,237,261
Planning and development	300,751	300,751	300,751
Educational services	11,326,300	11,132,028	10,945,272
Water utility expenses	17,519,791	18,190,462	16,758,519
	145,680,216	156,522,219	153,707,385
Net revenues before the following	4,175,733	4,687,426	7,961,005
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(86,000)	(99,449)	(89,169)
Transfer to trust funds	—	—	(2,000,000)
	(86,000)	(99,449)	(2,089,169)
CHANGE IN FUND BALANCES	4,089,733	4,587,977	5,871,836
FUND BALANCES, BEGINNING OF YEAR			
As previously reported	173,519,216	169,523,527	163,210,964
Restatement (note 16)	—	3,995,689	4,436,416
As restated	173,519,216	173,519,216	167,647,380
FUND BALANCES, END OF YEAR	\$ 177,608,949	\$ 178,107,193	\$ 173,519,216

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011 (Restated)
Change in fund balances	\$ 4,587,977	\$ 5,871,836
Decrease in amounts to be recovered from future revenue	8,985,194	8,985,194
	13,573,171	14,857,030
Tangible capital assets		
Acquisition of tangible capital assets	(46,321,983)	(48,331,590)
Amortization of tangible capital assets	13,022,410	12,996,871
	(33,299,573)	(35,334,719)
Other non-financial assets		
Increase in inventory, prepaid expenses and other	(43,111)	(350,642)
Decrease in property acquired at tax sale	53,065	23,200
Decrease in work in progress	25,731,457	20,083,741
	25,741,411	19,756,299
DECREASE (INCREASE) IN NET DEBT	6,015,009	(721,390)
NET DEBT, BEGINNING OF YEAR		
As previously reported	(178,975,235)	(178,694,572)
Restated (note 16)	3,995,689	4,436,416
As restated	(174,979,546)	(174,258,156)
NET DEBT, END OF YEAR	\$ (168,964,537)	\$ (174,979,546)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	\$ 4,587,977	\$ 5,871,836
Add amortization of tangible capital assets	13,022,410	12,996,871
Add amortization of amounts to be recovered	8,985,194	8,985,194
	26,595,581	28,294,628
Change in non-cash items		
Decrease (increase) in taxes receivable	62,608	(474,588)
Decrease (increase) in accounts receivable	5,323,463	(2,972,141)
Decrease in net prepaid benefit expense	1,780,000	564,000
Increase in inventory, prepaid expenses and other	(43,111)	(350,642)
Decrease in accounts payable and accrued liabilities	(1,071,040)	(2,058,030)
Increase in accrued interest on long-term debt	—	44,239
Increase (decrease) in deferred revenue	554,142	(58,247)
Increase (decrease) in accrued employee benefits	(160,247)	329,306
	6,445,815	(4,976,103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in due from trust fund	4,362,121	(4,362,121)
Increase (decrease) in due to trust fund	407,522	(150,529)
Issuance of long-term debt	14,530,000	37,146,000
Principal payments on long-term debt	(15,435,572)	(12,470,972)
	3,864,071	20,162,378
CASH FLOWS FROM CAPITAL ACTIVITIES		
Additions to tangible capital assets	(46,321,983)	(48,331,590)
Decrease in work in progress	25,731,457	20,083,741
Decrease in properties acquired at tax sale	53,065	23,200
	(20,537,461)	(28,224,649)
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,368,006	14,815,527
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(29,854,110)	(44,669,637)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (13,486,104)	\$ (29,854,110)

Cash position is defined as cash less cheques issued in excess of funds on deposit

Supplemental cash flow information

Cash paid during the year for		
Interest paid	\$ 6,045,029	\$ 5,328,090

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

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

(b) Basis of consolidation

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

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

(c) School boards

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

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

(d) Trust funds

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

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Fund accounting

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

(f) Basis of accounting

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

(g) Tangible capital assets

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

General fund	Basis	Rate
Buildings	Straight-line	40 years
Equipment	Straight-line	5-10 years
Streets	Straight-line	50 years
Sidewalks	Straight-line	20 years
Traffic lights	Straight-line	20 years
Recreation facilities	Straight-line	5-40 years
Industrial parks	Straight-line	40 years
Waterfront development	Straight-line	50 years
Wharf – Sydney Marine Terminal	Straight-line	25 years
Garbage collection and disposal	Straight-line	25 years
Sewer collection and disposal	Straight-line	50 years

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

Water capital fund:

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

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Reserve funds

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

(i) Government transfers

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

(j) Deferred revenue

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

(k) Taxation and related revenues

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

(l) Employee future benefits

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

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

The Municipality has adopted the following policies:

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

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

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)

	2012	2011
Operating funds	\$ (3,950,226)	\$ (2,051,445)
Reserves funds	7,299,614	7,669,251
Capital funds	(16,835,492)	(35,471,916)
	<u>\$ (13,486,104)</u>	<u>\$ (29,854,110)</u>

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

3. TAXES RECEIVABLE

	2012	2011
Gross taxes receivable, beginning of year	\$ 13,480,283	\$13,295,217
Current year's levy of property taxes	84,947,140	80,797,171
Subtotal	98,427,423	94,092,388
Less		
Current year's collections	84,956,623	80,267,633
Reduced taxes	53,125	54,250
Allowance	88,514	290,222
Gross taxes receivable, end of year	13,329,161	13,480,283
Less		
Allowance for uncollectible taxes	1,678,716	1,767,230
Taxes receivable, net	\$ 11,650,445	\$11,713,053

4. ACCOUNTS RECEIVABLE

	2012	2011
Federal Government	\$ 8,310,610	\$10,739,798
Provincial Government	434,048	4,165,986
Other receivables	12,237,860	11,362,738
	20,982,518	26,268,522
Less allowance for doubtful accounts	1,721,798	1,684,339
	\$ 19,260,720	\$24,584,183

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

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 \$4,697,000 in 2012.

The following summarizes the plan for the fiscal year ended March 31, 2012 and 2011:

	2012	2011
Accrued benefit obligation		
Balance at beginning of year	\$ 116,424,000	\$ 108,174,000
Current service cost	4,305,000	4,761,000
Benefit payments	(4,697,000)	(4,644,000)
Interest on obligations	5,811,000	5,412,000
Actuarial losses	—	2,721,000
Accrued benefit obligation, end of year	121,843,000	116,424,000
Deduct plan assets		
Balance, beginning of year	109,839,000	100,663,000
Employer contributions	2,407,000	2,548,000
Employee contributions	1,836,000	2,109,000
Benefit payments	(4,697,000)	(4,644,000)
Interest on average assets	5,481,000	5,033,000
Actuarial losses	(5,961,000)	4,130,000
Plan assets, end of year	108,905,000	109,839,000
Funded status – plan deficit	(12,938,000)	(6,585,000)
Unamortized actuarial loss	19,724,000	15,151,000
Net prepaid benefit expense	\$ 6,786,000	\$ 8,566,000

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

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:

	2012	2011
Discount rate	5.0%	5.0%
Expected long-term rate of return on assets	5.0%	5.0%

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

	2012	2011
Current service cost	\$ 4,305,000	\$ 4,761,000
Amortization of actuarial losses	1,389,000	1,490,000
Employee contributions	(1,836,000)	(2,109,000)
Interest on average liabilities	5,811,000	5,412,000
Interest on average assets	(5,481,000)	(5,033,000)
	\$ 4,188,000	\$ 4,521,000

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, 2012

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 \$240,130 (2011 - \$245,618).

c) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$325,127 (2011 - \$319,691).

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, 2012 are \$3,222,747 (2011 - \$5,590,699).

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

7. FUND BALANCES

	2012	2011 (Restated)
General operating fund	\$ (37,528,072)	\$ (27,588,365)
Water operating fund	3,770,280	5,552,156
General capital fund	148,218,084	133,639,379
Water capital fund	54,786,767	51,894,319
Reserves set aside by council	169,247,059 8,860,134	163,497,489 10,021,727
	<u>\$ 178,107,193</u>	<u>\$ 173,519,216</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade accounts payable	\$ 11,509,710	\$ 11,718,648
Payable to other governments	—	862,102
	<u>\$ 11,509,710</u>	<u>\$ 12,580,750</u>

9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES

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

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

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, 2012

9. 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 (2011 - \$41,161,800). The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations. We anticipate this number to grow with potential for interest rate effects on borrowing for completion and fluctuations with cost of living increases in the service markets where this work would be carried out.

10. LONG-TERM DEBT

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

Principal payments required in each of the next five years on debt held as at March 31, 2012 are as follows:

2013	\$ 17,155,000
2014	14,888,600
2015	14,146,000
2016	14,146,000
2017	13,582,000

11. TANGIBLE CAPITAL ASSETS

	2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,680,423	\$ —	\$ 1,680,423	\$ 1,665,959
Buildings				
General government services	5,635,690	1,730,004	3,905,686	4,033,658
Protective services	3,679,820	701,607	2,978,213	1,655,123
Transportation services	5,955,881	643,979	5,311,902	5,259,606
Environmental services	26,326,825	4,281,776	22,045,049	22,424,714
Recreation and cultural services	13,837,594	2,492,640	11,344,954	11,175,313
Industrial parks	1,084,104	285,687	798,417	825,520
	56,519,914	10,135,693	46,384,221	43,373,934

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

11. TANGIBLE CAPITAL ASSETS (CONTINUED)

	2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment				
General government services	2,669,353	2,669,353	—	—
Protective services	5,868,028	5,340,121	527,907	904,775
Public works	17,631,545	11,169,877	6,461,668	5,241,154
Environmental health services	13,678,850	12,343,414	1,335,436	1,669,230
Recreation and cultural services	878,211	805,795	72,416	21,363
Other				
General government services	742,494	742,494	—	—
Road transport	134,992,864	31,386,141	103,606,723	97,720,465
Environmental health services	82,196,458	12,774,471	69,421,987	69,392,185
Recreation and cultural services	10,749,256	8,515,568	2,233,688	2,286,049
Waterfront development	8,861,700	2,684,635	6,177,065	6,354,299
Downtown development	1,368,289	146,659	1,221,630	1,248,996
Wharf – Sydney Marine Terminal	1,726,210	768,581	957,629	1,026,678
Water utility assets	129,566,662	30,285,028	99,281,634	73,157,767
	\$ 469,130,257	\$ 129,767,830	\$ 339,362,427	\$ 306,062,854

12. AMOUNTS TO BE RECOVERED

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

	2012		2011	
Amounts to be recovered from future revenues				
Landfill closure and post closure	\$	—	\$	8,232,360
Employee future benefits		—		618,189
Accrued interest on debt		—		134,645
Total	\$	—	\$	8,985,194

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

13. CONTINGENCIES

- (a) As of March 31, 2012 there are a number of claims against the Municipality and its consolidated entities in varying amounts and for which provisions have been made in these financial statements as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Municipality with respect to these claims, but management believes that any such amounts would not have a material impact on the financial position of the Municipality.
- b) The Municipality is the plaintiff in various proceedings, which have arisen, in the normal course of carrying on its operations. It is not possible at this time to determine the amounts the Municipality may receive with respect to these claims.
- c) The Municipality has guaranteed a number of loans on behalf of various fire departments within CBRM. The total amount outstanding on these loans at March 31, 2012 is \$1,693,000.
- d) Canadian Environmental Guidelines:

Per regulations set forth by the Canadian Council of Ministers of the Environment (CCME) and required by the Nova Scotia Environment – Department, the Municipality is currently in the process of performing risk assessments to meet necessary wastewater treatment guidelines. Upon completion in 2012, the timeline and estimated cost to meet these guidelines will be more definitive.

14. 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, 2012 in the amount of \$ nil (2011 - \$862,102).

- (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, 2012, the Municipality's share of these costs was \$1,434,533 (2011 - \$1,387,514).

- (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, 2012, the Municipality's contribution for these costs was \$842,815 (2011 - \$1,130,293).

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

14. 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 \$11,132,028 (2011 - \$10,945,272) to the Cape Breton-Victoria Regional School Board.

15. 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.

16. RESTATEMENT

Government transfers

The Municipality is required by public sector accounting principles to report government transfers as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. In prior years, government transfers relating to gas tax had been recorded as deferred revenue and recorded as revenue as the funds were expensed. The Municipality has adjusted the financial statements on a retroactive basis to reflect the proper accounting treatment of recognizing gas tax proceeds as revenue in the year the funds are received.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

16. RESTATEMENT (CONTINUED)

Prior Year Error

Interfund transfers were not properly reflected in the prior year financial statements resulting in an adjustment to the financial statements on retroactive basis.

The above adjustment resulted in the following change to the 2011 audited comparative statements:

	Debit (Credit)
Deferred revenue – obligatory reserve funds	\$ 3,995,689
Capital grants	475,144
Investment income	(34,417)
Fund balance – reserve funds	(4,436,416)
Fund balance – operating fund	1,167,647
Fund balance – capital fund	(1,167,647)
Fund balance – water utility fund	(2,076,324)
Fund balance – water capital fund	2,076,324
	\$ Nil

17. COMPARATIVE FIGURES

Certain of the 2012 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, 2012, with comparative figures for 2011

	Term (years)	Interest rate - %	Matures	Balance March 31/11	Issued	Redeemed	Balance March 31/12
General Fund							
M.F.C.							
22-A-1	10	5.375-6.125	2012	\$ 2,266,666	—	\$ 1,000,000	\$ 1,266,666
22-B-1	15	4.625-6.000	2017	2,700,000	—	1,100,000	1,600,000
23-A-1	10	3.750-5.000	2013	2,227,500	—	742,500	1,485,000
25-A-1	10	3.760-4.515	2015	2,819,880	—	563,976	2,255,904
26-A-1	10	4.285-4.880	2016	2,984,924	—	497,487	2,487,437
27-B-1	10	4.577-5.010	2017	31,466,400	—	4,495,200	26,971,200
28-B-1	10	3.100-5.095	2018	8,630,204	—	1,078,776	7,551,428
29-A-1	10	1.679-4.329	2019	9,406,801	—	1,045,200	8,361,601
30-B-1	10	1.550-3.870	2020	22,146,000	—	2,214,600	19,931,400
31-A-1	10	1.219-3.645	2021	—	14,530,000	—	14,530,000
				84,648,375	14,530,000	12,737,739	86,440,636
Water Fund							
M.F.C.							
22-A-1	10	3.895-6.125	2012	899,998	—	166,666	733,332
22-B-1	15	3.250-6.000	2017	1,166,665	—	166,667	999,998
27-A-1	15	4.385-4.770	2022	15,546,500	—	914,500	14,632,000
28-A-1	15	3.750-5.088	2023	12,600,000	—	700,000	11,900,000
30-A-1	15	1.510-4.875	2025	15,000,000	—	750,000	14,250,000
				45,213,163	—	2,697,833	42,515,330
				\$ 129,861,538	\$ 14,530,000	\$ 15,435,572	\$ 128,955,966

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2012, with comparative figures for 2011

	Budget	2012	2011 (Restated)
REVENUES			
Taxes	\$ 87,654,321	\$ 87,797,712	\$ 83,456,395
Grants in lieu of taxes	7,788,852	8,092,695	7,648,915
Services provided to other governments	240,000	239,970	255,120
Sales of services	2,345,000	2,476,755	2,170,428
Revenue from own sources	10,928,028	10,858,463	13,887,960
Unconditional transfers from other governments	16,878,701	16,601,732	14,941,808
Conditional transfers from other governments	2,146,580	2,159,230	2,166,400
	127,981,482	128,226,557	124,527,026
EXPENSES			
General government services	15,131,444	16,918,989	17,100,077
Protective services	38,151,871	38,102,465	37,946,131
Transportation services	28,270,611	28,273,966	26,986,649
Environmental health services	14,107,477	23,222,302	21,864,277
Public health and welfare services	591,096	84,590	946,692
Environmental development services	1,103,654	1,030,364	1,032,320
Recreation and cultural services	9,341,716	9,430,799	9,127,472
Educational services	11,326,300	11,132,028	10,945,272
	118,024,169	128,195,503	125,948,890
Excess (deficiency) of revenues over expenses before the following	9,957,313	31,054	(1,421,864)
FINANCING AND TRANSFERS			
Debenture and term loan principal instalments	(12,737,739)	(12,737,739)	(10,523,139)
Transfer from special reserve funds	2,866,426	2,866,427	3,102,518
Amortization of bond discount	(86,000)	(99,449)	(89,169)
Transfer to capital fund	—	—	(2,654,680)
Transfer to trust funds	—	—	(2,000,000)
Net financing and transfers	(9,957,313)	(9,970,761)	(12,164,470)
CHANGE IN FUND BALANCE	—	(9,939,707)	(13,586,334)
FUND BALANCE, BEGINNING OF YEAR			
As previously reported	(26,420,718)	(26,420,718)	(12,834,384)
Restatement (note 16)	(1,167,647)	(1,167,647)	(1,167,647)
As restated	(27,588,365)	(27,588,365)	(14,002,031)
FUND BALANCE, END OF YEAR	\$ (27,588,365)	\$ (37,528,072)	\$ (27,588,365)

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2012, with comparatives for 2011

	Budget	2012	2011 (Restated)
OPERATING REVENUES			
Metered rate sales	\$12,625,000	\$14,452,966	\$12,378,000
Flat rate sales	4,790,377	5,133,178	4,790,377
Public fire protection	250,000	303,749	289,728
	17,665,377	19,889,893	17,458,105
OPERATING EXPENSES			
Source of supply	635,280	683,622	431,345
Pumping	2,070,518	1,683,753	1,590,352
Water treatment	3,654,165	3,052,668	3,261,736
Transmission and distribution	3,908,551	3,347,835	3,189,985
Administration and general	2,885,000	2,453,884	2,306,719
Taxes	1,793,750	1,934,921	1,914,701
	14,947,264	13,156,683	12,694,838
Excess of revenues over expenses before the following	2,718,113	6,733,210	4,763,267
NON-OPERATING REVENUES			
Miscellaneous	155,000	16,527	2,240
NON-OPERATING EXPENSES			
Interest on debentures	2,330,840	2,004,608	2,006,707
Amortization of debt discounts	—	27,959	25,414
Other	220,000	115,058	34,572
Transfer to water capital fund	3,003,949	5,733,988	4,094,822
Transfer to general capital fund	650,000	650,000	650,000
	6,204,789	8,531,613	6,811,515
CHANGE IN FUND BALANCE	(3,331,676)	(1,781,876)	(2,046,008)
FUND BALANCE, BEGINNING OF YEAR			
As previously reported	3,475,832	3,475,832	5,521,840
Restatement (note 16)	2,076,324	2,076,324	2,076,324
As restated	5,552,156	5,552,156	7,598,164
FUND BALANCE, END OF YEAR	\$ 2,220,480	\$ 3,770,280	\$ 5,552,156

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011 (Restated)
REVENUES		
Capital grants	\$ 5,999,914	\$ 11,206,038
EXPENSES		
General government services	140,892	140,569
Protective services	468,863	504,932
Transportation services	5,069,918	5,169,819
Environmental health services	2,772,451	2,774,120
Recreation and cultural services	1,383,381	2,109,791
Planning and development	300,751	300,751
	10,136,256	10,999,982
Excess (deficiency) of revenues over expenses before the following	(4,136,342)	206,056
FINANCING AND TRANSFERS		
Transfer from operation fund	—	2,654,680
Transfer from reserve funds	5,327,308	4,542,788
Transfer from water utility fund	650,000	650,000
Debenture and term loan principal instalments	12,737,739	10,523,139
	18,715,047	18,370,607
CHANGE IN FUND BALANCE	14,578,705	18,576,663
FUND BALANCE, BEGINNING OF YEAR		
As previously reported	132,471,732	113,895,069
Restatement (note 16)	1,167,647	1,167,647
As restated	133,639,379	115,062,716
FUND BALANCE, END OF YEAR	\$ 148,218,084	\$ 133,639,379

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2012, with comparatives for 2011

	2012	2011 (Restated)
REVENUES		
Government grants	\$ 44,614	\$ 1,298,938
EXPENSES		
Amortization	2,886,154	1,996,988
Deficiency of revenues over expenses	(2,841,540)	(698,050)
FINANCING AND TRANSFERS		
Transfer from operating fund	5,733,988	4,094,822
CHANGE IN FUND BALANCE	2,892,448	3,396,772
FUND BALANCE, BEGINNING OF YEAR		
As previously reported	53,970,643	50,573,871
Restatement (note 16)	(2,076,324)	(2,076,324)
As restated	51,894,319	48,497,547
FUND BALANCE, END OF YEAR	\$ 54,786,767	\$ 51,894,319

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2012, with comparative figures for 2011

	2012			2011
	General	Water	Total	Total
				(Restated)
REVENUES				
Investment income	\$ 105,512	\$ 11,501	\$ 117,013	\$ 75,106
Sale of properties	47,500	—	47,500	145,050
Grants	6,919,742	(52,113)	6,867,629	6,955,893
	7,072,754	(40,612)	7,032,142	7,176,049
FINANCING AND TRANSFERS				
Transfer to operating fund	(2,866,427)	—	(2,866,427)	(3,102,518)
Transfer to capital funds	(5,327,308)	—	(5,327,308)	(4,542,788)
	(8,193,735)	—	(8,193,735)	(7,645,306)
CHANGE IN FUND BALANCE	(1,120,981)	(40,612)	(1,161,593)	(469,257)
FUND BALANCE, BEGINNING OF YEAR				
As previously reported	4,089,705	1,936,333	6,026,038	6,054,568
Restatement (note 16)	3,995,689	—	3,995,689	4,436,416
As restated	8,085,394	1,936,333	10,021,727	10,490,984
FUND BALANCE, END OF YEAR	\$ 6,964,413	\$ 1,895,721	\$ 8,860,134	\$10,021,727

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2012

Council	Annual Remuneration
J. Morgan, Mayor	\$ 108,031
C. Prince, Deputy Mayor – three months	44,933
D. Bruckschwaiger, Deputy Mayor – nine months	47,461
K. Deveau	35,645
C. Detheridge	43,716
B. Lahey	43,716
D. LeBlanc	43,716
G. MacDonald	43,716
J. MacLeod	43,716
G. MacLeod	43,176
L. McNeil	43,716
D. Mombourquette	43,716
R. Paruch	43,716
M. Rowe	43,716
K. Saccary	43,716
W. Stubbart	43,716
T. Wilson	43,716

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2012

Senior Staff	Annual Remuneration
R. Campbell	\$ 96,092
A. Fleming	96,092
D. Foster	96,092
L. MacCormack	100,934
W. MacDonald	99,227
L. MacIsaac	114,027
B. MacKinnon	105,722
B. McNeil	96,092
J. Ryan	136,431
B. White	96,092
M. Walsh	96,092

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Council

Year ended March 31, 2012

Council	Travel Expenses
J. Morgan, Mayor	\$ 36,495
C. Prince, Deputy Mayor – three months	7,392
D. Bruckschwaiger, Deputy Mayor – nine months	3,677
K. Desveaux	–
C. Detheridge	4,007
B. Lahey	3,418
D. LeBlanc	2,995
G. MacDonald	5,256
J. MacLeod	6,211
G. MacLeod	5,140
L. McNeil	5,578
D. Mombourquette	5,974
R. Paruch	2,133
M. Rowe	3,479
K. Saccary	7,496
W. Stubbett	1,725
T. Wilson	6,220

CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Senior Staff

Year ended March 31, 2012

Senior Staff	Travel Expenses
A. Fleming	\$ 3,040
D. Foster	12,673
L. MacCormack	6,575
W. MacDonald	10,664
P. MacIsaac	6,433
B. MacKinnon	5,771
B. McNeil	1,601
J. Ryan	7,057
M. Walsh	3,901
B. White	5,204