

***DRAFT***

Financial Information of

**HALIFAX REGIONAL MUNICIPALITY**

Year ended March 31, 2010

## **AUDITORS' REPORT**

### **TO THE MAYOR AND THE COUNCILLORS OF THE HALIFAX REGIONAL MUNICIPALITY**

We have audited the general rate surplus of the operating fund of the Halifax Regional Municipality for the year ended March 31, 2010. This financial information has been prepared to comply with generally accepted accounting principles adopted for Nova Scotia Municipalities. This financial information is the responsibility of the Municipality's management. Our responsibility is to express an opinion on this financial information 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 information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the general rate surplus of the operating fund of the Halifax Regional Municipality for the year ended March 31, 2010 in accordance with the basis of accounting described in note 1 to the financial information.

This financial information, which has not been, and was not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of Council of Halifax Regional Municipality. The financial information is not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Chartered Accountants

Halifax, Canada

October 29, 2010

# HALIFAX REGIONAL MUNICIPALITY

## General Rate Surplus

Year ended March 31, 2010  
(In thousands of dollars)

	2010
General rate surplus, before transfers to reserves at year end	3,290
Transfers of surplus to reserves at year end	2,000
Operations stabilization	950
Information and communication technologies	1,000
Snow and ice control variable operating	3,950
Total transfers of surplus to reserves at year end	(660)
Prior years general rate surplus available for the 2010 fiscal year	825
General rate surplus	165

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Financial Information

Year ended March 31, 2010  
(In thousands of dollars)

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### 1. Significant accounting policies:

This financial information has been prepared to conform in all material respects to the accounting principles prescribed pursuant to Section 451 of the Municipal Government Act Nova Scotia municipalities by Service Nova Scotia and Municipal Relations and is intended for the use of Members of Council of Halifax Regional Municipality.

The basis of accounting used in this financial information differs materially from generally accepted accounting principles as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants ("PSAB"). The significant differences with PSAB are described below. PSAB requires that:

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in net assets and in financial position of the reporting entity where the reporting entity is comprised of all organizations, commissions and agencies accountable to the Halifax Regional Municipality ("HRM") for the administration of their financial affairs and resources and which are owned or controlled by the HRM. This would include, at a minimum, the individual funds represented in the March 31, 2010 financial statements – Operating Fund, Capital Fund and Reserve Funds of the HRM, and the Halifax Regional Water Commission, a public utility owned by the HRM. The consolidated financial statements prepared in accordance with PSAB would include a Statement of Financial Position, Statement of Operations and Accumulated Surplus, Statement of change in Net Financial Assets and a Statement of Cash Flows;
- Revenue and expenses be recorded on a full accrual basis; and
- Expenditures on tangible capital assets be capitalized on the Statement of Financial Position in the year acquired and amortized over their useful lives.



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 10.1.2**  
**Halifax Regional Council**  
**November 30, 2010**

**TO:** Mayor Kelly and Members of the Halifax Regional Council

**SUBMITTED BY:** Original signed  
Councillor Gloria McCluskey, Chair, Audit Committee

**DATE:** November 29, 2010

**SUBJECT:** **Consolidated Audited Financial Statements, Year Ended March 31, 2010**

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**ORIGIN**

The Audit Committee meeting of November 29, 2010.

**RECOMMENDATION**

It is recommended that Regional Council approve:

1. The Halifax Regional Municipality's Consolidated Audited Financial Statements for the year ended March 31, 2010.

## **BACKGROUND**

At the November 29, 2010, Audit Committee meeting discussion was held on the Consolidated Audit Financial Statements for the year ended March, 31, 2010. The Committee passed a motion accepting the Consolidated Audit Financial Statements, recommending it be forwarded to Regional Council for approval.

## **BUDGET IMPLICATIONS**

There are none associated with this report.

## **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.

## **COMMUNITY ENGAGEMENT**

Not applicable with this report.

## **ALTERNATIVES**

There are none associated with this report.

## **ATTACHMENTS**

1. Draft audited, Consolidated Financial Statements for Halifax Regional Municipality for the year ended March 31, 2010.

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208

Report Prepared by: Melody Campbell, Legislative Assistant

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***DRAFT.***

Consolidated Financial Statements of

**HALIFAX REGIONAL MUNICIPALITY**

Year ended March 31, 2010

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Financial Statements

Year ended March 31, 2010

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# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Financial Statements

Year ended March 31, 2010

### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Halifax Regional Municipality (the Municipality) are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

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Wayne Anstey  
Acting, Chief Administrative Officer

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Cathie O'Toole, CGA, MBA  
CFO/Director of Finance and Treasurer

## **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, 2010 and the consolidated statements of operations and accumulated surplus, change in net financial assets, 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, 2010 and the results of its operations and accumulated surplus and change in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Halifax, Canada

October 29, 2010

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Position

March 31, 2010, with comparative figures for 2009  
(In thousands of dollars)

	2010	2009 (Restated Note 2)
<b>Financial assets</b>		
Cash and short-term deposits (note 3)	\$ 48,380	\$ 98,696
Taxes receivable (note 4)	29,166	29,691
Accounts receivable (note 5)	69,472	60,855
Loans, deposits, and advances	3,450	3,772
Land held for resale	28,373	32,502
Investments (note 6)	109,976	67,455
Investment in the Halifax Regional Water Commission (note 7)	567,810	494,017
	<u>856,627</u>	<u>786,988</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 8)	134,172	118,877
Accrued interest on long-term debt	3,927	3,998
Deferred revenue	55,015	47,168
Employee future benefits (notes 9 and 10)	30,354	29,231
Solid waste management facilities liabilities (note 11)	13,764	12,110
Long-term debt (note 12)	248,907	344,230
	<u>486,139</u>	<u>555,614</u>
Net financial assets	370,488	231,374
<b>Non-financial assets</b>		
Tangible capital assets (note 15)	1,841,318	1,895,933
Inventory and prepaid expenses	9,459	8,684
	<u>1,850,777</u>	<u>1,904,617</u>
Accumulated Surplus (note 16)	\$ 2,221,265	\$ 2,135,991

Commitments and contingencies (notes 14 and 17)

The accompanying notes are an integral part of the consolidated financial statements.

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2010, with comparative figures for 2009  
(In thousands of dollars)

	Budget (Unaudited Note 20)	2010	2009 (Restated Note 2)
<b>Revenue</b>			
Taxation	\$ 559,559	\$ 552,267	\$ 540,057
Less amounts received for provincially mandated services (note 19)	(133,281)	(132,582)	(129,287)
	426,278	419,685	410,770
Taxation from other governments	30,065	29,117	28,419
User fees and charges	123,038	124,502	123,756
Government grants	53,744	63,494	68,778
Development levies	5,405	10,334	17,797
Investment income	3,080	1,955	8,121
Penalties, fines and interest	3,070	3,248	3,519
Land sales, contributions and other revenue	6,758	24,951	25,057
Increase in equity in the Halifax Regional Water Commission	-	36,234	25,140
Grant in lieu of tax from the Halifax Regional Water Commission (note 7)	3,700	3,626	3,622
<b>Total revenue</b>	<b>655,138</b>	<b>717,146</b>	<b>714,979</b>
<b>Expenses</b>			
General government services	109,273	113,682	101,590
Protective services	156,734	167,980	158,314
Transportation services	112,098	188,147	191,779
Environmental services	39,645	52,733	45,340
Recreation and cultural services	74,732	86,076	84,518
Planning and development services	23,068	23,254	25,738
<b>Total expenses</b>	<b>515,550</b>	<b>631,872</b>	<b>607,279</b>
<b>Annual surplus</b>	<b>139,588</b>	<b>85,274</b>	<b>107,700</b>
<b>Accumulated surplus, beginning of year</b>	<b>2,135,991</b>	<b>2,135,991</b>	<b>2,028,291</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 2,275,579</b>	<b>\$ 2,221,265</b>	<b>\$ 2,135,991</b>

The accompanying notes are an integral part of the consolidated financial statements.

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2010, with comparative figures for 2009  
(In thousands of dollars)

	Budget (Unaudited Note 20)	2010	2009 (Restated Note 2)
Annual surplus	\$ 139,588	\$ 85,274	\$ 107,700
Acquisition of tangible capital assets	(121,817)	(196,916)	(150,393)
Amortization of tangible capital assets	-	91,699	85,351
Loss (gain) on sale of tangible capital assets	-	(6,089)	842
Proceeds on sale of tangible capital assets	-	18,212	800
Transfer of assets to Halifax Regional Water Commission	-	147,709	-
	17,771	139,889	44,300
Acquisition of inventories of supplies and prepaid expenses	-	(9,459)	(8,684)
Consumption of inventories of supplies and use of prepaid expenses	-	8,684	10,190
Change in net financial assets	17,771	139,114	45,806
Net financial assets, beginning of year	231,374	231,374	185,568
Net financial assets, end of year	\$ 249,145	\$ 370,488	\$ 231,374

The accompanying notes are an integral part of the consolidated financial statements.

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009  
(In thousands of dollars)

	2010	2009
Cash provided by (used in):		
<b>Operating activities</b>		
Annual surplus	\$ 85,274	\$ 107,700
Items not involving cash:		
Amortization	91,699	85,351
Loss (gain) on sale of tangible capital assets	(6,089)	842
Donated tangible capital assets	(12,109)	(20,799)
Increase in equity in the Halifax Regional Water Commission	(36,234)	(25,140)
	122,541	147,954
Change in non-cash assets and liabilities		
Decrease (increase) in taxes receivable	525	(5,458)
Increase in accounts receivable	(8,617)	(1,027)
Decrease (increase) in loans, deposits, and advances	322	(1,751)
Decrease (increase) in land held for resale	4,129	(4,433)
Decrease (increase) in inventory and prepaid expenses	(775)	1,641
Increase in accounts payable and accrued liabilities	15,295	17,493
Increase (decrease) in accrued interest on long-term debt	(71)	43
Increase (decrease) in deferred revenue	7,847	(14,329)
Increase in employee future benefits	1,123	820
Increase (decrease) in solid waste management facilities liabilities	1,654	(557)
Net change in cash from operating activities	143,973	140,396
<b>Capital activities</b>		
Proceeds on disposal	18,212	800
Cash used to acquire tangible capital assets	(184,807)	(129,594)
Net change in cash from capital activities	(166,595)	(128,794)
<b>Investing activities</b>		
Increase in investments	(42,521)	(25,965)
Net change in cash from investing activities	(42,521)	(25,965)
<b>Financing activities</b>		
Long-term debt issued	59,052	51,238
Long-term debt repaid	(52,225)	(54,342)
Debt repayments recovered from Halifax Regional Water Commission	8,000	-
Net change in cash from financing activities	14,827	(3,104)
Net change in cash and short-term deposits	(50,316)	(17,467)
Cash and short-term deposits, beginning of year	98,696	116,163
Cash and short-term deposits, end of year	\$ 48,380	\$ 98,696

The accompanying notes are an integral part of the consolidated financial statements.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 1. Significant accounting policies:

#### (a) Basis of presentation:

The consolidated financial statements of the Halifax Regional Municipality (the "Municipality") have been prepared by management 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 ("CICA").

#### (b) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses 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 which are owned or controlled by the Municipality, except the Halifax Regional Water Commission which is accounted for on the modified equity basis of accounting. The entities included are as follows:

- 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 Community Centre Association
  - Sackville Sports Stadium
  - Halifax Regional Municipality Centennial Arena Commission
- Commissions, cultural and other facilities:
  - Alderney Landing Association
  - MetroPark Parkade Facility
  - 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
  - Main Street Dartmouth and Area Business Improvement Association
- Halifax Regional Library

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (c) School board:

The assets, liabilities, taxation and other revenues and expenses 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 Halifax Regional Municipality Charter, supplementary education funding is specifically required for the former municipal units of Halifax, Dartmouth, 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 expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable and expenses 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 in the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

#### (f) Investment in the Halifax Regional Water Commission:

The Halifax Regional Water Commission (the "HRWC") is accounted for using the modified equity basis of accounting; consistent with Canadian generally accepted accounting principles, as recommended by PSAB for an investment in a government business enterprise. Under the modified equity basis of accounting, HRWC's accounting principles are not adjusted to conform to those of the Municipality and inter-organizational transactions and balances are not eliminated.

The Municipality recognizes its equity interest in the annual income or loss of the HRWC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account.



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 1. Significant accounting policies (continued):

#### (g) Miscellaneous Trust funds:

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

#### (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) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

##### i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful Life – Years</b>
Land Improvements	10 – 50
Buildings and building improvements	15 – 40
Vehicles	5 – 15
Machinery and equipment	5 – 10
Dams	40
Roads and infrastructure	5 – 75
Ferries	2 – 30

The useful life for landfill cells, which are included in land improvements, is based upon capacity of each cell.

Assets with a useful life of 5 years or less, amortization will commence in the year the asset is available for use and be recorded at 50% of the annual charge in the first and last year of the asset's useful life. Assets with a useful life greater than 5 years, amortization will commence in the year following the asset is put into use.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

i) Tangible capital assets (continued)

The school buildings which are owned by the Municipality but in use by the Halifax Regional School Board are not recorded as tangible capital assets. No amortization is recorded by the Municipality as long as the buildings are in use by and under the control of the Halifax Regional School Board.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements, unless used in the provision of a municipal service.

v) Interest capitalization

The Municipality does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

vi) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

vii) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(j) Government transfers:

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

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (k) 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.

#### (l) 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.

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

#### (m) Taxation and related revenues:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Property Valuation Services Corporation. 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.

#### (n) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

#### (o) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 2. Change in accounting policies:

The Municipality has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets:

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Municipality applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the Non Residential Building Construction Price Index was used to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

#### Accumulated surplus at April 1, 2008

Operating fund balance	\$	297
Capital fund balance		(309,120)
Reserves fund		26,510
Equity in Halifax Regional Water Commission		468,877
Amounts to be recovered		(18,875)
Accumulated surplus, as previously reported		167,689
Net book value of tangible capital assets recorded		1,832,533
Net book value of land for resale		28,069
Accumulated surplus, as restated as at April 1, 2008	\$	2,028,291

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 2. Change in accounting policies (continued):

Annual surplus as at March 31, 2009

Net revenues, as previously reported	\$	39,867
Donated tangible capital assets		20,799
Tangible capital assets capitalized but previously expensed		129,594
Land for resale capitalized but previously expensed		4,433
Amortization expense not previously recorded		(85,351)
Loss on disposal of assets		(842)
Proceeds on disposal previously reported as revenue		(800)

Annual surplus, as restated as at March 31, 2009	\$	107,700
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### 3. Cash and short-term deposits:

	2010	2009
Halifax Regional Municipality	\$ 36,785	\$ 85,719
Commissions, cultural and recreation facilities	11,595	12,977
Total	\$ 48,380	\$ 98,696

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

### 4. Taxes receivable:

	2010	2009
Balance, beginning of year	\$ 34,324	\$ 28,612
Add:		
Current year's levy of property taxes	524,725	508,313
Deed transfer tax	31,153	35,166
	590,202	572,091
Less:		
Current year's collections	553,510	534,345
Reduced taxes	3,611	3,422
	557,121	537,767
Balance, end of year	33,081	34,324
Allowance	(3,915)	(4,633)
Balance, end of year (net of allowance)	\$ 29,166	\$ 29,691

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 5. Accounts receivable:

	2010		2009	
Federal Government	\$	12,346	\$	7,324
Provincial Government		15,660		9,323
Other receivables		41,466		44,208
<b>Total</b>	<b>\$</b>	<b>69,472</b>	<b>\$</b>	<b>60,855</b>

### 6. 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, 2010.

Government of Canada and Canada Mortgage and Housing Corporation Bonds (CMHC) have a maturity range from Sept 1, 2010 to December 15, 2014. The weighted average yield on market value of these bonds is 1.77% at March 31, 2010 (2009 – .79%).

	2010		2009	
	Cost	Market value	Cost	Market value
Money market instruments	\$ 105,010	\$ 105,268	\$ 60,471	\$ 60,992
Government of Canada and CMHC bonds	4,966	5,049	6,984	7,223
<b>Total</b>	<b>\$ 109,976</b>	<b>\$ 110,317</b>	<b>\$ 67,455</b>	<b>\$ 68,215</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 7. Investment in the Halifax Regional Water Commission:

The Halifax Regional Water Commission is a wholly-owned and controlled government business enterprise of the Municipality and is responsible for the supply of municipal water, wastewater and stormwater services to residents of the Municipality.

As of August 1, 2007, municipal wastewater and stormwater facilities and their operations were transferred from the Municipality to the HRWC. This transfer was approved by the Nova Scotia Utility and Review Board. The HRWC assumed the responsibility for debt servicing associated with the wastewater and stormwater facilities and operations that were transferred. This transaction was deemed to have no commercial substance and was therefore recorded at the carrying value in accordance with the CICA Handbook Section 3840, Related Party Transactions.

In accordance with the transfer agreement between the Municipality and the HRWC, certain components of the Halifax Harbour Solutions Project were transferred effective June 1, 2009. The assets transferred included the Halifax Sewage Treatment Plant and portions of the related collection system, as well as a Biosolids Processing Facility. The carrying value of the assets transferred was \$147,709. The associated debt transferred to the HRWC was \$104,000.

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

	2010	2009
<b>Financial Position</b>		
Current assets	\$ 58,468	\$ 47,503
Capital assets	698,963	528,801
Total assets	757,431	576,304
Current liabilities	27,505	17,988
Long term liabilities	162,116	64,299
Total liabilities	189,621	82,287
Net assets	\$ 567,810	\$ 494,017

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 7. Investment in the Halifax Regional Water Commission (continued):

	2010	2009
<b>Results of Operations</b>		
Revenues	\$ 87,166	\$ 86,916
Operating expenses	(59,301)	(57,466)
Financing expenses	(9,086)	(9,910)
Other income	2,645	4,130
Net income before grant in lieu of tax	21,424	23,670
Grant in lieu of tax	(3,626)	(3,622)
Net income	17,798	20,048
Increase (decrease) in contributed capital surplus	2,278	(12,134)
Donated tangible capital assets	18,251	7,202
Increase (decrease) in reserves	(2,093)	10,024
Increase in investment and equity	36,234	25,140
Investment and equity, beginning of year	494,017	468,877
Net assets transferred from Halifax Regional Municipality	37,559	-
Investment and equity, end of year	\$ 567,810	\$ 494,017

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

	2010	2009
Revenues:		
Grant in lieu of tax	\$ 3,626	\$ 3,622
Expenses:		
Fire protection charge	\$ 9,502	\$ 9,217

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.



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 8. Accounts payable and accrued liabilities:

	2010	2009
Trade accounts payable	\$ 75,917	\$ 45,994
Payable to other governments	15,545	24,729
Accrued liabilities	42,710	48,154
Total	\$ 134,172	\$ 118,877

### 9. Employee future benefits - employees' retirement pension plan:

Employees of the 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.

The Municipality contributed to the HRM Plan an amount of \$22,232 for the fiscal year ending March 31, 2010 (2009 - \$20,544). 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, 2007. The next actuarial valuation is to be filed by December 31, 2010. The interest rate used in the last filed valuation was 6.75% per year. The following estimates as at December 31, 2009 are based on the actuarial valuation as at December 31, 2007 extrapolated to December 31, 2009:

Actuarial value of plan assets	\$ 1,114,977
Extrapolated value of accrued pension benefits	(1,147,236)
Estimated funding deficit	\$ (32,259)

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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

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

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.

On November 27, 2006, changes to the PBA Regulations were adopted to provide solvency relief to municipal pension plans. Under the new regulations, municipal pension plans are only required to fund up to an 85% solvency ratio (over a period of 5 years). While a municipal 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.

Since the most recent actuarial valuation, there has been a significant decline in the market value of the assets of the fund due to poor market performance. The total investment gain or loss will be recognized in a subsequent actuarial valuation.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 10. 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.

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, 2007, and the last actuarial valuation of the police health trust lump sum payments was conducted as at March 31, 2008. The results of both actuarial valuations were extrapolated to March 31, 2010. For all other benefits, actuarial valuations were conducted as at March 31, 2010. 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, along with the main assumptions used for disclosure and expense calculations are as follows:

	2010	2009
Accrued benefit obligation at beginning of fiscal year	\$ 31,094	\$ 29,603
Current period benefit cost	1,791	1,945
Benefit payments	(2,219)	(2,677)
Interest cost	1,396	1,459
Actuarial loss	583	764
Accrued benefit obligation at end of fiscal year	\$ 32,645	\$ 31,094
Main assumptions used for fiscal year-end disclosure:		
discount rate	4.52%	4.52%
salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation:		
discount rate	4.33%	4.99%
salary increase	3% plus merit	3% plus merit

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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

These other employee benefit plans require no contributions from employees. The benefit liability as at March 31, 2010 includes the following components:

	2010	2009
Accrued benefit obligation	\$ 32,645	\$ 31,094
Unamortized actuarial gain (loss)	(2,291)	(1,863)
Benefit liability	\$ 30,354	\$ 29,231

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:

	2010	2009
Current period benefit cost	\$ 1,791	\$ 1,945
Amortization of actuarial gains	155	93
Other employee benefit expense	1,946	2,038
Other employee benefit interest expense	1,396	1,459
Total expense related to other employee benefit plans	\$ 3,342	\$ 3,497

### 11. 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 4.52% (2009 - 4.52%) and a forecasted inflation rate of 1.49% (2009 - 2%).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 11. Solid waste management facilities liabilities (continued):

#### Sackville Landfill (continued):

The estimated present value of future expenses for closure and post-closure care as at March 31, 2010 is \$18,564 (2009 - \$16,324), of which total expenses of \$13,054 (2009 - \$12,190), have been made to date, resulting in \$5,510 (2009 - \$4,134), of the liability to still 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, 2010 the balance in the reserve is \$5,599 (2009 - \$6,417), which means that the reserve has \$89 (2009 - \$2,283) more than needed to fund the projected liability.

#### Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 14 years, until the fiscal year ended March 31, 2024.

The site's design consists of nine cell phases with an expected total capacity of 4,244,000 tonnes (2009 - 3,771,000 tonnes).

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 4.52% (2009 - 4.52%) and a forecasted inflation rate of 1.49% (2009 - 2%). The liability was adjusted for capacity used of 100% for the closed cells and 0% for the remaining cells.

The estimated present value of future expenses for closure and post-closure care as at March 31, 2010 is \$23,017 (2009 - \$19,877), of which total expenses of \$15,010 (2009 - \$11,901), have been made to date resulting in \$8,007 (2009 - \$7,976), 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, 2010 the balance in the reserve is \$2,289 (2009 - \$2,409), and the remaining \$5,718 (2009 - \$5,567), of the liability will be funded from future revenues.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 11. Solid waste management facilities liabilities (continued):

#### Mengoni Landfill:

The Mengoni Landfill site closed during the year ended March 31, 2008. A closure plan and an environmental audit were completed in 2008. Post closure care activities for this site include perpetual care that is expected to occur until 2028 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 4.52% and a forecasted inflation rate of 1.49%.

The estimated present value of future expenses for closure and post-closure care as at March 31, 2010 is \$2,448 of which total expenses of \$2,201, have been made to date, resulting in \$247, of the liability to still be funded.

In order to help reduce the future impact of these obligations, the Municipality has established a reserve for the responsible care of this site. At March 31, 2010 the balance in the reserve is \$100, which means that the reserve requires \$147 more to fund the projected liability.

				2010	2009
	Sackville	Otter Lake	Mengoni	Total	Total
Estimated present value of closure and post closure costs	\$ 18,564	\$ 23,017	\$ 2,448	\$ 44,029	\$ 36,201
Less: Expenses incurred	13,054	15,010	2,201	30,265	24,091
	5,510	8,007	247	13,764	12,110
Reserve fund	5,599	2,289	100	7,988	8,826
Amount to be funded from future revenue	\$ (89)	\$ 5,718	\$ 147	\$ 5,776	\$ 3,284

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 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 34).

Principal payments required in each of the next five years on debt held as at March 31, 2010 are as follows:

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2011	\$	47,020
2012	\$	42,171
2013	\$	39,554
2014	\$	35,876
2015	\$	42,951

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### 13. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2010 are \$5.9 million (2009 - \$6.0 million).

### 14. 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 \$6.0 million (2009 - \$5.1 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 \$36 million (2009 - \$36 million).
- (c) In accordance with the transfer agreement between the Halifax Regional Municipality and the Halifax Regional Water Commission, the remaining components of the Halifax Harbour Solutions Project will transfer to the Commission on August 1, 2010. The carrying value of the assets to be transferred is \$174,000.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 15. Tangible capital assets:

Cost	Balance at March 31, 2009	Additions	Disposals	Balance at March 31, 2010
	(note 2)			
Land	\$ 241,195	\$ 29,324	\$ (10,827)	\$ 259,692
Land improvements	171,394	9,850	-	181,244
Buildings	249,192	5,239	(2,013)	252,418
Vehicles	134,573	8,696	(958)	142,311
Machinery and equipment	45,551	11,586	-	57,137
Roads and infrastructure	1,509,445	56,605	-	1,566,050
Dams	480	-	-	480
Ferries	17,950	561	-	18,511
Leasehold improvements	1,888	1,121	-	3,009
Assets under construction	337,092	73,934	(147,709)	263,317
Total	\$ 2,708,760	\$ 196,916	\$ (161,507)	\$ 2,744,169

Accumulated amortization	Balance at March 31, 2009	Disposals	Amortization Expense	Balance at March 31, 2010
	(note 2)			
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	129,838	-	8,837	138,675
Buildings	145,413	(839)	6,400	150,974
Vehicles	55,647	(836)	11,263	66,074
Machinery and equipment	20,497	-	6,469	26,966
Roads and infrastructure	445,414	-	57,775	503,189
Dams	384	-	12	396
Ferries	15,508	-	817	16,325
Leasehold improvements	126	-	126	252
Assets under construction	-	-	-	-
Total	\$ 812,827	\$ (1,675)	\$ 91,699	\$ 902,851

	Net book value March 31, 2009	Net book value March 31, 2010
	(note 2)	
Land	\$ 241,195	\$ 259,692
Land improvements	41,556	42,569
Buildings	103,779	101,444
Vehicles	78,926	76,237
Machinery and equipment	25,054	30,171
Roads and infrastructure	1,064,031	1,062,861
Dams	96	84
Ferries	2,442	2,186
Leasehold improvements	1,762	2,757
Assets under construction	337,092	263,317
Total	\$ 1,895,933	\$ 1,841,318



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 15. Tangible capital assets (continued):

Cost	Balance at March 31, 2008	Additions	Disposals	Balance at March 31, 2009
	(note 2)			
Land	\$ 241,021	\$ 1,816	\$ (1,642)	\$ 241,195
Land improvements	152,760	18,634	-	171,394
Buildings	230,824	18,972	(604)	249,192
Vehicles	119,012	15,561	-	134,573
Machinery and equipment	37,582	7,969	-	45,551
Roads and infrastructure	1,443,734	65,711	-	1,509,445
Dams	480	-	-	480
Ferries	17,114	836	-	17,950
Leasehold improvements	1,888	-	-	1,888
Assets under construction	316,198	20,894	-	337,092
Total	\$ 2,560,613	\$ 150,393	\$ (2,246)	\$ 2,708,760

Accumulated amortization	Balance at March 31, 2008	Disposals	Amortization Expense	Balance at March 31, 2009
	(note 2)			
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	121,251	-	8,587	129,838
Buildings	140,104	(604)	5,913	145,413
Vehicles	45,354	-	10,293	55,647
Machinery and equipment	14,569	-	5,928	20,497
Roads and infrastructure	391,485	-	53,929	445,414
Dams	372	-	12	384
Ferries	14,945	-	563	15,508
Leasehold improvements	-	-	126	126
Assets under construction	-	-	-	-
Total	\$ 728,080	\$ (604)	\$ 85,351	\$ 812,827

	Net book value March 31, 2008	Net book value March 31, 2009
	(note 2)	
Land	\$ 241,021	\$ 241,195
Land improvements	31,509	41,556
Buildings	90,720	103,779
Vehicles	73,658	78,926
Machinery and equipment	23,013	25,054
Roads and infrastructure	1,052,249	1,064,031
Dams	108	96
Ferries	2,169	2,442
Leasehold improvements	1,888	1,762
Assets under construction	316,198	337,092
Total	\$ 1,832,533	\$ 1,895,933

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 15. Tangible capital assets (continued):

#### (a) Assets under construction

Assets under construction having a value of \$263,317 (2009 - \$337,092) have not been amortized. Amortization of these assets will commence when asset is available for productive use.

#### (b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at the fair market value at the date of contribution. The value of contributed assets received during the year is \$12,109 (2009 - \$20,799) and is comprised of roads and infrastructure in the amount of \$11,162 (2009 - \$19,397) and land and land developments having a value of \$947 (2009 - \$1,402).

#### (c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

#### (d) Works of art and cultural and historical assets

The Municipality manages and controls various works of art and non-operational cultural and historical assets including buildings, artifacts, paintings and sculptures located at Municipal sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

#### (e) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$1,647 (2009 - \$nil).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 16. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2010	2009
<b>Surplus</b>		
Invested in tangible capital assets	\$ 1,554,109	\$ 1,509,523
Other	2,076	(1,849)
Equity in Halifax Regional Water Commission	567,810	494,017
Agencies, boards, commissions' reserves	94	133
Unfunded		
Accrued interest	(3,927)	(3,998)
Landfill closure costs	(13,764)	(12,110)
Employee benefits	(1,127)	(1,690)
<b>Total surplus</b>	<b>2,105,271</b>	<b>1,984,026</b>
<b>Operating reserves set aside by Council</b>		
Self insurance	4,427	4,078
Operations stabilization	2,526	522
Snow and ice control variable operating	4,726	3,077
Service improvement	2,254	2,209
Cemetery maintenance	147	135
Culture development	705	584
Municipal elections	575	451
EMO cost recovery	278	418
Marketing levy special events	618	904
DNA costs	105	102
Titanic commemorative	6	6
Central library capital campaign and development	643	514
Major events facilities	6,409	6,410
Operating cost of new capital	3,444	2,314
Information and communication technologies	4,360	3,550
Police emergency and extraordinary investigation	655	650
Police officer on the job injury	566	562
Commons enhancement	1	1
Provincially funded police officers and facility lease	1,313	850
Environmental protection	18,184	38,032
<b>Total operating reserves set aside by Council</b>	<b>51,942</b>	<b>65,369</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 16. Accumulated surplus (continued):

	2010	2009
<b>Capital and equipment reserves set aside by Council</b>		
Sale of capital assets	-	2,554
Business/industrial parks expansion	5,761	1,608
Capital surplus	3,004	3,031
Parkland development	1,341	2,727
Sackville landfill closure	5,599	6,417
Otter Lake landfill closure	2,289	2,409
Mengoni landfill closure	100	-
Waste resources capital	1,894	3,388
Upper Sackville turf	275	251
MetroPark parkade	2,003	1,757
Strategic growth	9,664	12,415
HRM sustainable communities	760	658
Rural fire	578	692
Ferry replacement	7,083	5,750
Capital replacement	2,971	4,826
Energy and underground services co-location	1,366	515
Bedford South capital cost contribution interchange	3,107	2,580
Gas tax	10,590	10,370
Alderney Gate recapitalization	756	665
Strategic transit fund	-	21,387
Regional capital cost contribution	1,545	675
Community facility partnership	1,000	-
Kingswood water	4	4
5594-96 Morris Street	75	68
Rockingham community centre	13	13
Captain William Spry centre	2	2
Richmond school	1	2
<b>Total capital reserves set aside by Council</b>	<b>61,781</b>	<b>84,764</b>
General fleet	1,493	1,313
Police vehicles	255	194
Fire and emergency service vehicles and equipment	494	296
Fuel system	29	29
<b>Total equipment reserves set aside by Council</b>	<b>2,271</b>	<b>1,832</b>
<b>Total capital and equipment reserves set aside by Council</b>	<b>64,052</b>	<b>86,596</b>
<b>Total accumulated surplus</b>	<b>\$ 2,221,265</b>	<b>\$ 2,135,991</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

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### 17. Contingent liabilities:

- (a) As of March 31, 2010 there are a number of claims against the Municipality and its consolidated entities in varying amounts and for which provisions have been made in these financial statements, as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Municipality with respect to these claims, but management believes that any such amounts would not have a material impact on the financial position of the Municipality.
- (b) The Municipality is the plaintiff in various proceedings, which have arisen, in the normal course of carrying on its operations. It is not possible at this time to determine the amounts the Municipality may receive with respect to these claims.
- (c) The Municipality guarantees certain debt issues of the Halifax Regional Water Commission. As at March 31, 2010 this outstanding debt was \$49.1 million (2009 - \$36.8 million), with maturity dates ranging from 2011 to 2019. In addition, the Municipality is responsible for outstanding debt of \$102,150 recoverable from the Halifax Regional Water Commission.
- (d) In January 2009, the sewage treatment plant in Halifax suffered a systems failure. The plant is now fully operational. The costs to reinstate the plant have been largely covered by insurance proceeds; those not covered are expected to be recovered from third parties. Any residual liability, although it cannot be reasonably determined at this time, will be covered by Halifax Regional Water Commission, as the Harbour Solutions Project was transferred to the Halifax Regional Water Commission on August 1, 2010.

### 18. 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 and accrued interest on long-term debt approximate their carrying value due to their short-term nature.

The market value of investments is disclosed in note 6.

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

The fair value of long-term debt is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying value.

Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, or currency risks arising from these financial instruments.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 18. Financial instruments (continued):

(b) Credit risk:

The Municipality is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Wherever possible the Municipality attempts to minimize credit exposure by dealing only with credit worthy counterparties and / or obtaining sufficient security for the applicable financial instrument.

### 19. Amounts received for provincially mandated services:

	2010	2009
School board	\$ 116,080	\$ 112,617
Assessment services	6,300	6,133
Social housing	2,219	2,630
Corrections services	7,983	7,907
Total	\$ 132,582	\$ 129,287

(a) The Halifax Regional School Board:

The Municipality provided a mandatory contribution in the amount of \$96.1 million (2009 - \$92.7 million) and supplementary contributions of \$19.9 million (2009 - \$19.9 million) to the Halifax Regional School Board.

(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, 2010, the Municipality's share of these costs was \$6.3 million (2009 - \$6.1 million).

(c) The Metropolitan Regional Housing Authority:

The Municipality shared in the operations of the Metropolitan Regional Housing Authority in the amount of \$2.2 million (2009 - \$2.6 million).

(d) Correctional Services:

Municipalities in Nova Scotia are required to make a mandatory contribution to fund the cost of correctional services. The contribution is set by provincial formula. For the year ended March 31, 2010, the Municipality's contribution for these costs was \$8.0 million (2009 - \$7.9 million).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010  
(In thousands of dollars)

### 20. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2009/10 operating and capital budgets approved by Council on May 26, 2009, plus the budgeted figures of the various Agencies, Boards and Commission included in the consolidated statements, to the extent that they could be reasonably determined. Amortization was not contemplated in development of the budget and, as such, has not been included.

	2010
<b>Revenue</b>	
Operating budget	\$ 703,620
Capital budget	141,816
Less: Mandatory provincial payments	(133,281)
	712,155
Less:	
Miscellaneous capital funding	(940)
Principal and interest recovery from Halifax Regional Water Commission	(1,638)
Transfers from reserves to capital	(21,810)
Transfers operating to capital	(33,850)
Proceeds on debt issue	(31,827)
	(90,065)
Add:	
Revenues from agencies, boards & commissions	27,187
Interest on reserves	1,027
Area rated surplus's prior years fire protection	4,834
	33,048
<b>Total revenue</b>	<b>655,138</b>
<b>Expenses</b>	
Operating budget	703,620
Less: Mandatory provincial payments	(133,281)
	570,339
Less:	
Transfers operating to capital	(35,457)
Transfers from reserves to capital	(14,589)
Transfers operating to reserves	(1,017)
Expenses from agencies, boards & commissions	26,812
Debt principal payments	(35,372)
	(59,623)
Add:	
Area rated surplus's prior years fire protection	4,834
<b>Total expenses</b>	<b>515,550</b>
<b>Annual surplus</b>	<b>\$ 139,588</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2010

(In thousands of dollars)

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### 21. Classification of expenses by object:

The Consolidated Statement of Operations represents the expenses by function; the following classifies those same expenses by object.

	Budget	Actual
Salaries, wages and benefits	\$ 284,473	\$ 262,480
Interest on long-term debt	12,335	11,405
Materials, goods, supplies and utilities	44,086	27,888
Contracted services	75,770	98,363
Other	90,295	133,348
External transfers	8,591	6,689
Amortization	-	91,699
Total	\$ 515,550	\$ 631,872

### 22. 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, 2010  
(In thousands of dollars)

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Council members:		
P. Kelly, Mayor	\$	138
S. Adams		76
J. Barkhouse		73
J. Blumenthal		71
B. Dalrymple		71
R. Harvey		76
D. Hendsbee		80
D. Hum		76
B. Johns		78
B. Karsten		76
P. Lund		71
G. McCluskey		77
L. Mosher		76
L. Nicoll		71
T. Outhit		72
R. Rankin		76
D. Sloane		76
J. Smith		76
S. Streach		76
S. Uteck		76
R. Walker		76
J. Watts		71
M. Wile		76
D. Fisher		32
Chief Administrative Officer:		
Dan English		201

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The remuneration, for members of Council, includes their base salary, plus an incremental amount if a member was Deputy Mayor and/or in receipt of a benefits supplement. Also included in the above is a retroactive adjustment to correct an error in the calculation of Council members' remuneration.

# HALIFAX REGIONAL MUNICIPALITY

## Schedule of Long-term Debt

Year ended March 31, 2010  
(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31 2009	Issued	Redeemed	Balance March 31 2010
Canadian Mortgage Housing Corporation:							
79B	30	6.25	2009	\$ 2	\$ -	\$ 2	\$ -
Municipal Finance Corporation:							
99-A-1	10	4.75/5.375	2009	9,476	-	9,476	-
99-B-1	10	5.75/6.75	2009	3,000	-	3,000	-
00-A-1	10	6.25/6.875	2010	2,900	-	1,450	1,450
00-B-1	10	5.875/6.375	2010	4,580	-	1,178	3,402
01-A-1	10	4.375/6.25	2011	4,890	-	1,630	3,260
01-B-1	10	3.125/6.0	2011	2,975	-	992	1,983
02-A-1	10	3.375/6.125	2012	9,775	-	2,444	7,331
02-B-1	10	3.25/5.625	2012	4,951	-	1,238	3,713
03-A-1	10	3.5/5.375	2013	19,412	-	3,883	15,529
03-B-1	10	2.75/5.0	2013	2,115	-	423	1,692
04-A-1	10	2.55/5.45	2014	12,432	-	1,842	10,590
04-B-1	10	3.195/5.05	2014	13,903	-	2,317	11,586
24-HBR-1	20	2.84/5.94	2024	88,000	-	5,500	82,500
05-A-1	10	2.97/4.56	2015	16,100	-	2,300	13,800
05-B-1	15	3.63/4.83	2020	29,735	-	2,215	27,520
06-A-1	10	4.29/4.88	2016	18,466	-	2,308	16,158
06-B-1	10	4.1/4.41	2016	8,120	-	1,015	7,105
07-A-1	10	4.45/4.63	2017	17,610	-	1,957	15,653
07-B-1	10	4.65/5.01	2017	7,920	-	880	7,040
08-A-1	10	3.75/4.884	2018	26,500	-	2,650	23,850
08-B-1	10	3.1/5.095	2018	24,738	-	2,474	22,264
09-A-1	20	1.0/5.644	2024		52,552	-	52,552
09-B-1	10	0.97/4.329	2019		6,500	-	6,500
				327,598	59,052	51,172	335,478
Federation of Canadian Municipalities:							
GMIF-1599	10	1.33/3.127	2014	16,000	-	1,000	15,000
Misc.:							
5% stock	Permanent	5.0	-	2	-	-	2
Sackville Landfill Trust:							
Acadia School	20	7.0	2018	628	-	51	577
				344,230	59,052	52,225	351,057
Less debt recovery from Halifax Regional							
Water Commission:							
24-HBR-1	20	2.84/5.94	2024	-	-	-	(82,500)
GMIF-1599	10	1.33/3.127	2014	-	-	-	(15,000)
Other debt	1 to 6	2.55/6.875					(4,650)
				-	-	-	(102,150)
Net Debt				\$ 344,230	\$ 59,052	\$ 52,225	\$ 248,907



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 10.1.2**  
**Halifax Regional Council**  
**November 30, 2010**

**TO:** Mayor Kelly and Members of the Halifax Regional Council

**SUBMITTED BY:**  Original signed

Councillor Gloria McCluskey, Chair, Audit Committee

**DATE:** November 29, 2010

**SUBJECT:** **Audited Financial Statements - Miscellaneous Trust Funds, Year  
Ended March 31, 2010**

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### **ORIGIN**

The Audit Committee meeting of November 29, 2010.

### **RECOMMENDATION**

It is recommended that Regional Council approve:

1. The audited financial statements of the Halifax Regional Municipality - Miscellaneous Trust Funds for the year ended March 31, 2010.

## **BACKGROUND**

At the November 30, 2010, Audit Committee meeting discussion was held on the Audited Financial Statements, Miscellaneous Trust Funds for the year ended March, 31, 2010. The Committee passed a motion accepting the Financial Statements, Miscellaneous Trust Funds, recommending it be forwarded to Regional Council for approval.

## **BUDGET IMPLICATIONS**

There are none associated with this report.

## **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.

## **COMMUNITY ENGAGEMENT**

Not applicable with this report.

## **ALTERNATIVES**

There are none associated with this report.

## **ATTACHMENTS**

1. Draft audited, Consolidated Financial Statements for Halifax Regional Municipality for the year ended March 31, 2010.

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Melody Campbell, Legislative Assistant

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Financial Statements of

**HALIFAX REGIONAL MUNICIPALITY**  
MISCELLANEOUS TRUST FUNDS

Year ended March 31, 2010

## AUDITOR'S REPORT

To His Worship the Mayor  
and Members of Council of the Halifax Regional Municipality

We have audited the balance sheet of the Halifax Regional Municipality Miscellaneous Trust Funds as at March 31, 2010 and the statement of income and expenditures and fund equity for the year then ended. These financial statements have been prepared to comply with generally accepted accounting principles adopted for Nova Scotia municipalities. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Miscellaneous Trust Funds as at March 31, 2010 and the results of their operations and the changes in its fund equity for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the information and use of Council of Halifax Regional Municipality and Service Nova Scotia and Municipal Relations and may not be appropriate for any other use.

Our audit was conducted 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 the 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  
June 16, 2010

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS Balance Sheet

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

	2010	2009
<b>Assets</b>		
Cash	\$ 5,349,437	\$ 5,351,536
Accounts receivable (note 2)	578,177	637,003
Investments (note 3)	6,410	61,404
	<u>\$ 5,934,024</u>	<u>\$ 6,049,943</u>

### Fund Equity

Fund equity (Schedule)	\$ 5,934,024	\$ 6,049,943
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See accompanying notes to financial statements.

Approved on behalf of the Halifax Regional Municipality:

\_\_\_\_\_  
\_\_\_\_\_

Mayor

Municipal Clerk

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Statement of Income and Expenditures and Fund Equity

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

	2010	2009
Income:		
Investment income	\$ 80,250	\$ 174,506
Tax sales	5,439	210,379
	85,689	384,885
Expenditures:		
Transfer to Halifax Regional Municipality	75,379	145,404
Net transactions with trustors	155,669	22,553
	231,048	167,957
Excess of income over expenditures (expenditures over income)	(145,359)	216,928
Capital contributions received during year	29,440	429,663
	(115,919)	646,591
Fund equity, beginning of year	6,049,943	5,403,352
Fund equity, end of year	\$ 5,934,024	\$ 6,049,943

See accompanying notes to financial statements.



# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Notes to Financial Statements

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

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#### **1. Significant accounting policies:**

(a) Basis of accounting:

These financial statements have been prepared to conform, in all material respects, to the accounting principles prescribed pursuant to Section 451 of the Municipal Government Act for Nova Scotia municipalities by Service Nova Scotia and Municipal Relations and are intended for the use of Halifax Regional Council and Service Nova Scotia and Municipal Relations.

The basis of accounting used in these financial statements may differ materially from generally accepted accounting principles as proscribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB).

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on account and investments in money market instruments.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(d) Statement of cash flows:

A statement of cash flows has not been presented as it would not provide additional meaningful information.

#### **2. Accounts receivable:**

Within the accounts receivable balance, \$577,457 (2009 - \$628,131) is due from an entity controlled by the Halifax Regional Municipality. During the year, the entity made principal payments of \$50,674 (2009 - \$47,256) and interest payments of \$42,362 (2009 - \$47,256).

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS Notes to Financial Statements

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

### 3. Investments:

	2010	2009
Shares, cost	\$ 6,410	\$ 6,409
Bonds, amortized cost	—	54,995
	\$ 6,410	\$ 61,404
Face value of bonds	\$ —	\$ 55,000
Shares, market values	\$ 248,573	\$ 133,016
Bonds, market value	—	55,595
	\$ 248,573	\$ 188,975

The market value shown for investments represents the estimated value of the securities as at March 31, 2010. Shares and bonds are valued at year-end quoted market prices.

### 4. Subsequent events:

Effective April 14, 2010, the Regional Council of the Halifax Regional Municipality changed the portion of each cemetery lot sale allocated to the Fairview Cemetery Trust from 90% to 15%.

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS Schedule of Fund Equity

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

	Balance March 31 2009	Income	Transfer to Halifax Regional Municipality	Net transactions with trustors	Contributions	Balance March 31 2010
J.L. Dillman Park Maintenance	\$ 151,965	\$ 914	\$ -	\$ -	\$ -	\$ 152,879
Tax sales	1,075,860	5,439	-	(116,869)	-	964,430
J.D. Shatford Memorial	60,000	360	(360)	-	-	60,000
Sackville Landfill	1,653,288	45,583	(42,362)	(38,500)	-	1,618,009
Camphill Cemetery Trust	131,953	788	(788)	-	-	131,953
Camphill Cemetery Perpetual Care	566,179	6,415	(6,415)	-	-	566,179
Camphill Cemetery Fence	12,063	73	(73)	-	-	12,063
Fairview Cemetery Trust	2,273,089	25,011	(25,011)	-	29,440	2,302,529
Fairview Cemetery Maintenance	45,000	271	(271)	-	-	45,000
Titanic Trust	29,105	526	-	-	-	29,631
Commons Commutation	16,491	99	(99)	-	-	16,491
Harbour Championship	11,918	71	-	(300)	-	11,689
Other	23,032	139	-	-	-	23,171
	<u>\$6,049,943</u>	<u>\$85,689</u>	<u>\$(75,379)</u>	<u>\$(155,669)</u>	<u>\$29,440</u>	<u>\$5,934,024</u>