

Financial Statements of

SYDNEY TAR PONDS AGENCY

Year ended March 31, 2009

SYDNEY TAR PONDS AGENCY

Financial Statements

March 31, 2009

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AUDITORS' REPORT

To the Shareholders of Sydney Tar Ponds Agency

We have audited the statement of financial position of Sydney Tar Ponds Agency as at March 31, 2009 and the statements of operations, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency'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 Agency as at March 31, 2009 and the results of its operations and its 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

June 23, 2009

SYDNEY TAR PONDS AGENCY

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Financial Assets		
Cash	\$ -	\$ 38,576
Accounts receivable, Province of Nova Scotia	8,015,746	10,633,249
	<u>8,015,746</u>	<u>10,671,825</u>
Financial Liabilities		
Cheques issued in excess of funds on deposit	56,244	-
Accounts payable and accrued liabilities	7,959,152	10,671,475
	<u>8,015,396</u>	<u>10,671,475</u>
Net Financial Assets	350	350
Non-financial assets:		
Tangible capital assets (note 2)	49,453	60,389
Prepaid expenses (note 3)	774,680	1,013,975
	<u>824,133</u>	<u>1,074,364</u>
Contractual obligations (note 7)		
Accumulated Surplus	<u>\$ 824,483</u>	<u>\$ 1,074,714</u>

See accompanying notes to financial statements.

On behalf of the Agency:

SYDNEY TAR PONDS AGENCY

Statement of Operations

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

	2009	2008
Revenue:		
Province of Nova Scotia	\$19,674,055	\$20,085,288
Expenditures (Schedule A):		
Advertising	165,671	34,654
Discretionary grants	188,931	169,757
Equipment	87,324	93,848
Insurance	240,877	132,840
Office	77,112	57,736
Miscellaneous fees	102,001	58,779
Miscellaneous services	53,014	25,865
Professional services	16,591,119	17,028,881
Rent	380,056	231,526
Salaries and benefits	1,731,097	1,443,186
Supplies	71,304	79,439
Travel	112,112	117,730
Utilities	112,732	162,870
Amortization of tangible capital assets	10,936	16,825
	19,924,286	19,653,936
Excess of revenue over expenditures (expenditures over revenue)	(250,231)	431,352
Accumulated surplus, beginning of year	1,074,714	643,362
Accumulated surplus, end of year	\$ 824,483	\$ 1,074,714

See accompanying notes to financial statements.

SYDNEY TAR PONDS AGENCY

Statement of Changes in Net Financial Assets

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

	2009	2008
Excess of revenue over expenditures (expenditures over revenue)	\$ (250,231)	\$ 431,352
Acquisition of capital assets	–	(29,143)
Amortization of tangible capital assets	10,936	16,825
	(239,295)	419,034
Acquisition of prepaid expenses	–	(501,274)
Use of prepaid expenses	239,295	82,240
Change in net financial assets	–	–
Net financial assets, beginning of year	350	350
Net financial assets, end of year	\$ 350	\$ 350

See accompanying notes to financial statements.

SYDNEY TAR PONDS AGENCY

Statement of Cash Flows

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

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	\$ (250,231)	\$ 431,352
Items not involving cash:		
Amortization of tangible capital assets	10,936	16,825
Change in non-cash operating working capital:		
Increase (decrease) in accounts receivable	2,617,503	(7,165,221)
Increase (decrease) in prepaid expenses	239,295	(419,034)
Increase (decrease) in accounts payable and accrued liabilities	(2,712,323)	7,178,366
	(94,820)	42,288
Capital transactions:		
Additions to tangible capital assets	–	(29,143)
Increase (decrease) in cash position	(94,820)	13,145
Cash position, beginning of year	38,576	25,431
Cash position, end of year	\$ (56,244)	\$ 38,576
Cash position including:		
Cash	\$ –	\$ 38,576
Cheques issued in excess of funds on deposit	(56,594)	–
	\$ (56,244)	\$ 38,576

See accompanying notes to financial statements.

SYDNEY TAR PONDS AGENCY

Notes to Financial Statements

Year ended March 31, 2009

The Sydney Tar Ponds Agency is a special operating Agency of the Nova Scotia Provincial Government, created by an order-in-council on September 10, 2004. Pursuant to the Memorandum of Agreement, the STPA is charged with carrying out the \$400,000,000 remediation of the Tar Ponds and Coke Oven sites. Nova Scotia will contribute the lesser of 40% of the actual costs incurred or \$120,000,000. Canada will contribute an amount not exceeding \$280,000,000.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements of the Sydney Tar Ponds Agency (the "Agency") have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(b) 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.

(c) Tangible capital assets:

Tangible capital assets consist of land and vehicles and are recorded at cost. The Agency amortizes its vehicles on a declining balance basis at a rate of 35%.

(d) 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. Tangible capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 29,143	\$ —	\$ 29,143	\$ 29,143
Vehicles	73,996	53,686	20,310	31,246
	\$ 103,139	\$ 53,686	\$ 49,453	\$ 60,389

SYDNEY TAR PONDS AGENCY

Notes to Financial Statements

Year ended March 31, 2009

3. Prepaid expenses:

Contractor's operations and professional services environmental insurance (COPSEI):

Total premiums		\$	799,198	
Less:				
2007 expense	\$	34,266		
2008 expense		110,800		
2009 expense		116,672	261,738	
Prepaid COPSEI				\$ 537,460

Wrap up liability insurance:

Total premiums			367,868	
Less:				
2008 expense		20,437		
2009 expense		122,623	143,060	
Prepaid wrap-up liability insurance				224,808

Other prepaid expenses

12,412

Total prepaid expenses

\$ 774,680

4. Lease obligation:

The Agency has a long - term operating lease obligation to Harbourside Commercial Park Inc. for office accommodation. The lease expires July 13, 2013. The Agency has a long-term operating lease obligation to Sydney Steel Corporation for property rental expiring July 31, 2014. The Agency has a long-term operating lease obligation to Cape Breton & Central Nova Scotia Railway Company Limited for property rental expiring January 31, 2014. The total financial obligation in each of the next five years is as follows: 2010 - \$324,979; 2011 - \$324,979; 2012 - \$324,979; 2013 - \$324,979; and 2014 - \$190,800.

SYDNEY TAR PONDS AGENCY

Notes to Financial Statements

Year ended March 31, 2009

5. Project expenditures:

Project expenditures include only those items managed pursuant to the Interim Cost Share Agreement (ICSA) and the Final Cost Share Agreement (FCSA). The ICSA comprising \$42,000,000 of the \$400,000,000 committed for the remediation of the Tar Ponds and Coke Oven sites, provides for interim governance and funding for undertaking Preventative Works and Preliminary Works, as set out in the Memorandum of Agreement between the Government of Canada and the Province of Nova Scotia. The FCSA, comprising the remainder of the \$400,000,000, provides for governance and funding for the Project Works, which incorporates the Joint Review Panel recommendations. Total project expenditures include the cost of capital expenditures and prepaid insurance as follows:

	2009	2008
Total expenditures per the Statement of Operations	\$19,924,286	\$19,653,936
Add:		
Project expenditures included in financial statements previous year	234,286	–
Tangible capital assets purchased during the year	–	29,143
Prepaid expenses included in project expenditures	–	501,274
	234,286	530,417
Deduct:		
Financial statement accrual not in project expenditures	447,701	–
Insurance expense included in project expenditures in previous years	239,295	82,240
Amortization of tangible capital assets	10,936	16,825
	697,932	99,065
Total project expenditures	\$19,460,640	\$20,085,288

6. Pension plans:

Certain of the employees of the Sydney Tar Ponds Agency retain Civil Servant status pursuant to the Civil Service Act, and are covered by the Nova Scotia Public Service Superannuation Plan (PSSP). Certain others, although they are not considered Civil Servants, participate in the PSSP. The remainder of the employees, who are not Civil Servants, are part of a Group Registered Retirement Savings Plan.

SYDNEY TAR PONDS AGENCY

Notes to Financial Statements

Year ended March 31, 2009

7. Contractual obligations:

The Agency's purpose is to administer the \$400 million remediation of the Tax Ponds and Coke Ovens sites. As of March 31, 2009, contracts totaling approximately \$110.1 million have been tendered, with \$33.8 million completed. The Agency is committed to overseeing the remaining \$76.3 million and in addition to complete further tenders related to the remediation by 2014.

SYDNEY TAR PONDS AGENCY

Schedule A – Supplementary Details of Expenditures

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

	2009	2008
Advertising	\$ 165,671	\$ 34,654
Discretionary grants	188,931	169,757
Equipment:		
Equipment	29,141	46,979
IT software and hardware	48,814	22,412
Office furniture	9,369	24,457
	<u>87,324</u>	<u>93,848</u>
Insurance	240,877	132,840
Office:		
Miscellaneous office expense	39,195	37,615
Printing and stationery	28,380	15,236
Freight, duty, express	9,537	4,885
	<u>77,112</u>	<u>57,736</u>
Miscellaneous fees:		
Staff training and development	78,172	41,810
Fees and other charges	23,829	16,969
	<u>102,001</u>	<u>58,779</u>
Miscellaneous services:		
Other services	14,915	13,967
Janitorial services	14,700	11,898
Materials and water testing	23,399	–
	<u>53,014</u>	<u>25,865</u>
Professional services:		
Professional services	16,515,089	16,986,049
Consulting and legal services	19,019	38,443
Clerical services	57,011	4,389
	<u>16,591,119</u>	<u>17,028,881</u>
Rent:		
Office rentals	201,271	201,271
Construction property rentals	167,916	–
Equipment leases and rentals	10,869	30,255
	<u>380,056</u>	<u>231,526</u>

SYDNEY TAR PONDS AGENCY

Schedule A – Supplementary Details of Expenditures (Continued)

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

	2009	2008
Salaries and benefits:		
Contract employees	\$ 1,352,237	\$ 1,012,117
Civil servants	141,732	214,883
Fringe benefits	237,128	216,186
	<hr/>	<hr/>
	1,731,097	1,443,186
Supplies:		
General operating supplies	68,638	77,245
Janitorial supplies	2,666	2,194
	<hr/>	<hr/>
	71,304	79,439
Travel:		
Airfair/accommodations	41,889	40,356
General travel	21,242	42,964
Auto operations/maintenance	27,631	20,262
Meeting expenses	21,350	14,148
	<hr/>	<hr/>
	112,112	117,730
Utilities:		
Telecommunications	65,770	110,343
Water and electricity	45,387	48,021
Other utilities	1,575	4,506
	<hr/>	<hr/>
	112,732	162,870
Amortization of capital assets	10,936	16,825
Total expenditures	<hr/>	<hr/>
	\$19,924,286	\$19,653,936

SYDNEY TAR PONDS AGENCY

Schedule B – Project Expenditures

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

	2009	2008
Implementing agency	\$ 2,548,461	\$ 2,109,703
Battery Point Cofferdam – construction	10,031	21,207
Battery Point Cofferdam – design and oversight	–	1,527
Realign Coke Oven Brook – design and oversight	3,216	7,560
Realign Coke Oven Brook – construction	–	109,332
Cooling Pond – design	386,307	1,114,172
Cooling Pond – construction	763,939	3,746,729
Security	155,706	164,850
Air monitoring	1,104,341	746,729
Quality assurance	131,682	–
Operations and maintenance	28,473	575,716
Project communication program	255,704	328,608
Independent engineer	1,015,268	1,236,752
Detailed design	5,082,410	9,909,935
TP2 – construction	3,245,261	7,393
TP6 – construction	598,936	–
CO2 – construction	12,373	–
CO5 – construction	25,371	–
CO6 – construction	25,348	–
CO7 – construction	14,660	–
CO8 – construction	7,425	–
Panel recommendations – design	2,916,860	–
Environmental management	1,128,868	–
Pre-design engineering	–	16,280
Environmental assessment	–	(11,205)
Total project expenditures (note 6)	\$19,460,640	\$20,085,288