



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

**Item No. 9.1.1**  
**Audit & Finance Standing Committee**  
**June 17, 2015**

**TO:** Chair and Members of Audit & Finance Standing Committee  
Original Signed

**SUBMITTED BY:** ~~Richard Butts, Chief Administrative Officer~~  
Original Signed

~~Bruce Fisher, A/Director of Finance & CAO/CFO~~

**DATE:** June 8, 2015

**SUBJECT:** Year End Financial Statements

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**ORIGIN**

Required by Legislation.

**LEGISLATIVE AUTHORITY**

Halifax Charter, section 48(2) outlines the responsibilities of the Audit Committee which include:

- 48(2)(a) – a detailed review of the financial statements of the Municipality with the Auditor;
- 48(2)(b) – an evaluation of internal controls systems and any management letter with the Auditor; and,
- 48(2)(c) – a review of the conduct and adequacy of the audit.

In addition, Halifax Charter, section 46 outlines the appointment and requirements of the Municipal Auditor and the need to file the Auditor's report with Council and the Minister by July 31, 2015.

Halifax Regional Municipality Council approved, December 11, 2012, that all budget increases are to be presented to the Audit & Finance Standing Committee, prior to submission to Council.

Halifax Charter, section 120(6) – The Municipality may maintain other reserve funds for such purposes as the Council may determine; Reserve Administrative Order 2014-015 – No reserve funds will be expended without the CAO's recommendation and Council approval.

The attachments included are necessary for the Auditor and Finance Standing Committee and the Municipal Auditor to satisfy their responsibilities and requirements.

**RECOMMENDATION**

It is recommended that the Audit and Finance Standing Committee forward the following to Halifax Regional Council for their approval:

**Recommendation Continued on page 2**

- The financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the year ended March 31, 2015.
- The Consolidated Financial Statements of the Halifax Regional Municipality for the year ended March 31, 2015;
- The statement of General Rate Surplus of the Halifax Regional Municipality for the year ended March 31, 2015;
- Additional transfers, in addition to the \$3,101,000 approved March 10, 2015, of \$8,711,995, as outlined below, to reduce the general rate deficit to zero:
  - HRM Sustainable Communities reserve, Q127 \$ 120,525
  - Waste Resources Capital reserve, Q123 \$7,978,000
  - Operating Surplus reserve, Q328 \$ 613,470

## **BACKGROUND**

The following table outlines the total 2014/15 deficit and planned funding of the deficit from various reserves. On March 10, 2015, Council approved withdrawals from reserves totaling \$3,101,000 to reduce the general rate deficit. The general rate deficit has increased from December 31, 2014 and a further \$8,711,995 in funding is required. The table below provides details of the reserves recommended to be decreased to fund this additional deficit.

| <b>Funding Options for the 2014/15 deficit</b>                           | <b>Recommendation</b> |
|--|-----------------------|
| <b>2014/15 Deficit</b>   | <b>\$11,812,995</b>   |
| <b>Withdrawals Approved by Council March 10th, 2015:</b>                 |                       |
| Q309 Snow & Ice Reserve  | (1,700,000)           |
| Q306 Self Insurance Reserve  | (300,000)             |
| Q328 Operating Surplus Reserve   | (1,101,000)           |
| <b>Total Withdrawals Approved by Council March 10<sup>th</sup>, 2015</b> | <b>(3,101,000)</b>    |
| <b>Remaining Deficit to be Funded</b>                                    | <b>8,711,995</b>      |
| <b>Additional Recommended Sources of Funds:</b>                          |                       |
| Q328 Operating Surplus Reserve   | (613,470)             |
| Q127 - HRM Sustainable Communities reserve                               | (120,525)             |
| Q123- Waste Resources Capital Reserve                                    | (7,978,000)           |
| <b>Total Additional Recommended Sources of Funds</b>                     | <b>(8,711,995)</b>    |
| <b>General Rate Deficit After Recommended Transfers from Reserves</b>    | <b>0</b>              |

## **DISCUSSION**

A detailed presentation will be provided at the meeting.

**FINANCIAL IMPLICATIONS**

Outlined in the presentation and attached reports.

**COMMUNITY ENGAGEMENT**

N/A

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

1. Audit and Finance Standing Committee may not choose to approve the proposed recommendations. This is not the recommended option.
2. Audit and Finance Standing Committee may approve the proposed recommendations subject to requested modifications. This is not the recommended option.

**ATTACHMENTS**

1. Consolidated Financial Statements of the HRM, Year ended March 31, 2015.
2. General Rate Surplus of HRM, Year ended March 31, 2015.
3. Financial Statements of HRM Miscellaneous Trust Funds, Year ended March 31, 2015.
4. HRM Audit Findings Report - KPMG

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A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance/index.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Nancy Harper, Accounting Controls & Reporting Manager 902.490.3696

Original Signed

Report Approved by:

Louis de Montbrun, Manager, Financial Reporting 902.490.7222

Original Signed

Financial Approval by:

Bruce Fisher, A/Director of Finance & IC1/CFO, 902.490.6308

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Consolidated Financial Statements of the

**HALIFAX REGIONAL MUNICIPALITY**

Year ended March 31, 2015

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Financial Statements

Year ended March 31, 2015

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# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Financial Statements

Year ended March 31, 2015

### 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 Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA"). A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated 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.

### Future Changes in Accounting Standards:

The Public Sector Accounting Board ("PSAB") Handbook Section 3450 Financial Instruments, Section 2601 Foreign Currency Translation and Section 1201 Financial Statements Presentation are effective for fiscal years beginning on or after April 1, 2016. While early adoption is permitted, all three of the standards must be adopted in the same year. Section 3450, Financial Instruments provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. Section 2601, Foreign Currency Translation includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. Section 1201, Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. The Municipality has not yet adopted these standards or determined the effect on the consolidated financial statements.

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Richard Bults  
Chief Administrative Officer

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Bruce Fisher MPA, CMA  
A/Director of Finance and Information,  
Communication & Technology / CFO





# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Position

March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>Financial assets</b>                                      |                     |                     |
| Cash and short-term deposits (note 3)                        | \$ 194,153          | \$ 138,745          |
| Taxes receivable (note 4)                                    | 28,091              | 30,035              |
| Accounts receivable (note 5)                                 | 53,537              | 49,225              |
| Loans, deposits and advances                                 | 747                 | 806                 |
| Land held for resale   | 42,264              | 39,685              |
| Investments (note 6)   | 72,137              | 137,155             |
| Investment in the Halifax Regional Water Commission (note 7) | 859,031             | 823,742             |
|  | <u>1,249,960</u>    | <u>1,219,393</u>    |
| <b>Financial liabilities</b>                                 |                     |                     |
| Accounts payable and accrued liabilities (note 8)            | 105,764             | 99,528              |
| Deferred revenue   | 56,345              | 65,050              |
| Employee future benefits (note 10)                           | 52,404              | 49,657              |
| Solid waste management facilities liabilities (note 11)      | 12,658              | 11,027              |
| Long-term debt (note 12)                                     | 212,898             | 219,120             |
|  | <u>440,069</u>      | <u>444,382</u>      |
| <b>Net financial assets</b>                                  | <u>809,891</u>      | <u>775,011</u>      |
| <b>Non-financial assets</b>                                  |                     |                     |
| Tangible capital assets (note 15)                            | 1,783,546           | 1,783,401           |
| Inventory and prepaid expenses                               | 9,525               | 9,588               |
|  | <u>1,793,071</u>    | <u>1,792,989</u>    |
| <b>Accumulated surplus (note 16)</b>                         | <u>\$ 2,602,962</u> | <u>\$ 2,568,000</u> |

Commitments and contingent liabilities (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

For the year ended March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

|   | Budget              | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|
| <b>Revenue</b>  |                     |                     |                     |
| Taxation  | \$ 674,387          | \$ 669,682          | \$ 648,806          |
| Taxation from other governments   | 37,023              | 36,876              | 36,414              |
| User fees and charges   | 117,283             | 120,988             | 117,474             |
| Government grants   | 45,167              | 46,113              | 51,317              |
| Development levies  | 2,420               | 3,137               | 1,621               |
| Investment income (note 6)  | 4,146               | 4,318               | 4,143               |
| Penalties, fines and interest   | 12,301              | 12,326              | 12,315              |
| Land sales, contributions and other revenue                                 | 19,121              | 19,043              | 27,033              |
| Increase in equity in the Halifax Regional<br>Water Commission (note 7)     | 36,000              | 35,289              | 7,055               |
| Grant in lieu of tax from the Halifax Regional<br>Water Commission (note 7) | 4,579               | 4,340               | 4,187               |
| <b>Total revenue</b>  | <b>952,427</b>      | <b>952,112</b>      | <b>910,365</b>      |
| <b>Expenses</b>   |                     |                     |                     |
| General government services   | 111,945             | 111,265             | 104,885             |
| Protective services   | 206,323             | 203,027             | 192,139             |
| Transportation services   | 253,763             | 271,420             | 249,076             |
| Environmental services  | 57,661              | 58,374              | 54,540              |
| Recreation and cultural services  | 116,724             | 113,229             | 110,174             |
| Planning and development services   | 24,957              | 21,733              | 22,159              |
| Educational services  | 137,102             | 137,102             | 131,529             |
| <b>Total expenses</b>   | <b>908,475</b>      | <b>916,150</b>      | <b>864,502</b>      |
| <b>Annual surplus</b>   | <b>43,952</b>       | <b>35,962</b>       | <b>45,863</b>       |
| <b>Accumulated surplus, beginning of year (note 2)</b>                      | <b>2,567,000</b>    | <b>2,567,000</b>    | <b>2,522,137</b>    |
| <b>Accumulated surplus, end of year</b>                                     | <b>\$ 2,610,952</b> | <b>\$ 2,602,962</b> | <b>\$ 2,568,000</b> |

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

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Change in Net Financial Assets

For the year ended March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

|   | Budget     | 2015       | 2014       |
|---|------------|------------|------------|
| Annual surplus  | \$ 43,952  | \$ 35,962  | \$ 45,863  |
| Acquisition of tangible capital assets<br>and contributed tangible capital assets | (126,872)  | (123,450)  | (119,893)  |
| Amortization of tangible capital assets   | 122,549    | 122,549    | 118,127    |
| Loss (gain) on disposal of tangible capital assets                                | -          | (153)      | 6,119      |
| Proceeds on disposal of tangible capital assets                                   | -          | 909        | 826        |
|   | 39,629     | 35,817     | 51,042     |
| Acquisition of inventories of supplies and<br>prepaid expenses                    | -          | (27,283)   | (24,500)   |
| Consumption of inventories of supplies and<br>use of prepaid expenses             | -          | 27,346     | 23,858     |
| Net change in net financial assets  | 39,629     | 35,880     | 50,400     |
| Net financial assets, beginning of year (note 2)                                  | 774,011    | 774,011    | 724,611    |
| Net financial assets, end of year   | \$ 813,640 | \$ 809,891 | \$ 775,011 |

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

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Cash Flows

For the year ended March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

|   | 2015              | 2014              |
|---|-------------------|-------------------|
| Cash provided by (used in):                                     |                   |                   |
| <b>Operating activities</b>                                     |                   |                   |
| Annual surplus  | \$ 35,962         | \$ 45,863         |
| Items not involving cash:                                       |                   |                   |
| Amortization of tangible capital assets                         | 122,549           | 118,127           |
| Loss (gain) on disposal of tangible capital assets              | (153)             | 6,119             |
| Contributed tangible capital assets                             | (8,773)           | (10,869)          |
| Increase in equity in the Halifax Regional Water Commission     | (35,289)          | (7,055)           |
|   | 114,296           | 152,185           |
| <b>Change in non-cash assets and liabilities</b>                |                   |                   |
| Decrease (increase) in taxes receivable                         | 1,944             | (2,042)           |
| Decrease (increase) in accounts receivable                      | (4,312)           | 16,407            |
| Decrease in loans, deposits and advances                        | 59                | 410               |
| Increase in land held for resale                                | (2,579)           | (16,194)          |
| Decrease (increase) in inventory and prepaid expenses           | 63                | (642)             |
| Increase (decrease) in accounts payable and accrued liabilities | 5,236             | (2,394)           |
| Increase (decrease) in deferred revenue                         | (8,705)           | 13,320            |
| Increase in employee future benefits                            | 2,747             | 2,086             |
| Increase in solid waste management facilities liabilities       | 1,631             | 420               |
| <b>Net change in cash from operating activities</b>             | <b>110,380</b>    | <b>163,556</b>    |
| <b>Capital activities</b>                                       |                   |                   |
| Proceeds on disposal of tangible capital assets                 | 909               | 826               |
| Acquisition of tangible capital assets                          | (114,677)         | (109,024)         |
| <b>Net change in cash from capital activities</b>               | <b>(113,768)</b>  | <b>(108,198)</b>  |
| <b>Investing activities</b>                                     |                   |                   |
| Decrease (increase) in investments                              | 65,018            | (58,045)          |
| <b>Net change in cash from investing activities</b>             | <b>65,018</b>     | <b>(58,045)</b>   |
| <b>Financing activities</b>                                     |                   |                   |
| Long-term debt issued   | 42,155            | 27,270            |
| Long-term debt redeemed   | (55,457)          | (45,655)          |
| Net debt recovered from the Halifax Regional Water Commission   | 7,080             | 7,130             |
| <b>Net change in cash from financing activities</b>             | <b>(6,222)</b>    | <b>(11,255)</b>   |
| <b>Net change in cash and short-term deposits</b>               | <b>55,408</b>     | <b>(13,942)</b>   |
| <b>Cash and short-term deposits, beginning of year</b>          | <b>138,745</b>    | <b>152,687</b>    |
| <b>Cash and short-term deposits, end of year</b>                | <b>\$ 194,153</b> | <b>\$ 138,745</b> |

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

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(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 generally accepted accounting principles ("GAAP") for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA").

#### (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:

- BMO Centre
- Canada Games Centre
- Centennial Pool Association
- Community Builders Inc. (Cole Harbour Place)
- Dartmouth Sportsplex Community Association
- Eastern Shore Recreation Commission
- Halifax Forum Community Association
- Scotiabank Centre (Halifax Metro Centre)
- Halifax Regional Municipality Centennial Arena Commission
- Sackville Sports Stadium
- St. Margaret's Community Centre Association

##### Commissions, cultural and other facilities:

- Alderney Landing Association
- Downtown Dartmouth Business Commission
- Downtown Halifax Business Commission
- Main Street Dartmouth and Area Business Improvement Association
- MetroPark Parkade Facility
- North End Business Association
- Quinpool Road Mainstreet District Association Limited
- Sackville Business Association
- Spring Garden Area Business Association
- Spryfield & District Business Commission

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, 2015

(In thousands of dollars)

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

(c) 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 public sector accounting standards, as recommended by PSAB for an investment in a government business enterprise. Under the modified equity basis of accounting, the 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 financial statement of operations with a corresponding increase or decrease in its investment asset account.

(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) Use of estimates:

The preparation of consolidated 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 consolidated 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, contaminated sites liability and in performing actuarial valuations of employee future benefits. These estimates and assumptions are based on the Municipality's best judgement and may differ significantly from actual results.

(f) 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 contributions to education. 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.

(g) User fees and charges:

User fees relate to transit fees, fees for various programs and fees imposed on specific activities. Revenue is recognized when the activity is performed or when the service has been rendered.

(h) 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, except when and to the extent that stipulations associated with the transfer give rise to a liability. If a liability is created, the satisfaction of the transfer stipulations by the recipient government determines the timing of the recognition of the transfer as revenue.

(i) Short-term deposits and 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.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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

(j) 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.

(k) Contaminated sites:

The Municipality accrues a liability to estimate the cost to remediate contaminated sites to the level necessary to allow the property to meet the environmental standard appropriate to its current use or status. The liability is based on estimates and assumptions using the best information available to management.

(l) Deferred revenue:

Deferred revenue represents taxes, 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 period the services are performed.

(m) Pension, post-employment benefits and compensated absences:

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due. The costs of post-employment benefits are recognized when the event that obligates the Municipality occurs. Costs include projected future income payments and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of post-employment benefits and compensated absences are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation and expected absences. Liabilities are actuarially determined using discount rates that are consistent with the market rates of high quality debt instruments. Any gains or losses from changes in assumptions or experience are amortized over the estimated average remaining life ("EARS") for the related employee group.

(n) 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.

(o) 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 historical cost or estimated historical cost, based on appraisals or other acceptable methods where historical cost was not available, which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost of normal maintenance and repairs which do not add value to the asset or materially extend the useful life of the asset are not capitalized. The cost, less residual value of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives as follows:

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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

#### (o) (i) Tangible capital assets (continued):

| Asset                               | Useful Life – Years |
|-------------------------------------|---------------------|
| 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 the capacity of each cell.

Leasehold improvements are amortized over the shorter of the term of the lease (including one renewal period, if provided for) or the useful life of the asset.

For 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 years of the asset's useful life. For assets with a useful life greater than 5 years, amortization will commence in the year following the year the asset is put into use.

Roads and infrastructure includes road beds, road surfaces, infrastructure and bridges. The useful life of these assets are as follows: road beds - 40 years, road surfaces - 5 to 20 years, infrastructure - 20 to 30 years and bridges - 75 years.

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.

#### iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets, 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.



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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

(p) Expenses:

Expenses are recognized in the year the events giving rise to the event occurs and there is a legal or constructive obligation to pay.

(q) School boards:

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

(r) 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.

### 2. Change in accounting policy:

The Municipality has adopted the PSAB Handbook Section 3260 Liability for Contaminated Sites effective April 1, 2014. Under Section 3260, contaminated sites are the result of contamination being introduced into air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

The adoption of Section 3260 has been applied on a prospective basis and prior periods have not been restated and has changed amounts in the prior period as follows:

#### Accumulated surplus at April 1, 2014:

|   |              |
|---|--------------|
| Accumulated surplus, as previously reported     | \$ 2,568,000 |
| Contaminated site liability as at April 1, 2014 | (1,000)      |
| Accumulated surplus, as restated                | \$ 2,567,000 |

#### Net financial assets at April 1, 2014:

|   |            |
|---|------------|
| Net financial assets, as previously reported    | \$ 775,011 |
| Contaminated site liability as at April 1, 2014 | (1,000)    |
| Net financial assets, as restated               | \$ 774,011 |

The prospective adoption of Section 3260 has resulted in an increase in the April 1, 2014 accounts payable and accrued liabilities balance of \$1,000. This increase is a non-cash item and has not impacted the statement of cash flows in the current fiscal year.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 3. Cash and short-term deposits:

|   | 2015              | 2014              |
|---|-------------------|-------------------|
| Halifax Regional Municipality   | \$ 188,999        | \$ 133,419        |
| Recreation facilities, commissions, cultural and other facilities<br>and the Halifax Regional Library | 5,154             | 5,326             |
| <b>Total</b>  | <b>\$ 194,153</b> | <b>\$ 138,745</b> |

Cash and short-term deposits include interest bearing accounts and money market instruments with a term to maturity of 90 days or less.

### 4. Taxes receivable:

|                  | 2015             | 2014             |
|------------------|------------------|------------------|
| Taxes receivable | \$ 31,620        | \$ 33,009        |
| Allowance        | (3,529)          | (2,974)          |
| <b>Total</b>     | <b>\$ 28,091</b> | <b>\$ 30,035</b> |

### 5. Accounts receivable:

|                       | 2015             | 2014             |
|-----------------------|------------------|------------------|
| Federal government    | \$ 33,449        | \$ 31,804        |
| Provincial government | 8,958            | 10,454           |
| Other receivables     | 33,662           | 28,772           |
| Allowance             | (22,532)         | (21,805)         |
| <b>Total</b>          | <b>\$ 53,537</b> | <b>\$ 49,225</b> |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 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 more than 90 days at March 31, 2015.

Bonds of Federal and Provincial governments and their guarantees have a maturity range from June 15, 2015 to December 18, 2018. The weighted average yield on market value of these bonds is 0.88% at March 31, 2015 (2014 - 1.48%).

|  |                  |           | 2015<br>Market<br>value |                   |           | 2014<br>Market<br>value |
|--|------------------|-----------|-------------------------|-------------------|-----------|-------------------------|
|  | Cost             |           |                         | Cost              |           |                         |
| Money market instruments   | \$ 55,086        | \$        | 55,221                  | \$ 115,089        | \$        | 115,625                 |
| Bonds of Federal and Provincial governments and their guarantees | 17,051           |           | 17,601                  | 22,066            |           | 22,370                  |
| <b>Total</b>   | <b>\$ 72,137</b> | <b>\$</b> | <b>72,822</b>           | <b>\$ 137,155</b> | <b>\$</b> | <b>137,995</b>          |

The investment income earned on money market instruments is \$3,828 (2014 - \$3,523) and on bonds of Federal and Provincial governments and their guarantees is \$490 (2014 - \$620).

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

The HRWC 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.

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

|                           | 2015              | 2014              |
|---------------------------|-------------------|-------------------|
| <b>Financial position</b> |                   |                   |
| Current assets            | \$ 75,115         | \$ 64,684         |
| Capital assets            | 1,054,917         | 1,014,503         |
| <b>Total assets</b>       | <b>1,130,032</b>  | <b>1,079,187</b>  |
| Current liabilities       | 45,765            | 54,471            |
| Long-term liabilities     | 225,236           | 200,974           |
| <b>Total liabilities</b>  | <b>271,001</b>    | <b>255,445</b>    |
| <b>Total</b>              | <b>\$ 859,031</b> | <b>\$ 823,742</b> |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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

|  | 2015       | 2014       |
|--|------------|------------|
| <b>Results of operations</b>             |            |            |
| Revenues                                 | \$ 130,320 | \$ 111,501 |
| Operating expenses                       | (94,381)   | (89,735)   |
| Financing expenses                       | (8,929)    | (8,101)    |
| Other income                             | 2,610      | 907        |
| Net income before grant in lieu of tax   | 29,620     | 14,572     |
| Grant in lieu of tax                     | (4,340)    | (4,187)    |
| Net income                               | 25,280     | 10,385     |
| Contributed tangible capital assets      | 3,164      | 1,310      |
| Decrease (increase) in reserves          | 6,845      | (4,640)    |
| Increase in investment and equity        | 35,289     | 7,055      |
| Investment and equity, beginning of year | 823,742    | 816,687    |
| Investment and equity, end of year       | \$ 859,031 | \$ 823,742 |

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

|                        | 2015      | 2014     |
|------------------------|-----------|----------|
| <b>Revenues</b>        |           |          |
| Grant in lieu of tax   | \$ 4,340  | \$ 4,187 |
| <b>Expenses</b>        |           |          |
| Stormwater charge      | \$ 3,881  | \$ 2,671 |
| Fire protection charge | \$ 10,032 | \$ 9,758 |

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, 2015

(In thousands of dollars)

### 8. Accounts payable and accrued liabilities:

|                            | 2015              | 2014             |
|----------------------------|-------------------|------------------|
| Trade accounts payable     | \$ 32,972         | \$ 36,909        |
| Federal government         | 10,123            | 9,555            |
| Provincial government      | 2,837             | 7,602            |
| Salaries and wages payable | 6,170             | 6,078            |
| Accrued liabilities        | 51,024            | 36,509           |
| Accrued interest           | 2,638             | 2,875            |
| <b>Total</b>               | <b>\$ 105,764</b> | <b>\$ 99,528</b> |

The prospective application of Section 3260 increased the estimated liability related to contaminated sites by \$1,000 related to sites currently not in use and/or available for resale. Accrued liabilities increased as of April 1, 2014. The increase is a non-cash item and has not affected the statements of cash flows in the current fiscal year. Accrued liabilities also includes an estimate of \$1,000 to remediate contaminated sites currently in use.

### 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 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 consolidated financial statements follows rules for defined contribution pension plans.

The HRM Plan provides a lifetime benefit representing 2% of the member's highest average earnings over a period of three years times the number of years of credited service in the pension plan. Only regular earnings are recognized under the defined benefit provisions of the HRM 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 \$29,785 for the year ending March 31, 2015 (2014 - \$26,008). Since January 1, 2014, the Municipality and the members are each contributing 11.96% 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, 2013. The next actuarial valuation, at December 31, 2014, is to be filed by September 30, 2015. The interest rate used in the last filed valuation was 6.5% per year. The following estimates as at December 31, 2014 are based on the actuarial valuation as at December 31, 2013 extrapolated to December 31, 2014 and is based on a best estimate discount rate assumption of 7.25% per annum (2013 - 7.27%).

|   | 2015<br>Extrapolated | 2014<br>Extrapolated |
|---|----------------------|----------------------|
| Actuarial value of plan assets                      | \$ 1,401,480         | \$ 1,296,325         |
| Estimated present value of accrued pension benefits | (1,454,270)          | (1,360,037)          |
| <b>Estimated funding deficit</b>                    | <b>\$ (52,790)</b>   | <b>\$ (63,712)</b>   |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(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 HRM Plan for members in receipt of benefits from a long-term disability plan sponsored and recognized by the Municipality.

The Municipality also provides for employee sick leave. Unused sick leave accumulates to a maximum number of hours which varies by employment agreement. Under this program, employees are not entitled to a cash payment in lieu of sick leave when they leave the Municipality's employment except as described above with respect to the retirement of a police officer.

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 unused sick leave benefits was conducted as at March 31, 2015. The last actuarial valuation of the retiring allowance benefits was conducted as at March 31, 2013 and extrapolated to March 31, 2015. For all other benefits, actuarial valuations were conducted as at March 31, 2014. 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:

|  | 2015          | 2014          |
|--|---------------|---------------|
| Accrued benefit obligation, beginning of year        | \$ 53,383     | \$ 52,760     |
| Current period benefit cost                          | 4,592         | 4,602         |
| Benefit payments                                     | (4,206)       | (4,684)       |
| Interest cost  | 1,936         | 1,667         |
| Actuarial loss (gain)                                | 5,139         | (962)         |
| Accrued benefit obligation, end of year              | \$ 60,844     | \$ 53,383     |
| Main assumptions used for fiscal year-end disclosure |               |               |
| Discount rate  | 3.61%         | 3.61%         |
| Salary increase                                      | 3% plus merit | 3% plus merit |
| Main assumptions used for expense calculation        |               |               |
| Discount rate  | 3.19%         | 3.16%         |
| Salary increase                                      | 3% plus merit | 3% plus merit |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(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, 2015 is estimated to include the following components:

|  | 2015             | 2014             |
|--|------------------|------------------|
| Accrued benefit obligation                     |                  |                  |
| Retiring allowances                            | \$ 29,929        | \$ 27,443        |
| Sick leave                                     | 17,924           | 13,484           |
| HRM pension contributions for employees on LTD | 4,344            | 3,970            |
| Police Health Trust                            | 2,021            | 1,865            |
| Other  | 6,626            | 6,621            |
|  | 60,844           | 53,383           |
| Unamortized actuarial loss                     | (8,440)          | (3,726)          |
| <b>Benefit liability</b>                       | <b>\$ 52,404</b> | <b>\$ 49,657</b> |

The unamortized actuarial losses will be amortized over the 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:

|  | 2015            | 2014            |
|--|-----------------|-----------------|
| Current period benefit cost                                  | \$ 4,592        | \$ 4,602        |
| Amortization of actuarial loss                               | 425             | 501             |
| Other employee benefit expense                               | 5,017           | 5,103           |
| Other employee benefit interest expense                      | 1,936           | 1,667           |
| <b>Total expense related to other employee benefit plans</b> | <b>\$ 6,953</b> | <b>\$ 6,770</b> |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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### 11. Solid waste management facilities liabilities:

The Nova Scotia Environmental Protection Act (the "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.

The estimated liability for the care of the landfill sites is the present value of future cash flows associated with closure and post closure costs discounted using a long-term borrowing rate of 2.73% (2014 - 3.05%) and a forecasted inflation rate of 1.20% (2014 - 1.55%).

#### 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 plant when necessary, removal of buildings, site cleanup and general site maintenance.

#### Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 9 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 (2014 - 4,244,000 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 plant when necessary, removal of buildings, site cleanup and general site maintenance.

The liability was adjusted for capacity used of 100% for the closed cells and 62.89% (2014 - 37.59%) of Cell 6.

#### 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 2029 and will involve the management and monitoring of groundwater, gas and leachate levels, operating and monitoring the leachate treatment plant when necessary, removal of buildings, site cleanup and general site maintenance.



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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

|   |           |            |          | 2015      |
|---|-----------|------------|----------|-----------|
|   | Sackville | Otter Lake | Mengoni  | Total     |
| Estimated present value of closure and post closure costs                       | \$ 19,994 | \$ 34,527  | \$ 2,485 | \$ 57,006 |
| Less: Expenses incurred   | 17,179    | 24,905     | 2,264    | 44,348    |
|   | 2,815     | 9,622      | 221      | 12,658    |
| Reserve fund  | 2,380     | 10,523     | 208      | 13,111    |
| Excess of liability over available reserves (available reserves over liability) | \$ 435    | \$ (901)   | \$ 13    | \$ (453)  |

  

|   |           |            |          | 2014      |
|---|-----------|------------|----------|-----------|
|   | Sackville | Otter Lake | Mengoni  | Total     |
| Estimated present value of closure and post closure costs                       | \$ 19,976 | \$ 31,693  | \$ 2,475 | \$ 54,144 |
| Less: Expenses incurred   | 15,987    | 24,880     | 2,250    | 43,117    |
|   | 3,989     | 6,813      | 225      | 11,027    |
| Reserve fund  | 3,533     | 8,008      | 223      | 11,764    |
| Excess of liability over available reserves (available reserves over liability) | \$ 456    | \$ (1,195) | \$ 2     | \$ (737)  |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 12. Long-term debt:

The schedules of long-term debt attached to the consolidated financial statements detail the various terms and conditions related to the long-term debt (see pages 32 and 33).

Principal payments required in each of the next five years and thereafter on debt held as at March 31, 2015 are as follows:

|            |    |         |
|------------|----|---------|
| 2016       | \$ | 38,371  |
| 2017       |    | 33,147  |
| 2018       |    | 29,959  |
| 2019       |    | 27,115  |
| 2020       |    | 21,976  |
| Thereafter |    | 62,330  |
| Total      | \$ | 212,898 |

### 13. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2015 are \$7,555 (2014 - \$7,402).

### 14. Commitments:

- (a) The Municipality and its consolidated entities rent facilities under several long-term operating leases with annual payments for each of the next five years as follows:

|       |           |
|-------|-----------|
| 2016  | 5,781     |
| 2017  | 5,467     |
| 2018  | 4,492     |
| 2019  | 4,203     |
| 2020  | 2,762     |
| Total | \$ 22,705 |

- (b) The Municipality has entered into several long-term operating leases for various purposes other than rent with annual payments for each of the next five years as follows:

|       |    |        |
|-------|----|--------|
| 2016  | \$ | 4,317  |
| 2017  |    | 3,823  |
| 2018  |    | 3,533  |
| 2019  |    | 2,266  |
| 2020  |    | 2,184  |
| Total | \$ | 16,123 |

- (c) The Municipality has entered into several long-term contracts for waste resources operations with aggregate annual payments for each of the next five years approximately \$47,500 (2014 - \$47,497).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 15. Tangible capital assets:

| Cost                      | Balance at<br>March 31, 2014 | Additions<br>(Net of<br>Transfers) | Disposals         | Balance at<br>March 31, 2015 |
|---------------------------|------------------------------|------------------------------------|-------------------|------------------------------|
| Land                      | \$ 287,046                   | \$ 312                             | \$ (624)          | \$ 286,734                   |
| Land improvements         | 233,643                      | 9,742                              | -                 | 243,385                      |
| Buildings                 | 449,961                      | 64,740                             | (77)              | 514,624                      |
| Vehicles                  | 198,945                      | 13,928                             | (3,751)           | 209,122                      |
| Machinery and equipment   | 101,855                      | 14,886                             | -                 | 116,741                      |
| Roads and infrastructure  | 1,743,045                    | 53,095                             | -                 | 1,796,140                    |
| Dams                      | 480                          | -                                  | -                 | 480                          |
| Ferries                   | 20,191                       | 6,290                              | -                 | 26,481                       |
| Leasehold improvements    | 3,030                        | -                                  | -                 | 3,030                        |
| Assets under construction | 68,222                       | (39,543)                           | -                 | 28,679                       |
| <b>Total</b>              | <b>\$ 3,106,418</b>          | <b>\$ 123,450</b>                  | <b>\$ (4,452)</b> | <b>\$ 3,225,416</b>          |

| Accumulated<br>amortization | Balance at<br>March 31, 2014 | Disposals         | Amortization<br>Expense | Balance at<br>March 31, 2015 |
|-----------------------------|------------------------------|-------------------|-------------------------|------------------------------|
| Land                        | \$ -                         | \$ -              | \$ -                    | \$ -                         |
| Land improvements           | 172,364                      | -                 | 8,611                   | 180,975                      |
| Buildings                   | 194,064                      | (77)              | 15,175                  | 209,162                      |
| Vehicles                    | 105,145                      | (3,619)           | 15,500                  | 117,026                      |
| Machinery and equipment     | 65,302                       | -                 | 12,108                  | 77,410                       |
| Roads and infrastructure    | 765,726                      | -                 | 70,322                  | 836,048                      |
| Dams                        | 444                          | -                 | 12                      | 456                          |
| Ferries                     | 19,034                       | -                 | 649                     | 19,683                       |
| Leasehold improvements      | 938                          | -                 | 172                     | 1,110                        |
| Assets under construction   | -                            | -                 | -                       | -                            |
| <b>Total</b>                | <b>\$ 1,323,017</b>          | <b>\$ (3,696)</b> | <b>\$ 122,549</b>       | <b>\$ 1,441,870</b>          |

|                           | Net book value<br>March 31, 2014 | Net book value<br>March 31, 2015 |
|---------------------------|----------------------------------|----------------------------------|
| Land                      | \$ 287,046                       | \$ 286,734                       |
| Land improvements         | 61,279                           | 62,410                           |
| Buildings                 | 255,897                          | 305,462                          |
| Vehicles                  | 93,800                           | 92,096                           |
| Machinery and equipment   | 36,553                           | 39,331                           |
| Roads and infrastructure  | 977,319                          | 960,092                          |
| Dams                      | 36                               | 24                               |
| Ferries                   | 1,157                            | 6,798                            |
| Leasehold improvements    | 2,092                            | 1,920                            |
| Assets under construction | 68,222                           | 28,679                           |
| <b>Total</b>              | <b>\$ 1,783,401</b>              | <b>\$ 1,783,546</b>              |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 15. Tangible capital assets:

| Cost                      | Balance at<br>March 31, 2013 | Additions<br>(Net of<br>Transfers) | Disposals          | Balance at<br>March 31, 2014 |
|---------------------------|------------------------------|------------------------------------|--------------------|------------------------------|
| Land                      | \$ 290,821                   | \$ 3,032                           | \$ (6,807)         | \$ 287,046                   |
| Land improvements         | 225,830                      | 7,813                              | -                  | 233,643                      |
| Buildings                 | 428,982                      | 20,979                             | -                  | 449,961                      |
| Vehicles                  | 189,900                      | 12,956                             | (3,911)            | 198,945                      |
| Machinery and equipment   | 91,482                       | 10,373                             | -                  | 101,855                      |
| Roads and infrastructure  | 1,703,529                    | 39,516                             | -                  | 1,743,045                    |
| Dams                      | 480                          | -                                  | -                  | 480                          |
| Ferries                   | 19,425                       | 766                                | -                  | 20,191                       |
| Leasehold improvements    | 3,030                        | -                                  | -                  | 3,030                        |
| Assets under construction | 43,764                       | 24,458                             | -                  | 68,222                       |
| <b>Total</b>              | <b>\$ 2,997,243</b>          | <b>\$ 119,893</b>                  | <b>\$ (10,718)</b> | <b>\$ 3,106,418</b>          |

| Accumulated<br>amortization | Balance at<br>March 31, 2013 | Disposals         | Amortization<br>Expense | Balance at<br>March 31, 2014 |
|-----------------------------|------------------------------|-------------------|-------------------------|------------------------------|
| Land                        | \$ -                         | \$ -              | \$ -                    | \$ -                         |
| Land improvements           | 164,189                      | -                 | 8,175                   | 172,364                      |
| Buildings                   | 179,684                      | -                 | 14,380                  | 194,064                      |
| Vehicles                    | 94,099                       | (3,764)           | 14,810                  | 105,145                      |
| Machinery and equipment     | 54,160                       | -                 | 11,142                  | 65,302                       |
| Roads and infrastructure    | 696,786                      | (9)               | 68,949                  | 765,726                      |
| Dams                        | 432                          | -                 | 12                      | 444                          |
| Ferries                     | 18,547                       | -                 | 487                     | 19,034                       |
| Leasehold improvements      | 766                          | -                 | 172                     | 938                          |
| Assets under construction   | -                            | -                 | -                       | -                            |
| <b>Total</b>                | <b>\$ 1,208,663</b>          | <b>\$ (3,773)</b> | <b>\$ 118,127</b>       | <b>\$ 1,323,017</b>          |

|                           | Net book value<br>March 31, 2013 | Net book value<br>March 31, 2014 |
|---------------------------|----------------------------------|----------------------------------|
| Land                      | \$ 290,821                       | \$ 287,046                       |
| Land improvements         | 61,641                           | 61,279                           |
| Buildings                 | 249,298                          | 255,897                          |
| Vehicles                  | 95,801                           | 93,800                           |
| Machinery and equipment   | 37,322                           | 36,553                           |
| Roads and infrastructure  | 1,006,743                        | 977,319                          |
| Dams                      | 48                               | 36                               |
| Ferries                   | 878                              | 1,157                            |
| Leasehold improvements    | 2,264                            | 2,092                            |
| Assets under construction | 43,764                           | 68,222                           |
| <b>Total</b>              | <b>\$ 1,788,580</b>              | <b>\$ 1,783,401</b>              |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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

(a) Assets under construction:

Assets under construction having a value of \$28,679 (2014 - \$68,222) have not been amortized. Amortization of these assets will commence when the 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 \$8,773 (2014 - \$10,869) and is comprised of roads and infrastructure in the amount of \$8,234 (2014 - \$7,998) and land and land improvements having a value of \$539 (2014 - \$2,871).

(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) Impairment of tangible capital assets:

The impairment of tangible capital assets during the year was \$nil (2014 - \$nil).

(f) Roads and infrastructure:

Roads and infrastructure at March 31, 2015 have a net book value of \$960,092 (2014 - \$977,319) and are comprised of: road beds - \$290,040 (2014 - \$296,673), road surfaces - \$334,209 (2014 - \$349,846), infrastructure - \$324,406 (2014 - \$319,732) and bridges - \$11,437 (2014 - \$11,068).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 16. Accumulated surplus:

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

|  | 2015             | 2014             |
|--|------------------|------------------|
| <b>Surplus</b>   |                  |                  |
| Invested in tangible capital assets                    | \$ 1,570,648     | \$ 1,564,281     |
| Other  | 20,154           | 18,152           |
| Equity in Halifax Regional Water Commission            | 859,031          | 823,742          |
| Funded by reserves                                     |                  |                  |
| Landfill closure costs                                 | (12,658)         | (11,027)         |
| Unfunded   |                  |                  |
| Accrued interest                                       | (2,638)          | (2,875)          |
| Employee benefits                                      | (13,466)         | (13,092)         |
| <b>Total surplus</b>                                   | <b>2,421,071</b> | <b>2,379,181</b> |
| <b>Operating reserves set aside by Council</b>         |                  |                  |
| Self insurance   | 3,954            | 4,173            |
| Operations stabilization                               | 1,015            | 1,682            |
| Snow and ice control variable operating                | 2,722            | 4,365            |
| Service improvement                                    | 3,664            | 4,015            |
| Cemetery maintenance                                   | 171              | 166              |
| Culture development                                    | 1,133            | 1,218            |
| Municipal elections                                    | 1,456            | 1,151            |
| EMO cost recovery                                      | 347              | 343              |
| Marketing levy special events                          | 269              | 625              |
| DNA costs  | 221              | 126              |
| Titanic commemorative                                  | 88               | 64               |
| Central library capital campaign and development       | 2,620            | 4,355            |
| Major events facilities                                | 1,466            | 1,285            |
| Operating cost of new capital                          | -                | 4,419            |
| Information and communication technologies             | 3,839            | 4,491            |
| Police emergency and extraordinary investigation       | 1,026            | 1,013            |
| Police officer on the job injury                       | 1,783            | 1,760            |
| Commons enhancement                                    | -                | 1                |
| Provincially funded police officers and facility lease | 3,621            | 3,574            |
| Convention Centre                                      | 1,764            | 1,263            |
| LED street light conversion                            | 2,114            | 7,881            |
| Operating surplus, transit portion                     | 130              | 3,000            |
| Operating surplus                                      | 7,510            | 5,954            |
| Regional parking strategy and urban core improvements  | 1,007            | -                |
| Strategic studies                                      | 2,787            | -                |
| <b>Total operating reserves set aside by Council</b>   | <b>\$ 44,707</b> | <b>\$ 56,924</b> |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 16. Accumulated surplus (continued):

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>Capital and equipment reserves set aside by Council</b>       |                     |                     |
| Sale of capital assets   | \$ 1,445            | \$ 1,042            |
| Business/industrial parks expansion                              | 22,089              | 20,568              |
| Capital surplus  | 2,738               | 2,981               |
| Parkland development   | 4,576               | 3,834               |
| Sackville landfill closure                                       | 2,380               | 3,533               |
| Otter Lake landfill closure                                      | 10,523              | 8,008               |
| Mengoni landfill closure   | 208                 | 223                 |
| Waste resources capital  | 13,828              | 16,585              |
| Upper Sackville turf   | 130                 | 116                 |
| MetroPark parkade  | 2,407               | 2,191               |
| Strategic growth   | 27,238              | 18,227              |
| HRM sustainable communities                                      | 229                 | 572                 |
| Rural fire   | -                   | 741                 |
| Ferry replacement  | 3,726               | 8,257               |
| Capital replacement  | 1,570               | 2,855               |
| Energy and underground services co-location                      | 1,168               | 2,012               |
| Bedford South capital cost contribution interchange              | -                   | 39                  |
| Gas tax  | 17,200              | 12,132              |
| Alderney Gate recapitalization                                   | 1,388               | 1,569               |
| Regional capital cost contribution                               | 5,083               | 3,758               |
| Community facility partnership                                   | 545                 | 538                 |
| Kingswood water  | -                   | 4                   |
| 5594-96 Morris Street  | 86                  | 82                  |
| Rockingham Community Centre                                      | -                   | 14                  |
| Captain William Spry Community Centre                            | -                   | 2                   |
| Richmond school  | -                   | 1                   |
| Waterfront development   | 204                 | 139                 |
| Central Library capital replacement                              | -                   | 4,247               |
| Library recapitalization   | 806                 | -                   |
| BMO Centre life cycle  | 1,113               | 850                 |
| Bus replacement  | 5,036               | 2,982               |
| Regional facility expansion                                      | -                   | 8,260               |
| Halifax Transit technology                                       | 1,876               | 1,852               |
| Planned strategic projects                                       | 5,606               | -                   |
| <b>Total capital reserves set aside by Council</b>               | <b>133,198</b>      | <b>128,214</b>      |
| General fleet  | 2,521               | 2,289               |
| Police vehicles  | 694                 | 637                 |
| Fire and emergency service vehicles and equipment                | 771                 | 725                 |
| Fuel system  | -                   | 30                  |
| <b>Total equipment reserves set aside by Council</b>             | <b>3,986</b>        | <b>3,681</b>        |
| <b>Total capital and equipment reserves set aside by Council</b> | <b>137,184</b>      | <b>131,895</b>      |
| <b>Total accumulated surplus</b>                                 | <b>\$ 2,602,962</b> | <b>\$ 2,568,000</b> |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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### 17. Contingent liabilities:

- (a) As of March 31, 2015, 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 consolidated 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) In September 2014, Council approved a blanket guarantee for HRWC debt subject to HRWC maintaining a debt service ratio of 35% or less. The debt service ratio is currently 21.3% at March 31, 2015 (2014 - 22.91%). As at March 31, 2015, total outstanding debt is \$106,700 (2014 - \$80,200), with maturity dates ranging from 2016 to 2025. The Municipality is responsible for outstanding debt of \$65,700 (2014 - \$72,700) recoverable from the HRWC.
- (d) The Municipality is engaged in an arbitration with an operator of a composting facility at Goodwood. The outcome of the arbitration can not be determined at this time. Depending on the outcome of the arbitration the Municipality may be required to purchase certain assets and equipment at a book value, as defined by agreements with the contractor, of \$7,300.

### 18. Financial instruments:

#### (a) Fair value:

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 and accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

The fair value of investments is considered to be market value. The market value of investments is disclosed in note 6.

It is not practical to determine the fair value of the investment in the HRWC due to the lack of comparable market information.

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.

#### (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.



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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

|                       | Budget            | 2015              | 2014              |
|-----------------------|-------------------|-------------------|-------------------|
| School boards         | \$ 137,102        | \$ 137,102        | \$ 131,529        |
| Assessment services   | 6,815             | 6,815             | 6,765             |
| Social housing        | 2,650             | 2,829             | 2,569             |
| Correctional services | 6,557             | 6,557             | 6,497             |
| <b>Total</b>          | <b>\$ 153,124</b> | <b>\$ 153,303</b> | <b>\$ 147,360</b> |

(a) School boards:

The Municipality is required to provide a mandatory contribution in the amount of \$119,856 (2014 - \$113,875) and supplementary contributions of \$17,246 (2014 - \$17,654) to the Halifax Regional School Board and the Conseil scolaire acadien provincial. These contributions are recorded as expenses in educational services.

(b) Assessment services:

The Municipality is required to pay a share of the cost of operating the Property Valuation Services Corporation 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. This expense is included in general government services.

(c) Social housing:

The Municipality is required to pay a share of the costs of the operations of the Metropolitan Regional Housing Authority. This expense is included in general government services.

(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 and is included in protective services.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 20. Budget data:

The budget data presented in these consolidated financial statements is based upon the fiscal 2015 operating and project budgets approved by Council on April 1, 2014, plus the budgeted figures of the recreation, commissions, cultural and other facilities included in the consolidated financial statements, to the extent that they could be reasonably determined.

The accounting standards in Handbook Section PSAB 3150 Tangible Capital Asset have not been adopted for budget preparation purposes. The fiscal 2015 Council approved budget has been modified to reflect these adjustments.

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| <b>Revenue</b>   |                   |                   |
| Operating budget   | \$ 844,347        | \$ 823,992        |
| Project budget   | 144,194           | 165,043           |
|  | <u>988,541</u>    | <u>989,035</u>    |
| Less:  |                   |                   |
| Miscellaneous capital funding  | (4,732)           | (18,745)          |
| Principal and interest recovery from Halifax Regional Water Commission | (10,784)          | (11,190)          |
| Tax concessions  | (5,715)           | (5,625)           |
| Transfers from reserves to capital                                     | (23,750)          | (38,612)          |
| Transfers from operating to capital                                    | (48,331)          | (49,344)          |
| Long-term debt issued  | (40,482)          | (30,390)          |
|  | <u>(133,794)</u>  | <u>(153,906)</u>  |
| Add:   |                   |                   |
| Revenues from agencies, boards and commissions                         | 30,584            | 29,600            |
| Prior year surplus area rates  | 3,293             | 715               |
| Proceeds from sale of assets deposited to reserves                     | 8,107             | 24,598            |
| Interest on reserves   | 2,046             | 1,692             |
| Development levies in reserves   | 1,520             | 1,190             |
| Other reserve revenue  | 1,949             | 1,770             |
| Tangible capital assets related adjustments                            | 14,181            | 16,628            |
| Increase in equity of the Halifax Regional Water Commission            | 36,000            | 7,000             |
|  | <u>97,680</u>     | <u>83,193</u>     |
| <b>Total revenue</b>   | <b>\$ 952,427</b> | <b>\$ 918,322</b> |

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 20. Budget data (continued):

|  | 2015             | 2014             |
|--|------------------|------------------|
| <b>Expenses</b>  |                  |                  |
| Operating budget   | \$ 844,347       | \$ 823,992       |
| Less:  |                  |                  |
| Tax concessions  | (5,715)          | (5,625)          |
| Transfers from operating to capital  | (48,385)         | (49,344)         |
| Transfers from operating to reserves   | (18,649)         | (18,590)         |
| Change in solid waste management facilities liabilities                                | 1,631            | 420              |
| Principal and interest payments made on behalf of<br>Halifax Regional Water Commission | (10,784)         | (11,190)         |
| Long-term debt redeemed  | (36,874)         | (37,955)         |
|  | (118,776)        | (122,284)        |
| Add:   |                  |                  |
| Expenses from agencies, boards and commissions   | 30,094           | 31,713           |
| Cost of lots sold in business parks  | 1,492            | 1,938            |
| Application of prior year surplus  | 3,293            | 6,177            |
| Tangible capital assets adjustments including amortization                             | 148,025          | 146,050          |
|  | 182,904          | 185,878          |
| <b>Total expenses</b>  | <b>908,475</b>   | <b>887,586</b>   |
| <b>Annual surplus</b>  | <b>\$ 43,952</b> | <b>\$ 30,736</b> |

### 21. Segmented information:

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, police, public transit, roads, waste and recycling services, water supply and distribution, wastewater treatment, libraries, and recreation and cultural services.

Segmented information has been prepared by major functional classification of activities provided, consistent with the Consolidated Statement of Operations and provincially legislated requirements.

The major segments are as follows:

**General government services:** Activities that provide for the overall operation of the Municipality and that are common to, or affect all of, the services provided by the Municipality. This includes the activities of the Mayor and Council, the estimated contaminated sites liability and the following administrative activities: human resources, legal services, office of the Auditor General, finance and information, communications and technology, and the office of the Chief Administrative Officer.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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### 21. Segmented information (continued):

**Protective services:** Activities that provide for the public safety of the inhabitants of the Municipality. This includes police and fire protection and other protective services such as by-law enforcement and protective inspections.

**Transportation services:** Activities related to public transportation including road transport. This includes public transportation services offered throughout the Municipality using buses, ferries and specialized Access-A-Bus vehicles. Other transportation activities include the planning, development and maintenance of roads, traffic operations, parking, snow and ice control and street lighting.

**Environmental services:** Activities that provide environmentally regulated services. This includes the collection of garbage and other waste material, the maintenance and operation of sanitary landfill sites, solid waste landfill closure and post-closure costs allocated to the current year, and through the Halifax Regional Water Commission, water supply and distribution and wastewater treatment.

**Recreation and cultural services:** Activities related to the Municipality's recreation facilities, including swimming pools, skating rinks and arenas, beaches, parks, playgrounds and sports fields. Activities that provide for cultural facilities such as the library and related programs.

**Planning and development services:** Activities that support and control the Municipality's physical and economic development. This includes activities related to land use planning, zoning and development, activities related to the development of industrial parks, promotion of tourism and activities that enhance local economic development.

**Educational services:** Activities that provide for the funding of both mandatory and supplementary contributions to school boards.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

For additional information, see the Consolidated Schedules of Segment Disclosure (see pages 34 and 35).

# HALIFAX REGIONAL MUNICIPALITY

## Schedule of Remuneration of Members of Council and Chief Administrative Officer

Year ended March 31, 2015

(In thousands of dollars)

|                                      | 2015   | 2014   |
|--------------------------------------|--------|--------|
| <b>Council members:</b>              |        |        |
| M. Savage, Mayor                     | \$ 164 | \$ 160 |
| S. Adams                             | 79     | 78     |
| S. Craig                             | 79     | 78     |
| B. Dalrymple                         | 79     | 78     |
| D. Fisher                            | 84     | 80     |
| D. Hendsbee                          | 79     | 78     |
| B. Johns                             | 79     | 78     |
| B. Karsten                           | 79     | 78     |
| W. Mason                             | 79     | 78     |
| G. McCluskey                         | 79     | 78     |
| L. Mosher                            | 79     | 78     |
| L. Nicoll                            | 82     | 78     |
| T. Outhit                            | 79     | 78     |
| R. Rankin                            | 79     | 82     |
| R. Walker                            | 79     | 78     |
| J. Watts                             | 79     | 78     |
| M. Whitman                           | 79     | 78     |
| <b>Chief Administrative Officer:</b> |        |        |
| R. Butts                             | \$ 343 | \$ 322 |

The remuneration, for members of Council, includes their base salary, plus an incremental amount if a member was Deputy Mayor.

# HALIFAX REGIONAL MUNICIPALITY

## Schedule of Long-term Debt

Year ended March 31, 2015

(In thousands of dollars)

|   | Term<br>(years) | Interest<br>rate - % | Matures   | Balance<br>March 31,<br>2014 | Issued           | Redeemed         | Balance<br>March 31,<br>2015 |
|---|-----------------|----------------------|-----------|------------------------------|------------------|------------------|------------------------------|
| <b>Municipal Finance Corporation:</b>   |                 |                      |           |                              |                  |                  |                              |
| 04-A-1  | 10              | 2.55/5.45            | 2014      | \$ 3,219                     | \$ -             | \$ 3,219         | \$ -                         |
| 04-B-1  | 10              | 3.195/5.05           | 2014      | 2,317                        | -                | 2,317            | -                            |
| 24-HBR-1  | 20              | 2.84/5.94            | 2024      | 60,500                       | -                | 5,500            | 55,000                       |
| 05-A-1  | 10              | 2.97/4.56            | 2015      | 4,600                        | -                | 2,300            | 2,300                        |
| 05-B-1  | 15              | 3.63/4.83            | 2020      | 18,659                       | -                | 2,217            | 16,442                       |
| 06-A-1  | 10              | 4.29/4.88            | 2016      | 6,926                        | -                | 2,309            | 4,617                        |
| 06-B-1  | 10              | 4.1/4.41             | 2016      | 3,044                        | -                | 1,014            | 2,030                        |
| 07-A-1  | 10              | 4.45/4.63            | 2017      | 7,825                        | -                | 1,955            | 5,870                        |
| 07-B-1  | 10              | 4.65/5.01            | 2017      | 3,520                        | -                | 880              | 2,640                        |
| 08-A-1  | 10              | 3.75/4.884           | 2018      | 13,250                       | -                | 2,650            | 10,600                       |
| 08-B-1  | 10              | 3.1/5.095            | 2018      | 12,369                       | -                | 2,474            | 9,895                        |
| 09-A-1  | 15              | 1.0/5.644            | 2024      | 34,972                       | -                | 4,396            | 30,576                       |
| 09-B-1  | 10              | 0.97/4.329           | 2019      | 3,900                        | -                | 650              | 3,250                        |
| 10-A-1  | 10              | 1.51/4.5             | 2020      | 14,280                       | -                | 2,040            | 12,240                       |
| 10-B-1  | 10              | 1.55/3.87            | 2020      | 18,706                       | -                | 2,671            | 16,035                       |
| 11-A-1  | 10              | 1.63/4.221           | 2021      | 10,600                       | -                | 1,325            | 9,275                        |
| 11-B-1  | 10              | 1.219/3.645          | 2021      | 8,811                        | -                | 1,100            | 7,711                        |
| 12-A-1  | 10              | 1.636/3.48           | 2022      | 13,320                       | -                | 1,480            | 11,840                       |
| 12-B-1  | 10              | 1.51/3.16            | 2022      | 8,640                        | -                | 960              | 7,680                        |
| 13-A-1  | 10              | 1.33/2.979           | 2023      | 23,600                       | -                | 2,360            | 21,240                       |
| 13-B-1  | 10              | 1.285/3.614          | 2023      | 3,670                        | -                | 367              | 3,303                        |
| 14-A-1  | 10              | 1.245/3.347          | 2024      | -                            | 21,875           | -                | 21,875                       |
| 14-B-1  | 10              | 1.20/3.19            | 2024      | -                            | 20,280           | -                | 20,280                       |
|   |                 |                      |           | 276,728                      | 42,155           | 44,184           | 274,699                      |
| <b>Federation of Canadian Municipalities:</b>                                       |                 |                      |           |                              |                  |                  |                              |
| GMIF-1599   | 10              | 1.33/3.127           | 2014      | 11,000                       | -                | 11,000           | -                            |
| FCM   | 20              | 2.0                  | 2032      | 3,800                        | -                | 200              | 3,600                        |
| <b>Misc.:</b>   |                 |                      |           |                              |                  |                  |                              |
| 5% stock Permanent  |                 | 5.0                  | -         | 2                            | -                | -                | 2                            |
| <b>Sackville Landfill Trust:</b>  |                 |                      |           |                              |                  |                  |                              |
| Acadia School   | 20              | 7.0                  | 2018      | 336                          | -                | 73               | 263                          |
|   |                 |                      |           | 291,866                      | 42,155           | 55,457           | 278,564                      |
| <b>Less: Long-term debt recoverable from the Halifax Regional Water Commission:</b> |                 |                      |           |                              |                  |                  |                              |
| 14-B-1  | 10              | 1.20/3.19            | 2024      | -                            | (10,000)         | -                | (10,000)                     |
| 24-HBR-1  | 20              | 2.84/5.94            | 2024      | (60,500)                     | -                | (5,500)          | (55,000)                     |
| GMIF-1599   | 10              | 1.33/3.127           | 2014      | (11,000)                     | -                | (11,000)         | -                            |
| Other debt  | 1 to 4          | 2.55/6.875           | 2014/2017 | (1,246)                      | -                | (580)            | (666)                        |
|   |                 |                      |           | (72,746)                     | (10,000)         | (17,080)         | (65,666)                     |
| <b>Long-term debt</b>   |                 |                      |           | <b>\$ 219,120</b>            | <b>\$ 32,155</b> | <b>\$ 38,377</b> | <b>\$ 212,898</b>            |

# HALIFAX REGIONAL MUNICIPALITY

## Schedule of Long-term Debt

Year ended March 31, 2015

(In thousands of dollars)

|   | Term<br>(years) | Interest<br>rate - % | Matures   | Balance<br>March 31,<br>2013 | Issued           | Redeemed         | Balance<br>March 31,<br>2014 |
|---|-----------------|----------------------|-----------|------------------------------|------------------|------------------|------------------------------|
| <b>Municipal Finance Corporation:</b>   |                 |                      |           |                              |                  |                  |                              |
| 03-A-1  | 10              | 3.5/5.375            | 2013      | \$ 3,882                     | \$ -             | \$ 3,882         | \$ -                         |
| 03-B-1  | 10              | 2.75/5.0             | 2013      | 423                          | -                | 423              | -                            |
| 04-A-1  | 10              | 2.55/5.45            | 2014      | 5,061                        | -                | 1,842            | 3,219                        |
| 04-B-1  | 10              | 3.195/5.05           | 2014      | 4,634                        | -                | 2,317            | 2,317                        |
| 24-HBR-1  | 20              | 2.84/5.94            | 2024      | 66,000                       | -                | 5,500            | 60,500                       |
| 05-A-1  | 10              | 2.97/4.56            | 2015      | 6,900                        | -                | 2,300            | 4,600                        |
| 05-B-1  | 15              | 3.63/4.83            | 2020      | 20,874                       | -                | 2,215            | 18,659                       |
| 06-A-1  | 10              | 4.29/4.88            | 2016      | 9,234                        | -                | 2,308            | 6,926                        |
| 06-B-1  | 10              | 4.1/4.41             | 2016      | 4,059                        | -                | 1,015            | 3,044                        |
| 07-A-1  | 10              | 4.45/4.63            | 2017      | 9,782                        | -                | 1,957            | 7,825                        |
| 07-B-1  | 10              | 4.65/5.01            | 2017      | 4,400                        | -                | 880              | 3,520                        |
| 08-A-1  | 10              | 3.75/4.884           | 2018      | 15,900                       | -                | 2,650            | 13,250                       |
| 08-B-1  | 10              | 3.1/5.095            | 2018      | 14,843                       | -                | 2,474            | 12,369                       |
| 09-A-1  | 15              | 1.0/5.644            | 2024      | 39,367                       | -                | 4,395            | 34,972                       |
| 09-B-1  | 10              | 0.97/4.329           | 2019      | 4,550                        | -                | 650              | 3,900                        |
| 10-A-1  | 10              | 1.51/4.5             | 2020      | 16,320                       | -                | 2,040            | 14,280                       |
| 10-B-1  | 10              | 1.55/3.87            | 2020      | 21,379                       | -                | 2,673            | 18,706                       |
| 11-A-1  | 10              | 1.63/4.221           | 2021      | 11,925                       | -                | 1,325            | 10,600                       |
| 11-B-1  | 10              | 1.219/3.645          | 2021      | 9,913                        | -                | 1,102            | 8,811                        |
| 12-A-1  | 10              | 1.636/3.48           | 2022      | 14,800                       | -                | 1,480            | 13,320                       |
| 12-B-1  | 10              | 1.51/3.16            | 2022      | 9,600                        | -                | 960              | 8,640                        |
| 13-A-1  | 10              | 1.33/2.979           | 2023      | -                            | 23,600           | -                | 23,600                       |
| 13-B-1  | 10              | 1.285/3.614          | 2023      | -                            | 3,670            | -                | 3,670                        |
|   |                 |                      |           | 293,846                      | 27,270           | 44,388           | 276,728                      |
| <b>Federation of Canadian Municipalities:</b>                                       |                 |                      |           |                              |                  |                  |                              |
| GMIF-1599   | 10              | 1.33/3.127           | 2014      | 12,000                       | -                | 1,000            | 11,000                       |
| FCM   | 20              | 2.0                  | 2032      | 4,000                        | -                | 200              | 3,800                        |
| <b>Misc.:</b>   |                 |                      |           |                              |                  |                  |                              |
| 5% stock Permanent  |                 | 5.0                  | -         | 2                            | -                | -                | 2                            |
| <b>Sackville Landfill Trust:</b>  |                 |                      |           |                              |                  |                  |                              |
| Acadia School   | 20              | 7.0                  | 2018      | 403                          | -                | 67               | 336                          |
|   |                 |                      |           | 310,251                      | 27,270           | 45,655           | 291,866                      |
| <b>Less: Long-term debt recoverable from the Halifax Regional Water Commission:</b> |                 |                      |           |                              |                  |                  |                              |
| 24-HBR-1  | 20              | 2.84/5.94            | 2024      | (66,000)                     | -                | (5,500)          | (60,500)                     |
| GMIF-1599   | 10              | 1.33/3.127           | 2014      | (12,000)                     | -                | (1,000)          | (11,000)                     |
| Other debt  | 1 to 5          | 2.55/6.875           | 2013/2017 | (1,876)                      | -                | (630)            | (1,246)                      |
|   |                 |                      |           | (79,876)                     | -                | (7,130)          | (72,746)                     |
| <b>Long-term debt</b>   |                 |                      |           | <b>\$ 230,375</b>            | <b>\$ 27,270</b> | <b>\$ 38,525</b> | <b>\$ 219,120</b>            |

# HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2015  
(In thousands of dollars)

|  | General<br>Government<br>Services | Protective<br>Services | Transportation<br>Services | Environmental<br>Services | Recreation<br>and Cultural<br>Services | Planning and<br>Development<br>Services | Educational<br>Services | 2015<br>Total    |
|--|-----------------------------------|------------------------|----------------------------|---------------------------|--|---|-------------------------|------------------|
| <b>Revenue</b>   |                                   |                        |                            |                           |  |   |                         |                  |
| Taxation   | \$ 449,933                        | \$ 6,486               | \$ 76,161                  | \$ -                      | \$ -                                   | \$ -                                    | \$ 137,102              | \$ 669,682       |
| Taxation from other governments                                    | 36,876                            | -                      | -                          | -                         | -                                      | -                                       | -                       | 36,876           |
| User fees and charges  | 6,734                             | 10,916                 | 39,534                     | 15,285                    | 44,004                                 | 4,515                                   | -                       | 120,988          |
| Government grants  | 3,816                             | 3,900                  | 25,919                     | 2,085                     | 10,378                                 | 15                                      | -                       | 46,113           |
| Development levies   | -                                 | -                      | 918                        | 1,267                     | 952                                    | -                                       | -                       | 3,137            |
| Investment income  | 4,318                             | -                      | -                          | -                         | -                                      | -                                       | -                       | 4,318            |
| Penalties, fines and interest                                      | 5,604                             | 6,340                  | -                          | -                         | 382                                    | -                                       | -                       | 12,326           |
| Land sales, contributions and other revenue                        | 5,663                             | 119                    | 8,297                      | -                         | 752                                    | 4,212                                   | -                       | 19,043           |
| Increase in equity in the Halifax Regional<br>Water Commission     | 35,289                            | -                      | -                          | -                         | -                                      | -                                       | -                       | 35,289           |
| Grant in lieu of tax from the Halifax Regional<br>Water Commission | 4,340                             | -                      | -                          | -                         | -                                      | -                                       | -                       | 4,340            |
| <b>Total revenue</b>   | <b>552,573</b>                    | <b>27,761</b>          | <b>150,829</b>             | <b>18,637</b>             | <b>56,468</b>                          | <b>8,742</b>                            | <b>137,102</b>          | <b>952,112</b>   |
| <b>Expenses</b>  |                                   |                        |                            |                           |  |   |                         |                  |
| Salaries, wages and benefits                                       | 50,216                            | 137,573                | 90,876                     | 2,231                     | 51,908                                 | 10,676                                  | -                       | 343,480          |
| Interest on long-term debt   | 764                               | 478                    | 3,620                      | 574                       | 1,831                                  | 52                                      | -                       | 7,319            |
| Materials, goods, supplies and utilities                           | 14,988                            | 6,011                  | 29,024                     | 119                       | 13,531                                 | 168                                     | -                       | 63,841           |
| Contracted services  | 11,100                            | 29,244                 | 30,144                     | 47,657                    | 8,905                                  | 1,899                                   | -                       | 128,949          |
| Other operating expenses   | 9,243                             | 18,501                 | 27,919                     | 723                       | 24,147                                 | 3,536                                   | -                       | 84,069           |
| External transfers and grants                                      | 10,416                            | 6,699                  | 4,024                      | -                         | 2,329                                  | 5,373                                   | 137,102                 | 165,943          |
| Amortization   | 14,538                            | 4,521                  | 85,813                     | 7,070                     | 10,578                                 | 29                                      | -                       | 122,549          |
| <b>Total expenses</b>  | <b>111,265</b>                    | <b>203,027</b>         | <b>271,420</b>             | <b>58,374</b>             | <b>113,229</b>                         | <b>21,733</b>                           | <b>137,102</b>          | <b>916,150</b>   |
| <b>Annual surplus (deficit)</b>                                    | <b>\$ 441,308</b>                 | <b>\$ (175,266)</b>    | <b>\$ (120,591)</b>        | <b>\$ (39,737)</b>        | <b>\$ (56,761)</b>                     | <b>\$ (12,991)</b>                      | <b>\$ -</b>             | <b>\$ 35,962</b> |



# HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2015  
(In thousands of dollars)

|  | General<br>Government<br>Services | Protective<br>Services | Transportation<br>Services | Environmental<br>Services | Recreation<br>and Cultural<br>Services | Planning and<br>Development<br>Services | Educational<br>Services | 2014<br>Total    |
|--|-----------------------------------|------------------------|----------------------------|---------------------------|--|---|-------------------------|------------------|
| <b>Revenue</b>   |                                   |                        |                            |                           |  |   |                         |                  |
| Taxation   | \$ 438,233                        | \$ 6,470               | \$ 72,574                  | \$ -                      | \$ -                                   | \$ -                                    | \$ 131,529              | \$ 648,806       |
| Taxation from other governments                                    | 36,414                            | -                      | -                          | -                         | -                                      | -                                       | -                       | 36,414           |
| User fees and charges  | 5,695                             | 9,531                  | 38,420                     | 15,132                    | 44,701                                 | 3,995                                   | -                       | 117,474          |
| Government grants  | 3,424                             | 3,900                  | 25,370                     | 1,580                     | 17,010                                 | 33                                      | -                       | 51,317           |
| Development levies   | -                                 | -                      | 139                        | 740                       | 742                                    | -                                       | -                       | 1,621            |
| Investment income  | 4,143                             | -                      | -                          | -                         | -                                      | -                                       | -                       | 4,143            |
| Penalties, fines and interest                                      | 5,378                             | 6,517                  | -                          | -                         | 420                                    | -                                       | -                       | 12,315           |
| Land sales, contributions and other revenue                        | 632                               | 567                    | 14,351                     | 983                       | 3,306                                  | 7,194                                   | -                       | 27,033           |
| Increase in equity in the Halifax Regional<br>Water Commission     | 7,055                             | -                      | -                          | -                         | -                                      | -                                       | -                       | 7,055            |
| Grant in lieu of tax from the Halifax Regional<br>Water Commission | 4,187                             | -                      | -                          | -                         | -                                      | -                                       | -                       | 4,187            |
| <b>Total revenue</b>   | <b>505,161</b>                    | <b>26,985</b>          | <b>150,854</b>             | <b>18,435</b>             | <b>66,179</b>                          | <b>11,222</b>                           | <b>131,529</b>          | <b>910,365</b>   |
| <b>Expenses</b>  |                                   |                        |                            |                           |  |   |                         |                  |
| Salaries, wages and benefits                                       | 46,672                            | 130,647                | 83,564                     | 2,052                     | 50,137                                 | 10,931                                  | -                       | 324,003          |
| Interest on long-term debt   | 1,219                             | 687                    | 4,073                      | 661                       | 2,010                                  | 55                                      | -                       | 8,705            |
| Materials, goods, supplies and utilities                           | 17,022                            | 5,110                  | 27,939                     | 51                        | 13,529                                 | 246                                     | -                       | 63,897           |
| Contracted services  | 13,082                            | 27,190                 | 25,076                     | 43,642                    | 7,157                                  | 1,609                                   | -                       | 117,756          |
| Other operating expenses   | 2,768                             | 17,229                 | 22,405                     | 863                       | 25,039                                 | 3,978                                   | -                       | 72,282           |
| External transfers and grants                                      | 10,784                            | 6,541                  | 2,796                      | -                         | 2,759                                  | 5,323                                   | 131,529                 | 159,732          |
| Amortization   | 13,338                            | 4,735                  | 83,223                     | 7,271                     | 9,543                                  | 17                                      | -                       | 118,127          |
| <b>Total expenses</b>  | <b>104,885</b>                    | <b>192,139</b>         | <b>249,076</b>             | <b>54,540</b>             | <b>110,174</b>                         | <b>22,159</b>                           | <b>131,529</b>          | <b>864,502</b>   |
| <b>Annual surplus (deficit)</b>                                    | <b>\$ 400,276</b>                 | <b>\$ (165,154)</b>    | <b>\$ (98,222)</b>         | <b>\$ (36,105)</b>        | <b>\$ (43,995)</b>                     | <b>\$ (10,937)</b>                      | <b>\$ -</b>             | <b>\$ 45,863</b> |



**Statement of General Rate Surplus of the**

**HALIFAX REGIONAL MUNICIPALITY**

**Year ended March 31, 2015**

# HALIFAX REGIONAL MUNICIPALITY

## Audited Statement of General Rate Surplus (Deficit)

For the year ended March 31, 2015, with comparative information for 2014

(In thousands of dollars)

|   | 2015        | 2014     |
|---|-------------|----------|
| General rate deficit, before transfers from (to) reserves   | \$ (11,813) | \$ (232) |
| Transfers from (to) reserves                                |             |          |
| Contribution to Service Improvement reserve                 | -           | (2,350)  |
| Contribution to Police Officer On the Job Injury reserve    | -           | (140)    |
| Contribution to Police Facility Lease reserve               | -           | (612)    |
| Withdrawal from HRM Sustainable Communities reserve         | 121         | -        |
| Withdrawal from Waste Resources Capital reserve             | 7,978       | -        |
| Withdrawal from (contribution to) Operating Surplus reserve | 1,714       | (5,954)  |
| Withdrawal from Snow and Ice Control reserve                | 1,700       | -        |
| Withdrawal from Self Insurance reserve                      | 300         | -        |
|   | 11,813      | (9,056)  |
| General rate deficit  | -           | (9,288)  |
| Accumulated general rate surplus, beginning of year         | -           | 9,288    |
| Accumulated general rate surplus, end of year               | \$ -        | \$ -     |

The accompanying notes are an integral part of the statement.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to the Statement of General Rate Surplus

Year ended March 31, 2015

(In thousands of dollars)

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### 1. Basis of accounting:

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 ("MGA") by The Department of Municipal Affairs and adheres to their Financial Accounting and Reporting Manual ("FRAM") and is intended for the use of Members of Council of the Halifax Regional Municipality ("the Municipality").

This statement is the net actual result of revenue and expenses of the Municipality's Operating Fund, to the extent that those revenues and expenses are included in the calculation of the Municipality's estimate of required sums as determined under Section 93 of the Halifax Regional Municipality Charter, the basis for the general tax rate. As per FRAM Section 3.16(g), any resulting surplus shall be transferred to an operating reserve.

### 2. Significant accounting policies:

Revenue and expenses included in the determination of the general rate surplus are recorded on an accrual basis except as noted below:

- a) Interest expense is recorded on a cash basis;
- b) Debt principal repayments are deducted as an expense;
- c) Inter-fund transfers are included in the financial results of the Operating Fund;
- d) Transfers from the Operating Fund to purchase or construct tangible capital assets are deducted as an expense; and,
- e) Amortization of tangible capital assets, changes in the value of the liability for employee sick leave and the liability for contaminated sites are not included in the determination of the general rate surplus.



Financial Statements of the

**HALIFAX REGIONAL MUNICIPALITY**  
**MISCELLANEOUS TRUST FUNDS**

Year ended March 31, 2015

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Balance Sheet

March 31, 2015, with comparative figures for 2014

|                                    | 2015                | 2014                |
|------------------------------------|---------------------|---------------------|
| <b>Assets</b>                      |                     |                     |
| Cash                               | \$ 7,285,150        | \$ 7,059,709        |
| Accounts receivable (note 2)       | 263,562             | 335,397             |
| Investments (note 3)               | 6,410               | 6,410               |
|                                    | <b>\$ 7,555,122</b> | <b>\$ 7,401,516</b> |
| <b>Liabilities and Fund Equity</b> |                     |                     |
| Accrued liabilities                | 450,000             | -                   |
| Fund equity (schedule)             | 7,105,122           | 7,401,516           |
|                                    | <b>\$ 7,555,122</b> | <b>\$ 7,401,516</b> |

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

Approved on behalf of the Halifax Regional Municipality

\_\_\_\_\_  
Mayor, Mike Savage

\_\_\_\_\_  
Municipal Clerk, Cathy Mellett



# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Statement of Income and Expenditures and Fund Equity

For the year ended March 31, 2015, with comparative figures for 2014

|  | 2015                    | 2014                    |
|--|-------------------------|-------------------------|
| <b>Income</b>  |                         |                         |
| Investment Income  | \$ 90,395               | \$ 93,420               |
| Capital contributions received during the period                               | 12,413                  | 10,194                  |
| Tax sales  | 372,358                 | 474,331                 |
|  | <u>475,166</u>          | <u>577,945</u>          |
| <b>Expenditures</b>  |                         |                         |
| Transfer to Halifax Regional Municipality                                      | 128,560                 | 95,711                  |
| Net transactions with Trustors   | 643,000                 | 191,269                 |
|  | <u>771,560</u>          | <u>286,980</u>          |
| <br>Excess of income over expenditures<br>(excess of expenditures over income) | <br>(296,394)           | <br>290,965             |
| <br>Fund equity, beginning of the year   | <br>7,401,516           | <br>7,110,551           |
| <br>Fund equity, end of year   | <br><u>\$ 7,105,122</u> | <br><u>\$ 7,401,516</u> |

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

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Statement of Cash Flow

For the year ended March 31, 2015 with comparative figures for 2014

|  | 2015         | 2014         |
|--|--------------|--------------|
| Excess of income over expenditures<br>(excess of expenditures over income) | \$ (296,394) | \$ 290,965   |
| Decrease in accounts receivable  | 71,835       | 66,990       |
| Increase in accrued liabilities  | 450,000      | -            |
| Increase in cash   | 225,441      | 357,955      |
| Cash, beginning of year  | 7,059,709    | 6,701,754    |
| Cash, end of year  | \$ 7,285,150 | \$ 7,059,709 |

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

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Notes to Financial Statements

Year ended March 31, 2015

The Halifax Regional Municipality has a number of trust funds as identified in the schedule of fund equity. The trust funds are in place to fund the operation, maintenance and facilities of the identified beneficiary. The trust funds have a variety of restrictions that specify the purpose for which the funds can be used.

#### 1. Significant accounting policies:

##### (a) Basics of accounting

These financial statements have been prepared in according with Canadian accounting standards for not-for-profit organizations.

##### (b) Revenue recognition:

Investment income earned in the miscellaneous trust funds is recognized in the fund in which the interest bearing investment is held.

Tax sales revenue is recognized when received, generally being the date the property is sold.

Capital contribution related to various services fees are recognized as revenue in the period received.

##### (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 liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

#### 2. Accounts receivable:

The accounts receivable balance, \$263,562 (2014 - \$335,397) is due from an entity controlled by the Halifax Regional Municipality. During the year, the entity made principal payments of \$71,835 (2014 - \$66,990) and interest payments of \$21,201 (2014 - \$26,046).

#### 3. Investments:

|                       | 2015 |         | 2014 |         |
|-----------------------|------|---------|------|---------|
| Shares, cost          | \$   | 6,410   | \$   | 6,410   |
|                       | \$   | 6,410   | \$   | 6,410   |
| Shares, market values | \$   | 306,029 | \$   | 298,207 |
|                       | \$   | 306,029 | \$   | 298,207 |

The market value shown for investments represents the estimated value of the shares as at March 31, 2015. Shares are valued at year end quoted market prices.

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Schedule of Funds Equity

Year ended March 31, 2015

|                                     | Balance<br>March 31,<br>2014 | Income     | Transfer to<br>Halifax Regional<br>Municipality | Expenditures<br>of Trustors | Capital<br>contributions | Balance<br>March 31,<br>2015 |
|-------------------------------------|------------------------------|------------|---|-----------------------------|--------------------------|------------------------------|
| J.L. Dillman Park                   |                              |            |   |                             |                          |                              |
| Maintenance                         | \$ 159,844                   | \$ 1,922   | \$ -  | \$ -                        | \$ -                     | \$ 161,766                   |
| Tax sales                           | 2,428,420                    | 372,358    | (56,987)  | (64,137)                    | -                        | 2,679,654                    |
| J.D. Shatford Memorial              | 60,000                       | 718        | (718)   | -                           | -                        | 60,000                       |
| Sackville Landfill                  | 1,597,764                    | 37,403     | (21,201)  | (578,000)                   | -                        | 1,035,966                    |
| Camphill Cemetery<br>Trust          | 133,878                      | 1,605      | (1,605)   | -                           | 594                      | 134,472                      |
| Camphill Cemetery<br>Perpetual Care | 566,179                      | 6,772      | (6,772)   | -                           | -                        | 566,179                      |
| Camphill Cemetery<br>Fence          | 12,063                       | 144        | (144)   | -                           | -                        | 12,063                       |
| Fairview Cemetery<br>Trust          | 2,324,188                    | 40,398     | (40,398)  | -                           | 11,344                   | 2,335,532                    |
| Fairview Cemetery<br>Maintenance    | 45,000                       | 538        | (538)   | -                           | -                        | 45,000                       |
| Titanic Trust                       | 23,623                       | 288        | -   | (763)                       | 475                      | 23,623                       |
| Commons Commutation                 | 16,491                       | 197        | (197)   | -                           | -                        | 16,491                       |
| Harbour Championship                | 9,841                        | 118        | -   | (100)                       | -                        | 9,859                        |
| Other                               | 24,225                       | 292        | -   | -                           | -                        | 24,517                       |
|                                     | \$ 7,401,516                 | \$ 462,753 | \$ (128,560)                                    | \$ (643,000)                | \$ 12,413                | \$ 7,105,122                 |



cutting through complexity

AUDIT

# Halifax Regional Municipality ("HRM")

Audit Findings Report  
For the year ended March 31, 2015

*KPMG LLP*

Prepared as of June 12, 2015 for meeting on  
June 18, 2015

kpmg.ca



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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

# Executive summary

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## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of the audit & finance committee, in your review of the results of our audit of the consolidated financial statements of Halifax Regional Municipality ("HRM") as at and for the year ended March 31, 2015.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on March 27, 2015.

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## Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

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## Adjustments and differences

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

\* This Audit Findings Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Executive summary

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## Finalizing the audit

As of June 12, 2015, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- receipt of Halifax Water Commission Group Audit Instructions from Grant Thornton;
- completing our audit procedures related to HRM's analysis of Liability for Contaminated Sites
- completing our discussions with the audit & finance committee;
- obtaining evidence of Council's approval of the consolidated financial statements;
- completing certain audit procedures and file documentation in accordance with our Firm and professional standards, including our quality control review of the audit;
- updating subsequent events inquiries; receipt of legal confirmations from counsel; and
- receipt of the signed management representation letter.

We will update the audit committee, and not solely the Chair (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

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## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting (ICFR).

*See page 9.*

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## Significant accounting policies and practices

The HRM adopted Public Sector Accounting Standard (PSAB) Handbook Section 3260 Liability for Contaminated Sites effective April 1, 2014. Adoption has been applied on a prospective basis and prior periods have not been restated.

There have been no other initial selection of, or changes to, significant accounting policies and practices to bring to your attention.



# Audit risks and results

We identified other areas of focus for our audit in our discussion with you in the Audit Plan.

Significant findings from the audit regarding other areas of focus are as follows:

## Other areas of focus

Adoption of PS 3260 Liability for Contaminated Sites ("PS 3260")

## Our significant findings from the audit

PS 3260 Liability was effective April 1, 2014.

The scope of this standard is limited to contamination of the air, soil, water or sediment related to land no longer in productive use or an unexpected event resulting in contamination. Specific types of contamination have been excluded (such as asbestos);

PS 3260 outlines recognition criteria for land that is included within its scope as follows:

- The existence of an environmental standard;
- Contamination that exceeds the environmental standard;
- Direct responsibility or the acceptance of responsibility;
- The expectation that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

PS 3260 also provides a framework for measurement of identified liabilities resulting in the best estimate of the amount required to remediate contaminated sites.

Based on management's review of the properties a liability for \$2,000,000 was determined to be management's best estimate. This resulted in an adjustment on the adoption date of April 1, 2014 of \$1,000,000 as \$1,000,000 had previously been recognized as unexpected events had given rise to an obligation for the HRM to remediate these events (i.e. fuel spills).

The standard has been adopted prospectively and there is no change in the prior year's amounts.

We considered management's process for the identification of potential contamination within the scope of PS 3260 and the process for determining the potential liability. Testing was performed to ensure the completeness and accuracy of management's findings.

# Significant accounting policies and practices

Significant accounting policies and practices are disclosed in Note 2 to the consolidated financial statements.

## Initial selections

PS 3260 Liability for Contaminated Sites was effective April 1, 2014, as previously discussed.

# Financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the HRM's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

|  |   |
|--|---|
| <b>Form, arrangement, and content of the financial statements</b>            | Adequate  |
| <b>Application of accounting pronouncements issued but not yet effective</b> | No concerns at this time regarding future implementation.<br>PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments and PS 1201 Financial Statement Presentation are effective April 1, 2016 |

# Adjustments and differences

Adjustments and differences identified during the audit have been categorized as Corrected “adjustments” or Uncorrected “differences.” These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected. We have already made this request of management.

## Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

## Uncorrected differences

We did not identify differences that remain uncorrected.

# Control observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in ICFR.

## Significant deficiencies

No significant deficiencies have been identified

# Appendices

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**Appendix 1: Required communications**

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**Appendix 2: Audit Quality and Risk Management**

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**Appendix 3: Background and professional standards**

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**Appendix 4: Current developments**

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# Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. The management representation letter is attached.

# Appendix 2: Audit Quality & Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.



# Appendix 3: Background and professional standards

## Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

## Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

## Appendix 4: Current developments

The following is a summary of the current developments KPMG has noted through discussions with other municipality clients across the country which may be of interest to the HRM. They are intended to facilitate discussions among those charged with governance and we would welcome the opportunity to discuss further with you.

Company:

| Topic                      | Summary and implications   |
|----------------------------|--|
| Cyber security             | <p>The threats from cyber adversaries are continuing to grow in scale and sophistication. Municipality's worldwide now openly acknowledge that cyber-attacks are one of the most prevalent and high impact risks they face.</p> <p><a href="#">Cyber security for Canada's Not-for-Profit Organizations – Attack is certain – Your loss is not</a></p>                                       |
| Employer compliance audits | <p>Recently, Canada Revenue Agency ("CRA") has demonstrated a renewed focus on "Employer Compliance Audits", which include a review of various employer-provided benefits, as well as the nature of the relationship that exists between an employer and its employees and other third party consultants.</p> <p><a href="#">Employer compliance audits – Are your benefits taxable?</a></p> |

## **kpmg.ca**

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KPMG LLP  
Chartered Accountants  
Purdy's Wharf Tower One  
1959 Upper Water Street, Suite 1500  
Halifax, Nova Scotia, B3J 3N2  
Canada

June , 2015

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the Halifax Regional Municipality ("the Entity") as at and for the period ended March 31, 2015.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 11, 2013, for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
  - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
  - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

**COMMITMENTS & CONTINGENCIES:**

- 4) There is no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
  - b) other environmental matters that may have an impact on the financial statements
  - c) guarantees, whether written or oral, under which the Entity is contingently liable

**SUBSEQUENT EVENTS:**

- 5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**NON-CONSOLIDATED PARTIES SUBJECT TO INFLUENCE:**

- 6) We have disclosed to you the identity of the Entity's parties which are not consolidated but over which the Entity has significant influence and all similar relationships and transactions of which we are aware and all similar relationship and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**RELATED PARTIES:**

- 7) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions/balances of which we are aware and all related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 9) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**ASSETS & LIABILITIES - GENERAL:**

- 10) The Entity has satisfactory title to all assets.
- 11) There are no liens or encumbrances on the Entity's assets.
- 12) We have no plans or intentions that may affect the carrying amount or classification of assets and liabilities.

**CONTRACTUAL AGREEMENTS:**

- 13) The Entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance including violations or default of the covenants in the Entity's debt agreements.

**ENVIRONMENTAL MATTERS:**

- 14) The Entity has appropriately recognized, measured and disclosed environmental matters in the financial statements, including estimated closure costs related to landfills.

**EMPLOYEE FUTURE BENEFITS:**

- 15) The employee future benefit costs, assets and obligations, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 16) The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with PSAS 3250 and 3255. In particular:
  - a) each actuarial assumption used reflects management's best estimate solely with respect to that individual assumption, determined on a basis that the plan will continue to be in effect in the absence of evidence to the contrary;
  - b) the set of actuarial assumptions for each plan are individually consistent;
  - c) the discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which at the accrued benefit obligation could be settled.

**EXPERTS / SPECIALISTS:**

- 17) The information provided by us to Morneau Shepell and Aon Hewitt (the experts) and used in the work and findings of the experts are complete and accurate. We agree with the findings of the experts in evaluating the employee future benefits disclosure and have adequately considered the qualifications of the experts in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matter that have had an impact on the independence and objectivity of the experts.

**CONTINGENT LIABILITIES:**

- 18) The Entity is subject to a number of legal matter including lawsuits and complaints that could result in a future settlement. We have provided you with a complete listing of all identified matters with an estimated or potential settlement of greater than \$100,000 if the Entity is considered at fault or decides to settle the matter. All material matters, individually and in aggregate, have been considered under the accounting framework and where significant have been measured and/or disclosed in the financial statements.

**OTHER:**

- 19) There have been no changes in accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.
- 20) We have disclosed to you all properties that have a potential contamination and could require a liability to be recognized under PS 3260 Liability for Contaminated Sites. The liability recorded on April 1, 2014 and at March 31, 2015 reflects management's best estimate of the amount required to remediate the contaminated sites as is based on all information available at the financial statement date.

Yours very truly,

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Richard Butts, Chief Administrative Officer

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Bruce Fisher, Acting Director of Finance & Information, Communication and Technology / CFO

cc: Audit & Finance Committee