

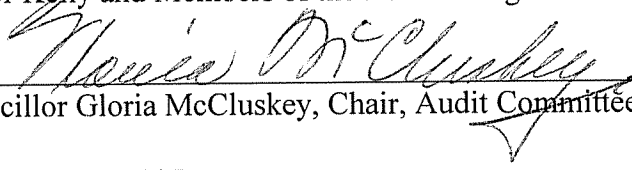


PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 11.3.2

**Halifax Regional Council
December 4, 2007**

TO: Mayor Kelly and Members of the Halifax Regional Council

SUBMITTED BY: 
Councillor Gloria McCluskey, Chair, Audit Committee

DATE: November 14, 2007

SUBJECT: **Consolidated Audited Financial Statements, March 31, 2007**

ORIGIN

Audit Committee meeting of October 25, 2007.

RECOMMENDATION

It is recommended that Regional Council approve:

1. The Halifax Regional Municipality's consolidated audited financial statements for the year ended March 31, 2007.

BACKGROUND

At the October 25, 2007, Audit Committee meeting discussion was held on the Consolidated Audit Financial Statements for the year ended March, 31, 2007. The Committee passed a motion approving the report dated October 11, 2007, recommending it be forwarded to Regional Council for approval.

BUDGET IMPLICATIONS

See attached Staff Report dated October 11, 2007.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

There are none associated with this report.

ATTACHMENTS

1. Staff Report dated October 11, 2007 - Consolidated Audited Financial Statements, March 31, 2007.
2. Draft audited, consolidated financial statements for Halifax Regional Municipality for the year ended March 31, 2007.
3. HRM Financial Statements and Consolidated Statement of Financial Activities.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or Fax 490-4208.

Report Prepared By: Melody Campbell, Legislative Assistant.



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Audit Committee
October 25, 2007

TO: Gloria McCluskey, Chair Audit Committee
Members of Audit Committee

SUBMITTED BY: *Anna Marchand*
for Dale MacLennan, CA, Director of Finance

DATE: October 11, 2007

SUBJECT: Consolidated Audited Financial Statements, March 31, 2007

ORIGIN

Annual external audit.

RECOMMENDATION

It is recommended that:

The Halifax Regional Municipality's consolidated audited financial statements for the year ended March 31, 2007 be approved and submitted to Regional Council.

BACKGROUND

On July 6, 2004 HRM Council approved that general purpose financial statements in compliance with the CICA's Public Sector Accounting Board's (PSAB) recommendations be prepared for the fiscal year ending March 31, 2005. General purpose financial statements are designed to meet the needs of a broad base of decision makers. A number of factors, both internal and external, led to this recommendation and approval. Internally, general purpose statements would improve the comparability with other Canadian municipalities. As HRM was reviewing different debt funding options, it was recognized that statements prepared on a basis understood by a broad range of decision makers were increasingly important. Externally, there were changes to the CICA's assurance standards which required additional disclosure in the financial statements and the auditor's report on the special purpose nature of the statements. Also, Service Nova Scotia and Municipal Relations has replaced MARM with the Financial Reporting and Accounting Manual (FRAM) which is more PSAB, general purpose compliant.

While there are definite benefits to preparing the general purpose financial statements, certain information is better provided, or can only be provided, by financial reports other than financial statements. HRM has continued to measure results against the budget which was set to determine the tax rate, in accordance with FRAM. These results were provided to Council on July 3, 2007 for the fiscal year ended March 31, 2007.

DISCUSSION

Whereas the focus of the special purpose financial statements was largely a measurement of operating results against the legislative requirement of a balanced budget, the general purpose financial statements attached to this report focus on the financial position of all HRM funds and the entities which are owned and controlled by the municipality. Financial position is the difference between the financial assets and liabilities and provides an indication of the future revenue requirements and HRM's ability to finance its activities and meet its liabilities and contractual obligations.

Excluded from the attached financial statements are the capital assets of the municipality. Although inclusion of the capital assets would provide a more complete understanding of the financial position, it has been recognized that many municipalities do not have adequate financial information to report fully on their acquired capital assets. PSAB recommendations on how to account for and report capital assets are being developed, however, under current PSAB recommendations, the capital assets are reported as an expenditure in the year of acquisition.

The three primary statements included in the attached are:

- Consolidated Statement of Financial Position
- Consolidated Statement of Financial Activities, and,
- Consolidated Statement of Changes in Financial Position

Overall, the consolidated financial position is \$9.3 million (2006 - \$12.7 million) made up of total fund balances of \$25.1 million (2006 - \$32.2 million) less amounts to be recovered in the future of \$15.8 million (2006 - \$19.5 million). The amounts to be recovered in the future represent the year-end accruals for accrued interest on long term debt, solid waste management facilities liabilities and post employment benefit liabilities.

Legislation requires that the audited financial statements be prepared annually and presented to Council. The draft consolidated financial statements and audit report are attached to this Committee report.

BUDGET IMPLICATIONS

The attached general purpose financial statements do not have specific budget implications as they are prepared on a different set of principles than the basis for the budget preparation.

For the special purpose of balanced budgeting and tax rate calculations, a surplus/deficit as calculated in accordance with FRAM, is carried forward to the operating statement of the next fiscal year. The general rate surplus of \$114,806 is carried forward to the 2007/08 operating statement.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

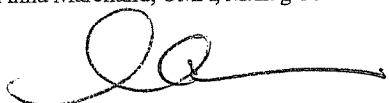
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ATTACHMENTS

Draft, audited, consolidated financial statements for Halifax Regional Municipality for the year ended March 31, 2007.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Anna Marchand, CMA, Manager Accounting Operations 490-7222

Report Approved by: 
Catherine Sanderson, CMA, Senior Manager Financial Services 490-1562

Attachment 2

Draft
10/26/2007

Consolidated Financial Statements of

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2007

Draft
10/26/2007

AUDITORS' REPORT

TO THE MAYOR AND THE COUNCILLORS OF THE HALIFAX REGIONAL MUNICIPALITY

We have audited the consolidated statement of financial position of the Halifax Regional Municipality as at March 31, 2007 and the consolidated statements of financial activities and cash flows for the year then ended. These consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at March 31, 2007 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's 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 been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants

Halifax, Canada

September 14, 2007

Draft
10/26/2007

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Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

Year ended March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2006
Financial Assets		
Cash and short-term deposits (note 2)	\$ 71,734	\$ 50,146
Taxes receivable (note 3)	23,857	21,790
Accounts receivable (note 4)	88,944	77,650
Loans, deposits, and advances	2,180	1,983
Investments (note 5)	112,613	168,966
Investment in Halifax Regional Water Commission (note 6)	259,575	245,946
	558,903	566,481
 Liabilities		
Accounts payable and accrued liabilities (note 7)	101,917	91,832
Accrued interest on long-term debt	4,470	4,803
Deferred revenue	46,010	41,317
Employee future benefits (notes 8 and 9)	27,816	25,444
Solid waste management facilities liabilities (note 10)	8,528	11,916
Obligations under capital lease (note 11)	13	391
Long-term debt (note 12)	369,591	386,710
	558,345	562,413
 Net Financial Assets	 558	 4,068
 Non-Financial Assets:		
Inventory and prepaid expenses	8,705	8,596
 Net Assets	\$ 9,263	\$ 12,664

Municipal Position

Amounts to be recovered (note 13)	\$ (15,814)	\$ (19,535)
 Fund balances: (note 14)		
Operating funds	(3,030)	(5,863)
Capital funds	(322,878)	(332,818)
Reserve funds	91,410	124,934
Equity in Halifax Regional Water Commission (note 6)	259,575	245,946
	25,077	32,199
 Commitments (note 15)		
Contingencies (note 16)		
 Total Municipal Position	\$ 9,263	\$ 12,664

See accompanying notes to consolidated financial statements.

Approved by:

Mayor

Municipal Clerk

Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Financial Activities

March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2006
Revenues:		
Taxation	\$ 476,339	\$ 458,060
Less amounts received for the School Board (note 19)	(103,866)	(99,112)
	372,473	358,948
Taxation from other governments	25,370	23,107
User fees and charges	110,268	101,455
Government grants	48,276	45,108
Development levies	44,965	41,416
Investment income	12,847	10,623
Penalties, fines and interest	2,785	2,504
Sale of properties	13,284	6,189
Grant in lieu of tax from Halifax Regional Water Commission (note 6)	3,490	3,435
	633,758	592,785
Expenditures:		
Operating:		
General government	74,865	74,579
Protective services	146,897	131,317
Transportation services	95,518	86,530
Environmental services	58,205	59,229
Social housing services	2,450	2,328
Recreation and cultural services	51,829	50,669
Planning and development	30,202	28,413
	459,966	433,065
Capital:		
General government	6,908	28,257
Protective services	8,568	4,894
Transportation services	49,318	52,038
Environmental services	102,941	110,577
Recreation and cultural services	14,231	12,100
Planning and development	8,790	3,420
	190,756	211,286
	650,722	644,351
Net expenditures before the following	(16,964)	(51,566)
Increase in equity in Halifax Regional Water Commission (note 6)	13,629	5,927
Net expenditures and change in net financial assets	(3,335)	(45,639)
Decrease in amounts to be recovered	(3,721)	(1,389)
Increase in non-financial assets	(66)	1,289
Change in fund balances	(7,122)	(45,739)
Fund balances, beginning of year	32,199	77,938
Fund balances, end of year	\$ 25,077	\$ 32,199

See accompanying notes to consolidated financial statements.

Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2006
Cash provided by (used in):		
Operating activities:		
Net expenditures and change in net financial assets	\$ (3,335)	\$ (45,639)
Less increase in equity in Halifax Regional Water Commission	(13,629)	(5,927)
	(16,964)	(51,566)
Change in non-cash items:		
Increase in taxes receivable	(2,067)	(3,596)
Increase in accounts receivable	(11,294)	(19,777)
Decrease (increase) in loans, deposits and advances	(197)	683
Decrease (increase) in inventory and prepaid expenses	(175)	3,482
Increase in accounts payable and accrued liabilities	10,085	16,812
Decrease in accrued interest on long-term debt	(333)	(499)
Increase in deferred revenue	4,693	358
Increase in employee future benefits	2,372	845
Decrease in solid waste management facilities liabilities	(3,388)	(796)
Reduction of obligations under capital lease	-	(15,361)
Net change in cash from operating activities	(17,268)	(69,415)
Investing activities:		
Decrease in investments	56,353	32,332
Financing activities:		
Issuance of long-term debt	33,232	59,380
Principal payments on long-term debt	(50,351)	(48,787)
Principal payments on obligations under capital lease	(378)	(475)
	(17,497)	10,118
Net change in cash and short-term deposits	21,588	(26,965)
Cash and short-term deposits, beginning of year	50,146	77,111
Cash and short-term deposits, end of year	\$ 71,734	\$ 50,146

See accompanying notes to consolidated financial statements.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the Halifax Regional Municipality (the "Municipality or "HRM") 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 Halifax Regional Municipality
- Recreation facilities:
 - Halifax Metro Centre
 - Dartmouth Sportsplex Community Association
 - Community Builders Inc. (Cole Harbour Place)
 - Halifax Forum Community Association
 - Eastern Shore Recreation Commission
 - St Margaret's Arena Association
 - Sackville Sports Stadium
- Commissions, cultural and other facilities:
 - Alderney Landing Association
 - MetroPark Parkade
 - Downtown Halifax Business Commission
 - Spring Garden Area Business Association
 - Downtown Dartmouth Business Commission
 - Quinpool Road Mainstreet District Association Limited
 - Sackville Drive Business Association
 - Spryfield & District Business Commission

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

1. Significant accounting policies (continued):

(c) School board:

The assets, liabilities, taxation and other revenues and expenditures with respect to the operations of the Halifax Regional School Board are not reflected in these consolidated financial statements as it is a provincial government entity.

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. In addition, under the Municipal Government Act, supplementary education funding is specifically required for the former municipal units of Halifax and Dartmouth. As well, supplementary education funding is provided to the former municipal units of Bedford and the County. The funding for all these contributions to the Halifax Regional School Board are recovered by the Municipality by an area rate levied on the assessed value of taxable property and business occupancy assessments and is shown on the consolidated statement of financial activities as a reduction of taxation revenues.

(d) 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 and 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.

(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) Investment in Halifax Regional Water Commission:

The Halifax Regional Water Commission ("HRWC") is a subsidiary corporation of the Municipality and is accounted for using the modified equity basis of accounting as it is considered a government business enterprise. Under the modified equity basis of accounting, 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.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

1. Significant accounting policies (continued):

(g) 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 (note 18).

(h) Investments:

Short-term deposits and investments are recorded at cost, adjusted for amortization of premiums or discounts in accordance with the investment policies established for the Municipality. A permanent decline in value would result in a write down.

(i) Capital assets:

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as an expenditure in the Consolidated Statement of Financial Activities in the year of acquisition.

(j) 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 reserve funds are an adjustment to the respective fund when approved.

(k) 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.

(l) Deferred revenue:

Deferred revenue represents user charges 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.

(m) Solid waste management facilities liabilities:

The Municipality accrues landfill closure and post-closure care requirements that include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

1. Significant accounting policies (continued):

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(n) 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.

(o) Budget figures:

Council completes separate budgets for its operating and capital budgets each year. The approved operating budget for 2007 is reflected on the Schedule of Operating Fund Operations.

For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from reserve funds, transfers from the operating fund, by the application of applicable grants or other funds available and by debt financing. As many capital projects are carried out over one or more years, it is not practical to present annualized budget information on the Schedule of Capital Fund Operations.

(p) 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.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

2. Cash and short-term deposits:

	2007	2006
Halifax Regional Municipality – Operating Fund	\$ 64,273	\$ 43,354
Commissions, cultural and recreation facilities:		
Operating	7,453	6,768
Capital	–	6
Reserves	8	18
Total	\$ 71,734	\$ 50,146

Cash includes interest bearing accounts and money market instruments with a term to maturity of 90 days or less.

3. Taxes receivable:

	2007	2006
Balance, beginning of year	\$ 21,790	\$ 18,194
Current year's levy of property taxes	443,879	423,697
Subtotal	465,669	441,891
Less:		
Current year's collections	435,044	414,095
Reduced taxes	3,025	2,893
Allowance	3,743	3,113
	441,812	420,101
Balance, end of year	\$ 23,857	\$ 21,790

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

4. Accounts receivable:

	2007		2006	
Federal Government	\$	9,465	\$	16,472
Provincial Government		15,193		14,577
Other receivables		64,286		46,601
	\$	88,944	\$	77,650

5. Investments:

Money market instruments include Federal and Provincial treasury bills, discounted notes of Federal Crown Corporations and instruments of Canadian Financial Institutions. These investments have a term to maturity of one year or less. Investments shown here have a remaining term to maturity of 90 days or more at March 31, 2007.

Government of Canada Bonds have a maturity range from June 1, 2007 to September 15, 2010. The weighted average yield on market value of these bonds is 4.13% at March 31, 2007. The redeemable non-transferable Province of Nova Scotia promissory notes have a maturity range from April 30, 2007 to August 31, 2007 and a weighted average yield at purchase of 3.92%.

	2007		2006	
	Cost	Market value	Cost	Market value
Money market instruments	\$ 51,205	\$ 51,736	\$ 80,374	\$ 81,826
Government of Canada Bonds	23,608	23,539	21,792	21,522
Province of Nova Scotia Promissory Notes	37,800	37,800	66,800	66,800
	\$ 112,613	\$ 113,075	\$ 168,966	\$ 170,148

The market value of the Province of Nova Scotia promissory notes is deemed equal to the cost as they are not publicly traded or quoted.

6. Investment in Halifax Regional Water Commission:

The Halifax Regional Water Commission ("HRWC") is a wholly-owned and controlled government business enterprise of the Municipality and is responsible for the supply of municipal water to residents of the Municipality.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

6. Investment in Halifax Regional Water Commission (continued):

a) The following table provides condensed supplementary financial information for the HRWC:

	2007	2006
Financial Position:		
Current assets	\$ 23,106	\$ 14,728
Capital assets	318,415	310,955
Deferred charges	492	514
Total assets	342,013	326,197
Current liabilities	16,600	14,429
Long term liabilities	65,838	65,822
Total liabilities	82,438	80,251
Net Assets	\$ 259,575	\$ 245,946
Results of Operations:		
Revenues	\$ 38,307	\$ 34,898
Operating expenditures	(26,158)	(25,180)
Financing expenditures	(4,090)	(4,180)
Other income	666	292
Net income before grant in lieu of tax	8,725	5,830
Grant in lieu of tax	(3,490)	(3,435)
Net income	5,235	2,395
Increase in contributed capital surplus	8,394	3,532
Increase in investment and equity	13,629	5,927
Investment and equity, beginning	245,946	240,019
Investment and equity, ending	\$ 259,575	\$ 245,946

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

6. Investment in Halifax Regional Water Commission (continued):

- b) The following summarizes the Municipality's related party transactions with the HRWC for the year:

	2007	2006
Revenues:		
Grant in lieu of tax	\$ 3,490	\$ 3,435
Expenditures:		
Fire protection charge	8,392	7,602

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.

7. Accounts payable and accrued liabilities:

	2007	2006
Trade accounts payable	\$ 15,788	\$ 11,580
Payable to other governments	10,583	8,244
Accrued liabilities	75,546	72,008
	\$ 101,917	\$ 91,832

8. Employee future benefits - employees' retirement pension plan:

Employees of the Halifax Regional Municipality participate in the Halifax Regional Municipality Pension Plan (the "HRM Plan"). The HRM Plan is a multi-employer plan administered by the Halifax Regional Municipality Pension Committee (the "Committee"). Other major employers participating in the HRM Plan include the Halifax Regional School Board and Quest. The Committee is comprised of representatives from both management and unions, and is responsible for setting contribution rates for all participating employers. The HRM Plan is funded equally by participating employers and members. Accounting for the HRM Plan under the Municipality's financial statements follows rules for defined contribution pension plans.

The HRM Plan provides a lifetime benefit representing 2% of the member's average earnings over a period of three years times the number of years of membership in the pension plan. Only regular earnings are recognized under the defined benefit provisions of the Plan. The HRM Plan also provides defined contribution benefits, at the option of the member, on the portion of earnings that is overtime and other non-regular earnings.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

8. Employee future benefits - employees' retirement pension plan (continued):

The Municipality contributed to the HRM Plan an amount of \$18,045 for the fiscal year ending March 31, 2007 (2006 - \$14,722). Since April 1, 2004, the Municipality and the members are each contributing 10.36% of regular earnings for members participating in the main division of the pension plan. Other contribution rates are in effect for the other divisions of the plan, and for members in public safety occupations.

The last actuarial valuation filed with regulators was at December 31, 2003. The next actuarial valuation is to be filed by December 31, 2006. The interest rate used in the last filed valuation was 7.4% per year. Given the significant reduction in the level of long-term interest rates since the filing of the last valuation, the administrator has changed the interest rate to 6.75%. The following estimates as at December 31, 2006 are based on the actuarial valuation as at December 31, 2005 extrapolated to December 31, 2006:

Actuarial value of plan assets	\$	962,697
Extrapolated value of accrued pension benefits		975,867
Estimated funding excess (deficit)		\$ (13,170)

The main assumptions used in the actuarial valuation of the Plan are as follows:

Interest rate	6.75% per year
Salary increase	3.0% per year plus merit and promotional increases
Retirement age:	60% at the earliest age at which an unreduced pension is payable, the remainder at age 65 (or age 60 for members in Public Safety Occupations)
Mortality:	UP 94 with projections based on scale AA

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

8. Employee future benefits - employees' retirement pension plan (continued):

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 2004, plan sponsors can also exclude from the solvency valuation the value of 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 2006 and beyond.

Due to the significant reduction in long-term interest rates since December 31, 2003, the solvency liability under the Plan has increased significantly since December 31, 2003, the date of the last filed actuarial valuation. It is expected that there would be a solvency deficiency at December 31, 2006 if an actuarial valuation was conducted at that date. However, on November 27, 2006, changes to the PBA Regulations were adopted to provide solvency relief to municipality pension plans. Under the new regulations, municipality pension plans are only required to fund up to an 85% solvency ratio (over a period of 5 years). While a municipality pension plan is funded under the relief provisions, any deficiency upon full or partial wind-up has to be funded by the employer, and no amendment may be made to the pension plan unless the full cost of the amendment is paid to the fund before the effective date.

It is expected that the solvency relief provisions will apply to the Plan upon filing the December 31, 2006 valuation.

9. Employee future benefits - retiring allowances and other future benefits:

The Municipality provides for the payment of retiring allowances to retiring employees in accordance with the terms of the various collective agreements and Municipal policy. The retiring allowance is based on the member's final annual salary and years of service at retirement. On the retirement of a police officer, the Municipality also provides for a lump sum payment to a health trust for the benefit of the retiring member. The amount depends on the level of the officer's sick bank at the time of retirement.

The Municipality continues to pay for its share of the contributions to the Halifax Regional Municipality Pension Plan for members in receipt of benefits from a long-term disability plan sponsored and recognized by the Municipality.

The Municipality also pays lifetime and temporary benefits to former employees who retired from the Municipality under various early retirement programs and arrangements that were in place prior to April 1, 2004.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

9. Employee future benefits - retiring allowances and other future benefits (continued):

Actuarial valuations of the above benefits are done for accounting purposes using the projected benefit method prorated on services. The last actuarial valuation of the retiring allowance benefits was conducted as at March 31, 2004, and the results of that actuarial valuation were extrapolated to March 31, 2007. For all other benefits, actuarial valuations were conducted as at March 31, 2005. Key actuarial assumptions used in the valuations were based on the Municipality's best estimates.

A reconciliation of the accrued benefit obligation for these plans follows, along with the main assumptions used for disclosure and expense calculations are as follows:

	2007	2006
Accrued benefit obligation at beginning of fiscal year	\$ 28,149	\$ 26,021
Current period benefit cost	1,498	1,395
Prior period service cost	1,760	433
Benefit payments	(2,365)	(2,393)
Interest cost	1,247	1,289
Actuarial loss	1,070	1,404
Accrued benefit obligation at end of fiscal year	\$ 31,359	\$ 28,149
Main assumptions used for fiscal year-end disclosure:		
- discount rate	4.41%	4.50%
- salary increase	3% plus merit	3.25% plus merit
Main assumptions used for expense calculation:		
- discount rate	4.50%	5.05%
- salary increase	3% plus merit	3.25% plus merit

These other employee benefit plans require no contributions from employees. The benefit liability as at March 31 includes the following components:

	2007	2006
Accrued benefit obligation	\$ 31,359	\$ 28,149
Unamortized actuarial loss	(3,543)	(2,705)
Benefit liability recorded in the statement of financial position	\$ 27,816	\$ 25,444

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

9. Employee future benefits - retiring allowances and other future benefits (continued):

The unamortized actuarial gains (losses) will be amortized over the expected average remaining service life (EARSL) of the related employee groups starting in the next fiscal year. EARSL is determined separately for each benefit program.

The total expense related to other employee benefits described above includes the following components:

	2007	2006
Current period benefit cost	\$ 1,498	\$ 1,395
Prior period service cost	1,761	433
Amortization of actuarial gains	233	121
Other employee benefit expense	3,492	1,949
Other employee benefit interest expense	1,247	1,289
Total expense related to other employee benefit plans	\$ 4,739	\$ 3,238

10. Solid waste management facilities liabilities:

The Nova Scotia Environmental Protection Act sets out the regulatory requirements for the closure and maintenance of landfill sites. Under this Act, the Municipality is required to provide for closure and post-closure care of solid waste landfill sites.

Sackville Landfill:

The Sackville Landfill site closed during the year ended March 31, 1997. A closure plan and an environmental audit were completed in 1996. Post closure care activities for this site include perpetual care that is expected to occur until 2017 and will involve the management and monitoring of groundwater, gas and leachate levels, operating and monitoring the leachate treatment plan when necessary, removal of buildings, site cleanup and general site maintenance.

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using a long-term borrowing rate of 4.41% (2006 – 4.50%) and a forecasted inflation rate of 3% (2006 – 2%).

The estimated present value of future expenditures for closure and post-closure care as at March 31, 2007 is \$18,113 (2006 - \$18,253), of which total expenditures of \$11,075 (2006 - \$9,913), have been made to date, resulting in \$7,038 (2006 - \$8,340), of the liability to still be funded.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

10. Solid waste management facilities liabilities (continued):

Sackville Landfill (continued):

In order to help reduce the future impact of these obligations, the Municipality has established a reserve fund for the responsible care of this site. At March 31, 2007 the balance in the reserve is \$7,027 (2006 - \$7,109), and the remaining \$11 (2006 - \$1,231), of the liability will be funded from future revenues.

Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 19 years, until the fiscal year ended March 31, 2026.

The site's design consists of nine cell phases with an expected total capacity of 3,600,000 tonnes (2006 - 3,600,000 tonnes). During the year cost estimates were revised due to the earlier than anticipated production of landfill gases requiring an extensive gas collection system, design optimization and enlargement of cells four through nine to increase capacity, and the progressive closure of cells four through nine.

Post closure care activities for this site include perpetual care that is expected to occur until 2045 and will involve the management and monitoring of: groundwater, gas and leachate levels, operating and monitoring the leachate treatment plan when necessary, removal of buildings, site cleanup and general site maintenance.

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using a long-term borrowing rate of 4.41% (2006 - 4.50%) and a forecasted inflation rate of 3% (2006 - 2%). The liability was adjusted for capacity used of 100% for the closed cells and 5.0% for the remaining cells.

The estimated present value of future expenditures for closure and post-closure care as at March 31, 2007 is \$13,660 (2006 - \$11,562), of which total expenditures of \$12,170 (2006 - \$7,986), have been made to date resulting in \$1,490 (2006 - \$3,576), of the liability still to be funded.

In order to help reduce the future impact of these obligations, the Municipality has established a reserve fund for the responsible care of this site. At March 31, 2007 the balance in the reserve is \$284 (2006 - \$2,797), and the remaining \$1,206 (2006 - \$779), of the liability will be funded from future revenues.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

11. Obligations under capital leases:

Future minimum payments including interest at March 31, 2007 are as follows:

	2007	2006
2007	\$ -	\$ 378
2008	13	13
	13	391
Less interest of nil (2006 - nil)	-	-
Present value of minimum future capital lease payments	\$ 13	\$ 391

12. Long-term debt:

The schedule of long-term debt attached to the consolidated financial statements details the various terms and conditions related to the long-term debt (see page 23).

Principal payments required in each of the next five years on debt held as at March 31, 2007 are as follows:

2008	\$ 50,624
2009	\$ 53,462
2010	\$ 46,221
2011	\$ 35,971
2012	\$ 31,122

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

13. Amounts to be recovered:

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

	2007	2006
Amounts to be recovered from future revenues:		
Landfill closure and post closure	\$ 1,217	\$ 2,010
Employee benefits	2,816	2,816
Accrued interest on debt	4,470	4,803
	8,503	9,629
Amounts to be recovered from reserve funds on hand:		
Landfill closure and post closure	7,311	9,906
Total	\$ 15,814	\$ 19,535

14. Fund balances:

Fund balances at the end of the year reported on the Consolidated Statement of Financial Position are comprised of:

	2007	2006
Halifax Regional Municipality:		
Operating Fund	\$ (2,424)	\$ (5,069)
Capital Fund	(315,567)	(322,379)
Equipment Reserve Fund	2,221	60,170
Capital Reserve Fund	80,422	54,456
Commissions, cultural and recreation facilities	850	(925)
	(234,498)	(213,747)
Equity in Halifax Regional Water Commission	259,575	245,946
	\$ 25,077	\$ 32,199

15. Commitments:

- (a) The Municipality and its consolidated entities rent facilities under several long-term operating leases with aggregate annual payments for the next five years approximating \$3.8 million (2006 - \$3.7 million).
- (b) The Municipality has entered into several long-term contracts for waste resources operations, with aggregate annual payments for the next five years approximating \$34 million (2006 - \$38 million).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

15. Commitments (continued):

- (c) The Municipality has entered into three long-term contracts for construction of Sewage Treatment Plants, Sewage Collection Systems, and a Biosolids Processing Facility within the Harbour Solutions Capital Projects. Based on the financing model for these projects, anticipated future annual payments under these contracts are: 2008 - \$76,660; 2009 - \$19,530. Debt of \$130,000 was approved in previous years, which will be repaid over the next 18 years through the Environmental Protection Levy.

16. Contingencies:

- (a) As of March 31, 2007 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 Halifax Regional Water Commission for the Lake Major Facility, to a maximum of \$57 million. As at March 31, 2007 this outstanding debt was \$42.0 million (2006 - \$44.3 million), with maturity dates ranging from 2007 to 2019.

17. Financial instruments:

- (a) Fair values:

The fair value of the Municipality's financial instruments that are comprised of cash and short-term deposits, taxes receivable, accounts receivable, loans, deposits and advances, accounts payable and accrued liabilities, accrued interest on long-term debt and deferred revenue approximate their carrying value due to their short-term nature.

The market value of investments is disclosed in note 5.

It is not practical to determine the fair value of the investment in Halifax Regional Water Commission due to the lack of comparable market information.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

17. Financial instruments (continued):

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. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2007 are \$5.4 million (2006 - \$5.5 million).

19. Transfers to provincial boards and commissions:

(a) The Metropolitan Regional Housing Authority:

The Municipality shared in the operations of the Authority in the amount of \$2.45 million (2006 - \$2.328 million).

(b) Assessment Services:

The Municipality is required to pay a share of the cost of operating the municipal assessment system based on the total municipal 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, 2007, the Municipality's share of these costs was \$5.7 million (2006 - \$5.4 million).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

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

(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, 2007, the Municipality's contribution for these costs was \$7.6 million (2006 - \$7.3 million).

(d) The Halifax Regional School Board:

The Municipality provided a mandatory contribution in the amount of \$83.0 million (2006 - \$78.3 million) and supplementary contributions of \$20.8 million (2006 - \$20.8 million) to the Halifax Regional School Board.

20. Subsequent event:

In May 2007 the Council of the Halifax Regional Municipality and the Board of the Halifax Regional Water Commission approved an agreement for the transfer of the municipal waste-water and storm-water facilities, including their operation and administration, from the HRM to the HRWC. The transfer was effective August 1, 2007.

Under the transfer agreement, the HRWC will not compensate the HRM for the transferred facilities, but will assume responsibility for the operations and any debt servicing costs associated with the waste-water and storm-water facilities. In addition, approximately 150 employees who work for the HRM in these operations will transfer to the HRWC.

Each of the facilities associated with the Halifax Harbour Solutions Project, presently under construction, will be transferred from the HRM to the HRWC following their commissioning.

21. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

HALIFAX REGIONAL MUNICIPALITY

Schedule of Remuneration of Members of Council and Chief Administrative Officer

Year ended March 31, 2007
(In thousands of dollars)

Council members:

P. Kelly, Mayor	\$ 127
S. Uteck, Deputy Mayor	58
R. Walker, Former Deputy Mayor	59
S. Adams	55
S. Fougere	55
L. Goucher	13
R. Harvey	55
D. Hendsbee	55
D. Hum	55
B. Johns	55
B. Karsten	55
R. Kent	55
G. Martin	32
G. McCluskey	56
H. McInroy	55
G. Meade	55
L. Mosher	55
P. Murphy	55
R. Rankin	55
D. Sloane	55
J. Smith	55
K. Snow	55
S. Streach	55
M. Wile	55
A. Younger	55

Chief Administrative Officer:

Dan English, Chief Administrative Officer	170
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HALIFAX REGIONAL MUNICIPALITY

Schedule of Long-term Debt

Year ended March 31, 2007
(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31 2006	Issued	Redeemed	Balance March 31 2007
General:							
66C	40	6.25	2006	\$ 25	\$ -	\$ 25	\$ -
67A	40	6.50	2007	38	-	38	-
				63	-	63	-
C.M.H.C.:							
79B	30	6.25	2009	8	-	2	6
M.F.C.:							
96-A-1	10	5.5/8.0	2006	2,841	-	2,841	-
96-B-1	10	4.75/7.5	2006	150	-	150	-
97-A-1	10	4.5/7	2007	10,968	-	5,484	5,484
97-B-1	10	4.25/6.25	2007	2,780	-	1,390	1,390
98-A-1	10	5.0/5.5	2008	10,500	-	3,500	7,000
98-B-1	10	4.625/5.625	2008	18,985	-	3,744	15,241
99-A-1	10	4.75/5.375	2009	14,651	-	1,725	12,926
99-B-1	10	5.75/6.75	2009	12,000	-	3,000	9,000
00-A-1	10	6.25/6.875	2010	7,250	-	1,450	5,800
00-B-1	10	5.875/6.375	2010	8,112	-	1,177	6,935
01-A-1	10	4.375/6.250	2011	9,780	-	1,630	8,150
01-B-1	10	3.125/6.0	2011	5,951	-	992	4,959
02-A-1	10	3.375/6.125	2012	17,107	-	2,444	14,663
02-B-1	10	3.25/5.625	2012	8,665	-	1,238	7,427
03-A-1	10	3.50/5.375	2013	31,060	-	3,882	27,178
03-B-1	10	2.75/5.00	2013	3,384	-	423	2,961
04-A-1	10	2.55/5.45	2014	17,958	-	1,843	16,115
04-B-1	10	3.195/5.05	2014	20,854	-	2,317	18,537
24-HBR-1	20	2.84/5.94	2024	104,500	-	5,500	99,000
05-A-1	10	2.97/4.56	2015	23,000	-	2,300	20,700
05-B-1	15	3.63/4.83	2020	36,380	-	2,215	34,165
06-A-1	10	4.29/4.88	2017	-	23,082	-	23,082
06-B-1	10	4.10/4.41	2017	-	10,150	-	10,150
				366,876	33,232	49,245	350,863
Federation of Canadian Municipalities:							
GMIF-1599	10	1.33/3.127	2014	19,000	-	1,000	18,000
Misc.:							
5% stock	Permanent	5.0	-	2	-	-	2
Sackville Landfill Trust:							
Acadia School	20	7	2018	761	-	41	720
				\$386,710	\$33,232	\$50,351	\$369,591

Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Schedule of Operating Fund Operations By Function and Change in Fund Balances

March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2007	2006
	Budget	Actual	Actual
Revenues:			
Taxation	\$ 474,942	\$ 476,339	\$ 458,060
Less: amounts received for the School Board	(104,286)	(103,866)	(99,112)
	370,656	372,473	358,948
Taxation from other governments	24,461	25,370	23,107
User fees and charges	80,147	83,307	74,809
Government grants	14,471	12,367	13,006
Investment income	8,089	11,541	7,456
Penalties, fines and interest	2,500	2,785	2,504
Grant in lieu of tax from Halifax Regional Water Commission	3,445	3,490	3,435
	503,769	511,333	483,265
Expenditures:			
Operating:			
General government	73,259	74,793	74,548
Protective services	139,618	146,897	131,317
Transportation services	88,435	95,518	86,530
Environmental services	57,062	51,730	51,504
Social housing services	2,450	2,450	2,328
Recreation and cultural services	28,733	28,151	26,850
Planning and development	29,094	30,202	28,413
	418,651	429,741	401,490
Net revenues	85,118	81,592	81,775
Financing and transfers:			
Transfers to capital fund	(29,856)	(35,783)	(31,232)
Transfers to reserves funds	(674)	(1,438)	(9,450)
Transfers to recreation, commissions, cultural and other	(418)	(418)	(426)
Debt principal repayment	(41,881)	(40,959)	(39,161)
Net financing and transfers	(72,829)	(78,598)	(80,269)
Decrease in amounts to be recovered	-	(333)	(593)
Increase in non-financial assets	-	(16)	942
Change in fund balance	12,289	2,645	1,855
Fund balance, beginning of year		(5,069)	(6,924)
Fund balance, end of year		\$ (2,424)	\$ (5,069)

Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Schedule of Operating Fund Operations By Object and Change in Fund Balance

March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2007	2006
	Budget	Actual	Actual
Revenues:			
Taxation	\$ 474,942	\$ 476,339	\$ 458,060
Less: amounts received for the School Board	(104,286)	(103,866)	(99,112)
	370,656	372,473	358,948
Taxation from other governments	24,461	25,370	23,107
User fees and charges	80,147	83,307	74,809
Government grants	14,471	12,367	13,006
Investment income	8,089	11,541	7,456
Penalties, fines and interest	2,500	2,785	2,504
Grant in lieu of tax from Halifax Regional Water Commission	3,445	3,490	3,435
	503,769	511,333	483,265
Expenditures:			
Operating:			
Salaries, wages and benefits	229,421	234,820	215,161
Interest on long-term debt	12,666	12,827	12,729
Materials, goods, supplies and utilities	34,000	36,070	32,522
Contracted services	68,612	69,304	64,635
Other	48,719	51,789	58,651
External transfers	25,233	24,931	17,792
	418,651	429,741	401,490
Net revenues	85,118	81,592	81,775
Financing and transfers:			
Transfers to capital fund	(29,856)	(35,783)	(31,232)
Transfers to reserves funds	(674)	(1,438)	(9,450)
Transfers to recreation, commissions, cultural and other	(418)	(418)	(426)
Debt principal repayment	(41,881)	(40,959)	(39,161)
Net financing and transfers	(72,829)	(78,598)	(80,269)
Decrease in amounts to be recovered	-	(333)	(593)
Increase in non-financial assets	-	(16)	942
Change in fund balance	12,289	2,645	1,855
Fund balance, beginning of year		(5,069)	(6,924)
Fund balance, end of year		\$ (2,424)	\$ (5,069)

Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Schedule of Capital Fund Operations and Change in Fund Balance

Year ended March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2006
	Actual	Actual
Revenues:		
User fees and charges	\$ 333	\$ 430
Government grants	17,392	24,309
Development levies	2,063	-
	19,788	24,739
Expenditures:		
Capital:		
General government	6,849	20,550
Protective services	8,568	4,894
Transportation services	49,318	52,038
Environmental services	102,941	110,577
Recreation and cultural services	13,774	10,893
Planning and development	8,790	3,420
	190,240	202,372
Net expenditures	(170,452)	(177,633)
Financing and transfers:		
Transfers from operating fund	35,783	31,232
Transfers from reserves funds	103,451	76,154
Transfers to recreation, commissions, cultural and other	-	(167)
Debt principal borrowings	41,468	40,360
Net financing and transfers	180,702	147,579
Decrease in amounts to be recovered	(3,388)	(796)
Decrease in non-financial assets	(50)	(50)
Change in fund balance	6,812	(30,900)
Fund balance, beginning of year	(322,379)	(291,479)
Fund balance, end of year	\$ (315,567)	\$ (322,379)

Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balances

March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2006
	Actual	Actual
Revenues:		
User fees and charges	\$ 1,511	\$ 1,521
Government grants	18,517	7,643
Development levies	42,902	41,416
Investment income	1,299	3,157
Sale of properties	13,284	6,189
	<u>77,513</u>	<u>59,926</u>
Expenditures:		
Operating:		
Environmental services	6,475	7,725
Recreation and cultural services	979	690
	<u>7,454</u>	<u>8,415</u>
Capital:		
General government	29	7,696
	<u>7,483</u>	<u>16,111</u>
Net revenues	70,030	43,815
Financing and transfers:		
Transfers from operating fund	1,438	9,450
Transfers to capital fund	(103,451)	(76,154)
Net financing and transfers	<u>(102,013)</u>	<u>(66,704)</u>
Change in fund balances	(31,983)	(22,889)
Fund balances, beginning of year	114,626	137,515
Fund balances, end of year	<u>\$ 82,643</u>	<u>\$ 114,626</u>

Draft
10/26/2007

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Recreation, Commissions, Cultural and Other Funds and Changes in Fund Balances

March 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2006
	Actual	Actual
Revenues:		
User fees and charges	\$ 25,117	\$ 24,695
Government grants	-	150
Investment income	7	10
	25,124	24,855
Expenditures:		
Operating:		
General government	72	31
Recreation and cultural services	22,699	23,129
	22,771	23,160
Capital:		
General government	30	11
Recreation and cultural services	457	1,207
	487	1,218
Total expenditures	23,258	24,378
Net revenues	1,866	477
Financing and transfers:		
Transfers from operating fund	418	426
Transfers from capital fund	-	167
Debt principal repayment	(509)	(1,199)
Net financing and transfers	(91)	(606)
Increase (decrease) in non-financial assets	-	397
Change in fund balances	1,775	268
Fund balances, beginning of year	(925)	(1,193)
Fund balances, end of year	\$ 850	\$ (925)

Attachment 3:

HRM Financial Statements March 31, 2007

- Page 1 - Consolidated Statement of Financial Position
 - 1. Cash and short term deposits up \$21.6M (43 %)
 - 2. Receivables up \$11.3M (14.5 %)
 - 3. Investments down \$56.4M (33 %)
 - 4. Accounts Payable and Accrued Liabilities up \$10.1M (11 %)
 - 5. Long term debt decreased by \$17.1M (4.4 %)

- Overall Municipal Position
 - Net Assets of \$9.3M

Explanation of significant year-to-year variances:

1. Cash and S/T investments – greater proportion of investments in short term at year end as it was anticipated there would be an increase in interest rates; also, NS promissory note for HSP that had matured was put into short term investments.
2. Receivables – LIC projects completed during the year were set up as receivable; Business Parks land sales late in the year with payments not received at year end.
3. Investments – As stated in note 1. Also, the balance in reserve funds available for investment was decreased as a number of projects were funded from reserves.
4. A/P and Accrued Liabilities – Primarily the increase is related to invoices accrued at year end for operating and capital fund, plus an increase in the employee benefits accrual.
5. Long term debt decreased as per the plan outlined in the Multi Year Financial Strategy.

Page 2 – Consolidated statement of financial activities

- 1. Restatement of prior year (SNSMR FRAM guidelines)
- 2. Net Expenditures year-to-year \$35M change
 - (a) Revenues up \$41M (6.9 %) overall
 - Tax net of school board up \$13.5M (3.8 %)
 - User Fees increased \$8.8M (8.7 %)
 - Government Grants increased \$3.2M (7.0 %)
 - Development Levies increased \$3.5M (8.6 %)
 - Sale of Properties up \$7.1M (114.6 %)
 - (b) Operating Expenditures up \$26.9M (6.2 %)
 - Protective Services increase of \$15.6M (11.9 %)
 - Transportation Services increase of \$9.0M (10.4 %)
 - © Capital expenditures down \$20.5M (9.7 %)
 - Alderney Gate purchased in prior year

1. Restatement – The classification of expenditures for provincial and stats Canada reporting is not consistent with the internal business unit alignment, therefore the groupings by function were changed this year to be consistent with other external reporting guidelines rather than on a business unit basis.
2. (a) Revenues – Tax revenue increased as a result of assessment increases (both residential and commercial). Other increases in revenue resulted from rates being increased for parking and fines, the implementation of By-Law F300 and expanded bus service. There were increases in grants in lieu for both federal and provincial properties and more activity in the sale of Business Parks land, resulting in higher revenue from these sources than in the prior year.
2. (b) Operating Expenditures -- Regional Police expenditures were up as a result of re-equipping and enlarging the Public Safety Unit; expanded operations in the areas of Court Officers, street crime operation, GIS, CR/CP and Traffic units; the expansion of fleet and related costs for fuel and parts; and costs for overtime and enhancement to post employment benefits. There was an increase of \$1M in contract cost for RCMP services.
Transit expenditures were up \$4.1M as a result of both expanded service with increased staff, and collective agreement increases. As well additional funds were put into improving traffic signs and traffic signals and streets/roads patching. Municipal operations snow and ice program showed an increase of approx. \$3M overall due to enhanced services.