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**FINANCIAL STATEMENTS**  
**SYDNEY TAR PONDS AGENCY**

**MARCH 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Stakeholders of  
**Sydney Tar Ponds Agency**

We have audited the accompanying financial statements of Sydney Tar Ponds Agency which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net financial assets 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 public sector accounting standards, 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.

### **Auditor's 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 Sydney Tar Ponds Agency as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Sydney, Nova Scotia  
June 25, 2014

**Chartered Accountants**

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**SYDNEY TAR PONDS AGENCY**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT MARCH 31,

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash	\$ 16,226	\$ 378,631
Accounts receivable Province of Nova Scotia	<u>3,937,514</u>	<u>20,975,954</u>
	<b>3,953,740</b>	21,354,585
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>3,953,740</u>	<u>21,354,185</u>
<b>NET FINANCIAL ASSETS</b>	-	400
Non-financial assets		
Tangible capital assets (Note 3)	-	46,624
Prepaid expenses (Note 4)	<u>-</u>	<u>750,944</u>
	-	797,568
<b>ACCUMULATED SURPLUS</b>	<u>\$ -</u>	<u>\$ 797,968</u>

On Behalf of the Agency

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**SYDNEY TAR PONDS AGENCY**  
**STATEMENT OF OPERATIONS**  
YEAR ENDED MARCH 31,

	2014	2013
<b>Revenue</b>		
Province of Nova Scotia	\$ <u>30,456,602</u>	\$ <u>70,449,124</u>
<b>Expenditures (Schedule A)</b>		
Advertising	11,302	27,478
Discretionary grants	206,354	508,367
Equipment	23,404	4,713
Insurance	768,346	495,359
Office	30,212	100,757
Miscellaneous fees	36,332	59,394
Miscellaneous services	69,637	152,180
Professional services	28,356,128	65,422,997
Rent	126,444	462,051
Salaries and benefits	1,250,512	2,634,418
Supplies	192,799	263,710
Travel	43,821	116,730
Utilities	92,855	303,695
Amortization of tangible capital assets	<u>-</u>	<u>9,413</u>
	<u>31,208,146</u>	<u>70,561,262</u>
<b>Excess of expenditures over revenue before other items</b>	<b>(751,544)</b>	<b>(112,138)</b>
<b>(Loss) gain on disposal of land and vehicles</b>	<b><u>(46,424)</u></b>	<b><u>3,312</u></b>
<b>Excess of expenditures over revenue</b>	<b>(797,968)</b>	<b>(108,826)</b>
<b>Accumulated surplus, beginning of year</b>	<b><u>797,968</u></b>	<b><u>906,794</u></b>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>-</u></b>	<b>\$ <u>797,968</u></b>



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**SYDNEY TAR PONDS AGENCY**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
YEAR ENDED MARCH 31,

	2014	2013
Excess of expenditures over revenue	\$ (797,968)	\$ (108,826)
Sale of capital assets	200	7,000
Loss (gain) on disposal of land and vehicles	46,424	(3,312)
Amortization of tangible capital assets	<u>-</u>	<u>9,413</u>
	<b>(751,344)</b>	<b>(95,725)</b>
Acquisition of prepaid expenses	<b>(26,647)</b>	<b>(393,390)</b>
Use of prepaid expenses	<u>777,591</u>	<u>489,015</u>
Change in net financial assets	<b>(400)</b>	<b>(100)</b>
Net financial assets, beginning of year	<u>400</u>	<u>500</u>
Net financial assets, end of year	<u>\$ -</u>	<u>\$ 400</u>

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**SYDNEY TAR PONDS AGENCY**  
**STATEMENT OF CASH FLOWS**  
YEAR ENDED MARCH 31,

	<b>2014</b>	<b>2013</b>
<b>Net cash flow relating to the following activities:</b>		
<b>Operating activities</b>		
Excess of expenditures over revenue	\$ (797,968)	\$ (108,826)
Items not involving cash		
Amortization of tangible capital assets	-	9,413
Loss (gain) on disposal of land and vehicles	46,424	(3,312)
Changes in non-cash operating working capital		
Decrease in accounts receivable	17,038,440	2,879,010
Decrease in prepaid expenses	750,944	95,625
Decrease in accounts payable and accrued liabilities	<u>(17,400,445)</u>	<u>(2,771,601)</u>
	<b>(362,605)</b>	100,309
<b>Capital transactions</b>		
Disposal of tangible capital assets	<u>200</u>	<u>7,000</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(362,405)</b>	107,309
<b>Cash and cash equivalents, beginning of year</b>	<u><b>378,631</b></u>	<u>271,322</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 16,226</b></u>	<u><b>\$ 378,631</b></u>

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**SYDNEY TAR PONDS AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED MARCH 31, 2014

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The Sydney Tar Ponds Agency (the "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 have been prepared, in all material respects, in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board.

**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) Cash and cash equivalents**

The Agency's policy is to disclose bank balances under cash, including bank overdrafts with balances that fluctuate from being positive to overdrawn.

**d) 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%.

**e) Financial instruments**

**(i) Measurement of financial instruments**

The Agency initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets include cash and accounts receivable. Financial liabilities include accounts payable and accrued liabilities.

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**SYDNEY TAR PONDS AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED MARCH 31, 2014

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**1. SIGNIFICANT ACCOUNTING POLICIES – CONT'D**

**e) Financial instruments – Cont'd**

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net earnings. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net earnings up to the previously recognized impairment.

(iii) Transaction costs

The Agency recognizes transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their originating issuance or assumption.

**f) Use of estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

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**SYDNEY TAR PONDS AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED MARCH 31, 2014

**3. TANGIBLE CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 2014</u>	<u>Net Book Value 2013</u>
Land	\$ -	\$ -	\$ -	\$ 29,143
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,481</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,624</u>

**4. PREPAID EXPENSES**

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

Total premiums		\$ 2,087,590	
Less:			
2007 expense	\$ 34,266		
2008 expense	110,800		
2009 expense	116,672		
2010 expense	162,861		
2011 expense	284,199		
2012 expense	315,264		
2013 expense	385,015		
2014 expense	<u>678,513</u>	<u>2,087,590</u>	

Prepaid COPSEI \$ -

Wrap up liability insurance:

Total premiums		679,868	
Less:			
2008 expense	\$ 20,437		
2009 expense	122,623		
2010 expense	122,623		
2011 expense	119,519		
2012 expense	104,000		
2013 expense	104,000		
2014 expense	<u>86,666</u>	<u>679,868</u>	

Prepaid wrap-up liability insurance -

Other prepaid expenses -

Total prepaid expenses \$ -



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**SYDNEY TAR PONDS AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED MARCH 31, 2014

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**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:

	<u>2014</u>	<u>2013</u>
<b>Total expenditures per the Statement of Operations</b>	<b>\$ <u>31,208,146</u></b>	<b>\$ <u>70,561,262</u></b>
<b>Add:</b>		
Project expenditures included in financial statements previous year	139,956	33,017
Tangible capital assets purchased during the year	-	-
Prepaid expenses included in project expenditures	-	317,250
	<u>139,956</u>	<u>350,267</u>
<b>Deduct:</b>		
Financial statement accrual not in project expenditures	-	139,956
Proceeds from sale of tangible capital assets	-	7,000
Insurance expense included in project expenditures in previous years	738,532	412,876
Amortization of tangible capital assets	-	9,413
	<u>738,532</u>	<u>569,245</u>
<b>Total project expenditures</b>	<b>\$ <u>30,609,570</u></b>	<b>\$ <u>70,342,284</u></b>

**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. Employer pension costs for the PSSP of \$4,281, (2013 - \$5,894), are included in these financial statements. Employees contribute an equal amount. The remainder of the employees, who are not Civil Servants, are part of a Group Registered Retirement Savings Plan (Group RRSP). Employer Group RRSP costs of \$56,798, (2013 - \$184,959), which represent 100% of the contributions to the Group RRSP, are included in these financial statements.

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**SYDNEY TAR PONDS AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED MARCH 31, 2014

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**7. DISCLOSURE OF COMPENSATION**

The Public Sector Compensation Disclosure Act (the "Act") of the Province of Nova Scotia requires a public sector body to disclose to the public the amount of compensation it pays to any employee if that compensation is in excess of \$100,000 in a fiscal year. Yearly compensation is calculated as the total salary paid in the fiscal year to the employee plus any additional benefits paid including professional dues. There are no other benefits included in compensation as all other benefits are available to the majority of the employees and are therefore excluded from the calculation of total compensation.

The following is a list of employees that meet the criteria for disclosure under the Act:

<u>Employee</u>	<u>Compensation</u>
Corrie Stewart	\$185,247 <sup>(1)</sup>
Tammy McCabe	\$122,577 <sup>(2)</sup>
George Hennick	\$114,476 <sup>(3)</sup>
Jerome MacNeil	\$104,221 <sup>(4)</sup>

(1) Amount includes severance of \$70,643.

(2) Amount includes severance of \$46,929.

(3) Amount includes severance of \$28,321.

(4) Amount includes severance of \$38,185.

**8. SUBSEQUENT EVENT**

The Agency's mandate for operations ended on March 31, 2014.

**9. FINANCIAL INSTRUMENTS**

The Agency is exposed to various risks through its financial instruments. The following analysis provides a measure of the Agency's risk exposure and concentrations at the statement of financial position date March 31, 2014.

**a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risk is related to accounts receivable. Credit risk associated with accounts receivable for the Agency is minimal due to the fact that all of its receivable is with the Province of Nova Scotia.

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**SYDNEY TAR PONDS AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED MARCH 31, 2014

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**9. FINANCIAL INSTRUMENTS – CONT'D**

**b) Liquidity risk**

Liquidity risk is the risk that the Agency will encounter difficulty in meeting obligations associated with financial liabilities. The Association manages its liquidity risk by constantly monitoring forecasted and actual cash flow and expenditures. Accounts payable and accrued liabilities are normally paid within thirty days.

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency rate risk

Currency risk is the risk that the fair value of a financial instrument or related future cash flow will fluctuate because of change in foreign exchange rates. The Agency is not exposed to currency risk.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Agency is not exposed to interest rate risk.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Agency is not exposed to other price risk.

SCHEDULE A

SYDNEY TAR PONDS AGENCY  
 SUPPLEMENTARY DETAILS OF EXPENDITURES  
 YEAR ENDED MARCH 31,

	2014	2013
<b>Advertising</b>	\$ <u>11,302</u>	\$ <u>27,478</u>
<b>Discretionary grants</b>	<u>206,354</u>	<u>508,367</u>
<b>Equipment</b>		
Equipment	30,638	-
IT software and hardware	(2,924)	4,713
Office furniture	<u>(4,310)</u>	<u>-</u>
	<u>23,404</u>	<u>4,713</u>
<b>Insurance</b>	<u>768,346</u>	<u>495,359</u>
<b>Office</b>		
Miscellaneous office expense	24,057	47,193
Printing and stationery	3,030	8,607
Freight, duty, express	<u>3,125</u>	<u>44,957</u>
	<u>30,212</u>	<u>100,757</u>
<b>Miscellaneous fees</b>		
Staff training and development	24,133	43,564
Fees and other charges	<u>12,199</u>	<u>15,830</u>
	<u>36,332</u>	<u>59,394</u>
<b>Miscellaneous services</b>		
Other services	13,784	29,745
Janitorial services	16,300	20,896
Materials and water testing	<u>39,553</u>	<u>101,539</u>
	<u>69,637</u>	<u>152,180</u>
<b>Professional services</b>		
Professional services	28,322,925	65,308,246
Consulting and legal services	33,203	24,347
Clerical services	<u>-</u>	<u>90,404</u>
	<u>28,356,128</u>	<u>65,422,997</u>
<b>Rent</b>		
Office rentals	122,969	209,540
Construction property rentals	60	124,208
Equipment leases and rentals	<u>3,415</u>	<u>128,303</u>
	<u>126,444</u>	<u>462,051</u>

SCHEDULE A – CONT'D

SYDNEY TAR PONDS AGENCY  
 SUPPLEMENTARY DETAILS OF EXPENDITURES  
 YEAR ENDED MARCH 31,

	2014	2013
<b>Salaries and benefits</b>		
Contract employees	\$ 925,812	\$ 2,150,534
Civil servants	112,368	110,268
Fringe benefits	<u>212,332</u>	<u>373,616</u>
	<u>1,250,512</u>	<u>2,634,418</u>
<b>Supplies</b>		
General operating supplies	191,641	260,617
Janitorial supplies	<u>1,158</u>	<u>3,093</u>
	<u>192,799</u>	<u>263,710</u>
<b>Travel</b>		
Airfare/accommodations	12,757	25,318
General travel	8,083	33,912
Auto operations/maintenance	13,312	35,660
Meeting expenses	<u>9,669</u>	<u>21,840</u>
	<u>43,821</u>	<u>116,730</u>
<b>Utilities</b>		
Telecommunications	26,608	60,184
Water and electricity	66,247	243,511
Other utilities	<u>-</u>	<u>-</u>
	<u>92,855</u>	<u>303,695</u>
<b>Amortization of capital assets</b>	<u>-</u>	<u>9,413</u>
<b>Total expenditures</b>	<u>\$ 31,208,146</u>	<u>\$ 70,561,262</u>

**SCHEDULE B**

**SYDNEY TAR PONDS AGENCY  
PROJECT EXPENDITURES  
YEAR ENDED MARCH 31,**

	<b>2014</b>	<b>2013</b>
Implementing agency	\$ 1,668,558	\$ 3,227,757
Security	79,115	456,847
Air monitoring	43	2,064,842
Quality assurance	186,007	778,594
Operations and maintenance	174,380	613,501
Project communication program and community engagement	226,922	573,314
Independent engineer	1,098,086	1,704,110
Detailed design and construction oversight	797,856	6,232,315
Battery Point barrier – Construction	-	29,458
TP2 – construction and operating	424,111	1,277,486
TP6 – construction	1,076,249	32,970,579
TP7 – construction	4,418,494	6,825,297
CO1 – construction	-	-
CO2 – construction	-	20,496
CO6 – construction	441,008	4,362,523
CO7/CO8 – construction	-	39,191
CO8 – operating	238,885	128,530
Future site use – construction	18,465,485	6,757,540
Panel recommendations – design and construction oversight	246,643	1,283,169
Environmental management	197,137	780,740
Other panel recommendations	<u>870,591</u>	<u>215,995</u>
Total project expenditures (Note 5)	<u>\$ 30,609,570</u>	<u>\$ 70,342,284</u>