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**Item No. 10.3.2**

**Halifax Regional Council  
March 24, 2009**

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

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

**DATE:** March 16, 2009

**SUBJECT:** **Consolidated Audited Financial Statements, Year Ended March 31, 2008**

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**ORIGIN**

The Audit Committee meeting of March 11, 2009.

**RECOMMENDATION**

It is recommended that Regional Council approve:

1. The Halifax Regional Municipality's Consolidated Audited Financial Statements for the year ended March 31, 2008.

## **BACKGROUND**

At the March 11, 2009, Audit Committee meeting discussion was held on the Consolidated Audit Financial Statements for the year ended March, 31, 2008. The Committee passed a motion approving the Consolidated Audit Financial Statements, recommending it be forwarded to Regional Council for approval.

## **BUDGET IMPLICATIONS**

There are none associated with this report.

## **FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**

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

## **ALTERNATIVES**

There are none associated with this report.

## **ATTACHMENTS**

1. Draft audited, consolidated financial statements for Halifax Regional Municipality for the year ended March 31, 2008.

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

Report Prepared By: Melody Campbell, Legislative Assistant.

**DRAFT**

Consolidated Financial Statements of

**HALIFAX REGIONAL MUNICIPALITY**

Year ended March 31, 2008



**DRAFT**

**AUDITORS' REPORT  
TO THE MAYOR AND THE COUNCILLORS OF THE HALIFAX  
REGIONAL MUNICIPALITY**

We have audited the consolidated statement of financial position of the Halifax Regional Municipality as at March 31, 2008 and the consolidated statements of financial activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants

Halifax, Canada

October 24, 2008

**DRAFT**

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**DRAFT****HALIFAX REGIONAL MUNICIPALITY**

## Consolidated Statement of Financial Position

Year ended March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
<b>Financial Assets</b>		
Cash and short-term deposits (note 2)	\$ 116,163	\$ 71,734
Taxes receivable (note 3)	24,233	23,857
Accounts receivable (note 4)	59,828	88,944
Loans, deposits, and advances	2,021	2,180
Investments (note 5)	41,490	112,613
Investment in Halifax Regional Water Commission (note 6)	468,877	259,575
	<u>712,612</u>	<u>558,903</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 7)	101,384	101,917
Accrued interest on long-term debt	3,955	4,470
Deferred revenue	61,497	46,010
Employee future benefits (notes 8 and 9)	28,411	27,816
Solid waste management facilities liabilities (note 10)	12,667	8,528
Obligations under capital leases	-	13
Long-term debt (note 11)	347,334	369,591
	<u>555,248</u>	<u>558,345</u>
Net Financial Assets	157,364	558
Non-Financial Assets:		
Inventory and prepaid expenses	10,325	8,705
Net Assets	<u>\$ 167,689</u>	<u>\$ 9,263</u>
<b>Municipal Position</b>		
Amounts to be recovered (note 12)	\$ (18,875)	\$ (15,814)
Fund balances: (note 13)		
Operating funds	297	(3,030)
Capital funds	(309,120)	(322,878)
Reserve funds	26,510	91,410
Equity in Halifax Regional Water Commission (note 6)	468,877	259,575
	<u>186,564</u>	<u>25,077</u>
Commitments (note 14)		
Contingencies (note 15)		
Total Municipal Position	<u>\$ 167,689</u>	<u>\$ 9,263</u>

See accompanying notes to consolidated financial statements.

Approved by:

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Mayor\_\_\_\_\_  
Municipal Clerk

**DRAFT****HALIFAX REGIONAL MUNICIPALITY**

## Consolidated Statement of Financial Activities

March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
<b>Revenues:</b>		
Taxation	\$ 509,313	\$ 476,339
Less amounts received for the School Board (note 18)	(110,842)	(103,866)
	398,471	372,473
Taxation from other governments	27,504	25,370
User fees and charges	123,249	110,476
Government grants	50,895	48,276
Development levies	14,752	44,965
Investment income	12,755	12,847
Penalties, fines and interest	3,959	2,785
Sale of properties	8,372	13,284
Grant in lieu of tax from Halifax Regional Water Commission (note 6)	3,569	3,490
	643,526	633,966
<b>Expenditures:</b>		
Operating:		
General government	81,917	75,073
Protective services	154,461	146,897
Transportation services	113,438	95,518
Environmental services	55,455	58,205
Social housing services	2,450	2,450
Recreation and cultural services	55,762	51,829
Planning and development	31,158	30,202
	494,641	460,174
Capital:		
General government	10,268	6,908
Protective services	8,630	8,568
Transportation services	62,020	49,318
Environmental services	87,575	102,941
Recreation and cultural services	20,438	14,231
Planning and development	10,780	8,790
	199,711	190,756
	694,352	650,930
Net expenditures before the following	(50,826)	(16,964)
Increase in equity in Halifax Regional Water Commission (note 6)	209,302	13,629
Net expenditures and change in net financial assets	158,476	(3,335)
Increase (decrease) in amounts to be recovered	3,061	(3,721)
Decrease in non-financial assets	(50)	(66)
Change in fund balances	161,487	(7,122)
Fund balances, beginning of year	25,077	32,199
Fund balances, end of year	\$ 186,564	\$ 25,077

See accompanying notes to consolidated financial statements.

**DRAFT****HALIFAX REGIONAL MUNICIPALITY**

## Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
Cash provided by (used in):		
Operating activities:		
Net expenditures and change in net financial assets	\$ 158,476	\$ (3,335)
Less increase in equity in Halifax Regional Water Commission	(209,302)	(13,629)
	(50,826)	(16,964)
Change in non-cash items:		
Increase in taxes receivable	(376)	(2,067)
Decrease (increase) in accounts receivable	29,116	(11,294)
Decrease (increase) in loans, deposits and advances	159	(197)
Decrease (increase) in inventory and prepaid expenses	(1,670)	(175)
Increase (decrease) in accounts payable and accrued liabilities	(533)	10,085
Decrease in accrued interest on long-term debt	(515)	(333)
Increase in deferred revenue	15,487	4,693
Increase in employee future benefits	595	2,372
Increase (decrease) in solid waste management facilities liabilities	4,139	(3,388)
Net change in cash from operating activities	(4,424)	(17,268)
Investing activities:		
Decrease in investments	71,123	56,353
Financing activities:		
Issuance of long-term debt	28,367	33,232
Principal payments on long-term debt	(50,624)	(50,351)
Principal payments on obligations under capital lease	(13)	(378)
	(22,270)	(17,497)
Net change in cash and short-term deposits	44,429	21,588
Cash and short-term deposits, beginning of year	71,734	50,146
Cash and short-term deposits, end of year	\$ 116,163	\$ 71,734

See accompanying notes to consolidated financial statements.



# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008  
(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" or "HRM") have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

### (b) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances of all funds of the Municipality. The Municipality is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and that are owned or controlled by the Municipality. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

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

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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Year ended March 31, 2008  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

### (c) School board:

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

School boards in Nova Scotia were created by the Province under provisions in the Education Act, and, under provincial statute, every municipality is required to make a mandatory contribution to its school board. The mandatory contribution is set at the value of the Education Rate, set by the Province each year, multiplied by the previous year's Uniform Assessment. In addition, under the Municipal Government Act, supplementary education funding is specifically required for the former municipal units of Halifax and Dartmouth. As well, supplementary education funding is provided to the former municipal units of Bedford and the County. The funding for all these contributions to the Halifax Regional School Board are recovered by the Municipality by an area rate levied on the assessed value of taxable property and business occupancy assessments and is shown on the consolidated statement of financial activities as a reduction of taxation revenues.

### (d) Basis of accounting:

Revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable and expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

### (e) Fund accounting:

The resources and operations of the Municipality are comprised of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.

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

The Halifax Regional Water Commission ("HRWC") is a subsidiary corporation of the Municipality and is accounted for using the modified equity basis of accounting as it is considered a government business enterprise. Under the modified equity basis of accounting, the accounting principles of government business enterprises are not adjusted to conform to those of the Municipality and inter-organizational transactions and balances are not eliminated.

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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Year ended March 31, 2008  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

### (g) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements, but are reported separately in the Trust Funds financial statements (note 17).

### (h) Investments:

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

### (i) Capital assets:

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

### (j) Reserve funds:

Certain amounts, as approved by Council of the Municipality, are set aside in reserve funds for future operating and capital purposes. Transfers to and or from reserve funds are an adjustment to the respective fund when approved.

### (k) Government transfers:

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

### (l) Deferred revenue:

Deferred revenue represents user charges and other fees that have been collected, for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

### (m) Solid waste management facilities liabilities:

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

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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Year ended March 31, 2008  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

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

### (n) Taxation and related revenues:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Province. Tax rates are established annually by Council, incorporating amounts to be raised for local services and the requisition made by the Province in respect of education taxes. Taxation revenues are recorded at the time tax billings are due. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known. An allowance for unresolved assessment appeals is also provided.

### (o) Budget figures:

Council completes separate budgets for its operating and capital budgets each year. The approved operating budget for 2007/2008 is reflected on the Schedule of Operating Fund Operations.

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

### (p) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenditures in the consolidated financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

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Notes to Consolidated Financial Statements

Year ended March 31, 2008  
(In thousands of dollars)**2. Cash and short-term deposits:**

	2008	2007
Halifax Regional Municipality – Operating Fund	\$ 103,945	\$ 64,273
Commissions, cultural and recreation facilities:		
Operating	12,210	7,453
Capital	6	-
Reserves	2	8
<b>Total</b>	<b>\$ 116,163</b>	<b>\$ 71,734</b>

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

**3. Taxes receivable:**

	2008	2007
Balance, beginning of year	\$ 27,600	\$ 24,903
Current year's levy of property taxes	471,511	443,879
Deed transfer tax	34,700	32,790
Subtotal	533,811	501,572
Less:		
Current year's collections	502,058	470,947
Reduced taxes	3,141	3,025
	505,199	473,972
Balance, end of year	28,612	27,600
Allowance	(4,379)	(3,743)
<b>Balance, end of year (net of allowance)</b>	<b>\$ 24,233</b>	<b>\$ 23,857</b>

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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Year ended March 31, 2008  
(In thousands of dollars)

## 4. Accounts receivable:

	2008	2007
Federal Government	\$ 6,532	\$ 9,465
Provincial Government	18,067	15,193
Other receivables	35,229	64,286
	<u>\$ 59,828</u>	<u>\$ 88,944</u>

## 5. Investments:

Money market instruments include Federal and Provincial treasury bills, discounted notes of Federal Crown Corporations and instruments of Canadian Financial Institutions. These investments have a term to maturity of one year or less. Investments shown here have a remaining term to maturity of 90 days or more at March 31, 2008.

Government of Canada and Canada Mortgage and Housing Corporation Bonds (CMHC) have a maturity range from June 1, 2008 to December 15, 2011. The weighted average yield on market value of these bonds is 2.67% (2007 - 4.13%) at March 31, 2008.

	2008		2007	
	Cost	Market value	Cost	Market value
Money market instruments	\$ 30,487	\$ 31,105	\$ 51,205	\$ 51,736
Government of Canada and CMHC bonds	11,003	11,170	23,608	23,539
Province of Nova Scotia promissory notes	-	-	37,800	37,800
	<u>\$ 41,490</u>	<u>\$ 42,275</u>	<u>\$ 112,613</u>	<u>\$ 113,075</u>

## 6. Investment in Halifax Regional Water Commission:

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

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

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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Year ended March 31, 2008  
(In thousands of dollars)

The utility plant transferred has been recorded at HRM's recorded cost of \$183.2 million and net book value of \$109.5 million. The transfer also included work in progress in the amount of \$64.7 million, and vehicles and equipment with a cost of \$5.4 million and a net book value of \$600.

Responsibility for the associated debt of \$6.2 million was assumed by the HRWC from HRM and the contributed surplus which arose on the transaction was \$169.0 million. The HRWC also received reserve funds of \$12.4 million for the purpose of capital expenditures only with the approval of the NSUARB. The wastewater and stormwater operations from the transfer date are included in the results of operation for the year.

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

	2008	2007
<b>Financial Position:</b>		
Current assets	\$ 48,631	\$ 23,106
Capital assets	504,106	318,415
Deferred charges	-	492
<b>Total assets</b>	<b>552,737</b>	<b>342,013</b>
Current liabilities	16,125	16,600
Long term liabilities	67,735	65,838
<b>Total liabilities</b>	<b>83,860</b>	<b>82,438</b>
<b>Net assets</b>	<b>\$ 468,877</b>	<b>\$ 259,575</b>
<b>Results of Operations:</b>		
Revenues	\$ 75,698	\$ 38,307
Operating expenditures	(42,729)	(26,158)
Financing expenditures	(10,134)	(4,090)
Other income	3,182	666
<b>Net income before grant in lieu of tax</b>	<b>26,017</b>	<b>8,725</b>
Grant in lieu of tax	(3,569)	(3,490)
<b>Net income</b>	<b>22,448</b>	<b>5,235</b>
Increase in contributed capital surplus	174,428	8,394
Increase in reserves	12,426	
<b>Increase in investment and equity</b>	<b>209,302</b>	<b>13,629</b>
Investment and equity, beginning	259,575	245,946
<b>Investment and equity, ending</b>	<b>\$ 468,877</b>	<b>\$ 259,575</b>

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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Year ended March 31, 2008  
(In thousands of dollars)

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

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

	2008	2007
Revenues:		
Grant in lieu of tax	\$ 3,569	\$ 3,490
Expenditures:		
Fire protection charge	8,885	8,392

All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

## 7. Accounts payable and accrued liabilities:

	2008	2007
Trade accounts payable	\$ 18,191	\$ 15,788
Payable to other governments	4,097	10,583
Accrued liabilities	79,096	75,546
	\$ 101,384	\$ 101,917

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

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

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



# HALIFAX REGIONAL MUNICIPALITY

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Notes to Consolidated Financial Statements

Year ended March 31, 2008  
(In thousands of dollars)

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

The Municipality contributed to the HRM Plan an amount of \$19,421 for the fiscal year ending March 31, 2008 (2007 - \$18,045). Since April 1, 2004, the Municipality and the members are each contributing 10.36% of regular earnings for members participating in the main division of the pension plan. Other contribution rates are in effect for the other divisions of the plan, and for members in public safety occupations.

The last actuarial valuation filed with regulators was at December 31, 2006. The next actuarial valuation is to be filed by December 31, 2009. The interest rate used in the last filed valuation was 6.75% per year. The following estimates as at December 31, 2007 are based on the actuarial valuation as at December 31, 2006 extrapolated to December 31, 2007:

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Actuarial value of plan assets	\$ 1,053,806
Extrapolated value of accrued pension benefits	(1,029,488)
<hr/>	
Estimated funding excess	\$ 24,318

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

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

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# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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Year ended March 31, 2008  
(In thousands of dollars)

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

The actuarial value of net assets and the actuarial present value of accrued pension benefits are presented on the going concern basis. In accordance with the Nova Scotia Pension Benefits Act ("PBA"), a solvency valuation is performed on the Plan, even though the risk of it being wound up is remote. The values of the Plan's assets and liabilities on a solvency basis are related to the corresponding values calculated as though the Plan were wound up and settled on the valuation date, excluding any provision for future indexing of benefits as provided under PBA regulation 16(1)(a). Further to an amendment to the same Regulation to the PBA effective at the end of 2004, plan sponsors can also exclude from the solvency valuation the value of benefits provided under Section 79 (commonly referred to as the "grow in" provisions) of the PBA. The contribution requirements consider the exclusion of such benefits in the determination of the solvency special payments schedule for 2006 and beyond.

On November 27, 2006, changes to the PBA Regulations were adopted to provide solvency relief to municipality pension plans. Under the new regulations, municipality pension plans are only required to fund up to an 85% solvency ratio (over a period of 5 years). While a municipality pension plan is funded under the relief provisions, any deficiency upon full or partial wind-up has to be funded by the employer, and no amendment may be made to the pension plan unless the full cost of the amendment is paid to the fund before the effective date.

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

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

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

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

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

**DRAFT****HALIFAX REGIONAL MUNICIPALITY**

Notes to Consolidated Financial Statements

Year ended March 31, 2008  
(In thousands of dollars)**9. Employee future benefits - retiring allowances and other future benefits (continued):**

Actuarial valuations of the above benefits are done for accounting purposes using the projected benefit method prorated on services. The last actuarial valuation of the retiring allowance benefits was conducted as at March 31, 2007, and the results of that actuarial valuation were extrapolated to March 31, 2008. For all other benefits, actuarial valuations were conducted as at March 31, 2008. Key actuarial assumptions used in the valuations were based on the Municipality's best estimates.

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

	2008	2007
Accrued benefit obligation at beginning of fiscal year	\$ 31,359	\$ 28,149
Current period benefit cost	2,127	1,498
Prior period service cost	-	1,760
Loss due to settlement	68	-
Benefit payments	(3,339)	(2,365)
Interest cost	1,352	1,247
Actuarial (gain) loss	(1,964)	1,070
<b>Accrued benefit obligation at end of fiscal year</b>	<b>\$ 29,603</b>	<b>\$ 31,359</b>
Main assumptions used for fiscal year-end disclosure:		
- discount rate	4.50%	4.41%
- salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation:		
- discount rate	4.50%	4.50%
- salary increase	3% plus merit	3% plus merit

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

	2008	2007
Accrued benefit obligation	\$ 29,603	\$ 31,359
Unamortized actuarial loss	(1,192)	(3,543)
<b>Benefit liability recorded in the statement of financial position</b>	<b>\$ 28,411</b>	<b>\$ 27,816</b>

**HALIFAX REGIONAL MUNICIPALITY**

Notes to Consolidated Financial Statements

Year ended March 31, 2008  
(In thousands of dollars)

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

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

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

	2008	2007
Current period benefit cost	\$ 2,127	\$ 1,498
Prior period service cost	-	1,761
Loss due to settlement	68	-
Amortization of actuarial gains	387	233
Other employee benefit expense	2,582	3,492
Other employee benefit interest expense	1,352	1,247
<b>Total expense related to other employee benefit plans</b>	<b>\$ 3,934</b>	<b>\$ 4,739</b>

**10. Solid waste management facilities liabilities:**

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

**Sackville Landfill:**

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

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using a long-term borrowing rate of 4.99% (2007 – 4.41%) and a forecasted inflation rate of 3% (2007 – 3%).

The estimated present value of future expenditures for closure and post-closure care as at March 31, 2008 is \$17,709 (2007 - \$18,113), of which total expenditures of \$11,959 (2007 - \$11,075), have been made to date, resulting in \$5,750 (2007 - \$7,038), of the liability to still be funded.

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008  
(In thousands of dollars)

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

### Sackville Landfill (continued):

In order to help reduce the future impact of these obligations, the Municipality has established a reserve fund for the responsible care of this site. At March 31, 2008 the balance in the reserve is \$6,847 (2007 - \$7,027), which means that the reserve has \$1,097 more than needed to fund the projected liability (in 2007, \$11 of the liability was to be funded from future revenues).

### Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 18 years, until the fiscal year ended March 31, 2026.

The site's design consists of nine cell phases with an expected total capacity of 3,771,000 tonnes (2007 - 3,600,000 tonnes). During the year cost estimates were revised due to the earlier than anticipated production of landfill gases requiring an extensive gas collection system, design optimization and enlargement of cells four through nine to increase capacity, and the progressive closure of cells four through nine.

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

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using a long-term borrowing rate of 4.99% (2007 - 4.41%) and a forecasted inflation rate of 3% (2007 - 3%). The liability was adjusted for capacity used of 100% for the closed cells and 15% for the remaining cells.

The estimated present value of future expenditures for closure and post-closure care as at March 31, 2008 is \$19,255 (2007 - \$13,660), of which total expenditures of \$12,338 (2007 - \$12,170), have been made to date resulting in \$6,917 (2007 - \$1,490), of the liability still to be funded.

In order to help reduce the future impact of these obligations, the Municipality has established a reserve fund for the responsible care of this site. At March 31, 2008 the balance in the reserve is \$688 (2007 - \$284), and the remaining \$6,229 (2007 - \$1,206), of the liability will be funded from future revenues.

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# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2008  
(In thousands of dollars)

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

	2008			2007
	Sackville	Otter Lake	Total	Total
Estimated present value of closure and post closure costs	\$ 17,709	\$ 19,255	\$ 36,964	\$ 31,773
Less: Expenditures incurred	11,959	12,338	24,297	23,245
	\$ 5,750	\$ 6,917	\$ 12,667	\$ 8,528
Reserve fund	6,847	688	7,535	7,311
Amount to be funded from future revenue	\$ (1,097)	\$ 6,229	\$ 5,132	\$ 1,217

## 11. Long-term debt:

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

Principal payments required in each of the next five years on debt held as at March 31, 2008 are as follows:

2009	\$ 54,342
2010	\$ 47,101
2011	\$ 36,851
2012	\$ 32,002
2013	\$ 29,385

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

**DRAFT**

Year ended March 31, 2008  
(In thousands of dollars)

## 12. Amounts to be recovered:

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

	2008	2007
Amounts to be recovered from future revenues:		
Landfill closure and post closure	\$ 5,132	\$ 1,217
Employee benefits	2,253	2,816
Accrued interest on debt	3,955	4,470
	<u>11,340</u>	<u>8,503</u>
Amounts to be recovered from reserve funds on hand:		
Landfill closure and post closure	7,535	7,311
<b>Total</b>	<b>\$ 18,875</b>	<b>\$ 15,814</b>

## 13. Fund balances:

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

	2008	2007
Halifax Regional Municipality:		
Operating Fund	\$ (109)	\$ (2,424)
Capital Fund	(302,036)	(315,567)
Equipment Reserve Fund	(45,608)	2,221
Capital Reserve Fund	64,047	80,422
Commissions, cultural and recreation facilities	1,393	850
	<u>(282,313)</u>	<u>(234,498)</u>
Equity in Halifax Regional Water Commission	468,877	259,575
	<u>\$ 186,564</u>	<u>\$ 25,077</u>

## 14. Commitments:

- The Municipality and its consolidated entities rent facilities under several long-term operating leases with aggregate annual payments for the next five years approximating \$4.8 million (2007 - \$3.8 million).
- The Municipality has entered into several long-term contracts for waste resources operations, with aggregate annual payments for the next five years approximating \$36 million (2007 - \$34 million).

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

**DRAFT**

Year ended March 31, 2008  
(In thousands of dollars)

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## 14. Commitments (continued):

- (c) The Municipality has entered into three long-term contracts for construction of Sewage Treatment Plants, Sewage Collection Systems, and a Biosolids Processing Facility within the Harbour Solutions Capital Projects. Based on the financing model for these projects, anticipated future annual payments under these contracts are: 2009 - \$28,600; 2010 - \$5,750. Debt of \$130,000 was approved in previous years, which will be repaid over the next 17 years through the Environmental Protection Levy.

## 15. Contingencies:

- (a) As of March 31, 2008, there are a number of claims against the Municipality and its consolidated entities in varying amounts and for which provisions have been made in these financial statements, as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Municipality with respect to these claims, but management believes that any such amounts would not have a material impact on the financial position of the Municipality.
- (b) The Municipality is the plaintiff in various proceedings, which have arisen, in the normal course of carrying on its operations. It is not possible at this time to determine the amounts the Municipality may receive with respect to these claims.
- (c) The Municipality guarantees the debt issues of the Halifax Regional Water Commission for the Lake Major Facility, to a maximum of \$57 million. As at March 31, 2008 this outstanding debt was \$39.5 million (2007 - \$42.0 million), with maturity dates ranging from 2008 to 2019.

## 16. Financial instruments:

- (a) Fair values:

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

The market value of investments is disclosed in note 5.

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



# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

**DRAFT**

Year ended March 31, 2008  
(In thousands of dollars)

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## 16. Financial instruments (continued):

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

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

### (b) Credit risk:

The Municipality is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only credit worthy counterparties.

## 17. Miscellaneous trust funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2008 are \$5.5 million (2007 - \$5.4 million).

## 18. Transfers to provincial boards and commissions:

### (a) The Metropolitan Regional Housing Authority:

The Municipality shared in the operations of the Authority in the amount of \$2.45 million (2007 - \$2.45 million).

### (b) Assessment Services:

The Municipality is required to pay a share of the cost of operating the municipal assessment system based on the total municipal assessment cost times the average of the Municipality's share of the Uniform Assessment and the Municipality's share of assessment accounts. For the year ended March 31, 2008, the Municipality's share of these costs was \$5.9 million (2007 - \$5.7 million).

### (c) Correctional Services:

Municipalities in Nova Scotia are required to make a mandatory contribution to fund the cost of correctional services. The contribution is set by provincial formula. For the year ended March 31, 2008, the Municipality's contribution for these costs was \$7.8 million (2007 - \$7.6 million).

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

**DRAFT**

Year ended March 31, 2008  
(In thousands of dollars)

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## **18. Transfers to provincial boards and commissions (continued):**

(d) The Halifax Regional School Board:

The Municipality provided a mandatory contribution in the amount of \$90.4 million (2007 - \$83.0 million) and supplementary contributions of \$20.4 million (2007 - \$20.8 million) to the Halifax Regional School Board.

## **19. Tangible capital assets**

Effective April 1, 2007, the Municipality adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook (PS3150) comes into effect for fiscal years beginning on or after January 1, 2009. These provisions require local governments to record tangible capital assets at cost and amortize these assets over their estimated useful life.

Tangible capital assets are significant economic resources managed by local government and a key component of cost in the delivery of many local government programs and services. Tangible capital assets include such diverse items as roads, buildings, vehicles, equipment, land, and computer hardware and software.

Tangible capital assets are reported as an expenditure in the Consolidated Statement of Financial Activities in the year of acquisition. This will change when the new recommendations for accounting for tangible capital assets is implemented for the 2009 reporting year.

## **20. Comparative figures:**

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

**HALIFAX REGIONAL MUNICIPALITY**

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

Year ended March 31, 2008  
(In thousands of dollars)

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Council members:	
P. Kelly, Mayor	\$127
S. Adams, Deputy Mayor	61
S. Uteck, Former Deputy Mayor	62
J. Barkhouse	12
S. Fougere	58
R. Harvey	58
D. Hendsbee	58
D. Hum	58
B. Johns	58
B. Karsten	58
R. Kent	33
G. Martin	53
G. McCluskey	58
H. McInroy	58
G. Meade	58
L. Mosher	58
P. Murphy	58
R. Rankin	58
D. Sloane	58
J. Smith	58
K. Snow	58
S. Streach	58
R. Walker	58
M. Wile	58
A. Younger	58
Chief Administrative Officer:	
Dan English, Chief Administrative Officer	194

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# HALIFAX REGIONAL MUNICIPALITY

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## Schedule of Long-term Debt

Year ended March 31, 2008  
(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31 2007	Issued	Redeemed	Balance March 31 2008
<b>C.M.H.C.:</b>							
79B	30	6.25	2009	\$6		\$2	\$4
<b>M.F.C.:</b>							
97-A-1	10	4.5/7	2008	5,484		5,484	-
97-B-1	10	4.25/6.25	2008	1,390		1,390	-
98-A-1	10	5.0/5.5	2009	7,000		3,500	3,500
98-B-1	10	4.625/5.625	2009	15,241		3,745	11,496
99-A-1	10	4.75/5.375	2010	12,926		1,725	11,201
99-B-1	10	5.75/6.75	2010	9,000		3,000	6,000
00-A-1	10	6.25/6.875	2011	5,800		1,450	4,350
00-B-1	10	5.875/6.375	2011	6,935		1,177	5,758
01-A-1	10	4.375/6.250	2012	8,150		1,630	6,520
01-B-1	10	3.125/6.0	2012	4,959		992	3,967
02-A-1	10	3.375/6.125	2013	14,663		2,444	12,219
02-B-1	10	3.25/5.625	2013	7,427		1,238	6,189
03-A-1	10	3.50/5.375	2014	27,178		3,883	23,295
03-B-1	10	2.75/5.00	2014	2,961		423	2,538
04-A-1	10	2.55/5.45	2015	16,115		1,842	14,273
04-B-1	10	3.195/5.05	2015	18,537		2,317	16,220
24-HBR-1	20	2.84/5.94	2025	99,000		5,500	93,500
05-A-1	10	2.97/4.56	2016	20,700		2,300	18,400
05-B-1	15	3.63/4.83	2021	34,165		2,215	31,950
06-A-1	10	4.29/4.88	2017	23,082		2,308	20,774
06-B-1	10	4.10/4.41	2017	10,150		1,015	9,135
07-A-1	10	4.45/4.63	2018	-	19,567	-	19,567
07-B-1	10	4.65/5.01	2018	-	8,800	-	8,800
				350,863	28,367	49,578	329,652
<b>Federation of Canadian Municipalities:</b>							
GMIF-1599	10	1.33/3.127	2015	18,000		1,000	17,000
<b>Misc.:</b>							
5% stock	Permanent	5.0	-	2		-	2
<b>Sackville Landfill Trust:</b>							
Acadia School	20	7	2018	720		44	676
				\$369,591	\$28,367	\$50,624	\$347,334

# HALIFAX REGIONAL MUNICIPALITY

## Schedule of Operating Fund Operations by Function and Change in Fund Balances

March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2008	2007
	Budget	Actual	Actual
<b>Revenues:</b>			
Taxation	\$ 505,122	\$ 509,313	\$ 476,339
Less: amounts received for the School Board	(110,266)	(110,842)	(103,866)
	394,856	398,471	372,473
Taxation from other governments	26,992	27,504	25,370
User fees and charges	84,309	96,076	83,307
Government grants	12,960	12,511	12,367
Investment income	10,530	12,398	11,541
Penalties, fines and interest	2,935	3,959	2,785
Grant in lieu of tax from Halifax Regional Water Commission	3,634	3,569	3,490
	536,216	554,488	511,333
<b>Expenditures:</b>			
Operating:			
General government	80,718	81,568	74,793
Protective services	152,955	154,461	146,897
Transportation services	101,470	113,438	95,518
Environmental services	58,223	47,327	51,730
Social housing services	2,450	2,450	2,450
Recreation and cultural services	31,238	30,800	28,151
Planning and development	31,044	31,158	30,202
	458,098	461,202	429,741
Net revenues	78,118	93,286	81,592
Financing and transfers:			
Transfers to capital fund	(30,219)	(31,273)	(35,783)
Transfers to reserves funds	(3,180)	(14,505)	(1,438)
Transfers to recreation, commissions, cultural and other	-	(375)	(418)
Debt principal repayment	(44,719)	(43,739)	(40,959)
Net financing and transfers	(78,118)	(89,892)	(78,598)
Decrease in amounts to be recovered	-	(1,079)	(333)
Decrease in non-financial assets	-	-	(16)
Change in fund balance	-	2,315	2,645
Fund balance, beginning of year	(2,424)	(2,424)	(5,069)
Fund balance, end of year	(2,424)	(109)	\$ (2,424)

**DRAFT****HALIFAX REGIONAL MUNICIPALITY**

## Schedule of Operating Fund Operations by Object and Change in Fund Balance

March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2008	2007
	Budget	Actual	Actual
<b>Revenues:</b>			
Taxation	\$ 505,122	\$ 509,313	\$ 476,339
Less: amounts received for the School Board	(110,266)	(110,842)	(103,866)
	394,856	398,471	372,473
Taxation from other governments	26,992	27,504	25,370
User fees and charges	84,309	96,076	83,307
Government grants	12,960	12,511	12,367
Investment income	10,530	12,398	11,541
Penalties, fines and interest	2,935	3,959	2,785
Grant in lieu of tax from Halifax Regional Water Commission	3,634	3,569	3,490
	536,216	554,488	511,333
<b>Expenditures:</b>			
Operating:			
Salaries, wages and benefits	235,664	245,150	234,820
Interest on long-term debt	11,991	11,929	12,827
Materials, goods, supplies and utilities	30,302	37,166	36,070
Contracted services	74,404	74,389	69,304
Other	55,418	57,830	51,789
External transfers	50,319	34,738	24,931
	458,098	461,202	429,741
Net revenues	78,118	93,285	81,592
Financing and transfers:			
Transfers to capital fund	(30,219)	(31,273)	(35,783)
Transfers to reserves funds	(3,180)	(14,505)	(1,438)
Transfers to recreation, commissions, cultural and other		(375)	(418)
Debt principal repayment	(44,719)	(43,739)	(40,959)
Net financing and transfers	(78,118)	(89,892)	(78,598)
Decrease in amounts to be recovered	-	(1,079)	(333)
Decrease in non-financial assets	-	-	(16)
Change in fund balance	-	2,315	2,645
Fund balance, beginning of year	(2,424)	(2,424)	(5,069)
Fund balance, end of year	(2,424)	\$ (109)	\$ (2,424)

**DRAFT****HALIFAX REGIONAL MUNICIPALITY**

## Schedule of Capital Fund Operations and Change in Fund Balance

Year ended March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
	Actual	Actual
<b>Revenues:</b>		
User fees and charges	\$ -	\$ 333
Government grants	20,169	17,392
Development levies	3,327	2,063
	<u>23,496</u>	<u>19,788</u>
<b>Expenditures:</b>		
Capital:		
General government	10,033	6,849
Protective services	8,630	8,568
Transportation services	62,020	49,318
Environmental services	87,575	102,941
Recreation and cultural services	20,242	13,774
Planning and development	10,780	8,790
	<u>199,280</u>	<u>190,240</u>
Net expenditures	(175,784)	(170,452)
Financing and transfers:		
Transfers from operating fund	31,273	35,783
Transfers from reserves funds	109,828	103,451
Debt principal borrowings	44,124	41,468
	<u>185,225</u>	<u>180,702</u>
Net financing and transfers	185,225	180,702
Increase (decrease) in amounts to be recovered	4,140	(3,388)
Decrease in non-financial assets	(50)	(50)
Change in fund balance	13,531	6,812
Fund balance, beginning of year	(315,567)	(322,379)
Fund balance, end of year	<u>\$ (302,036)</u>	<u>\$ (315,567)</u>

**DRAFT****HALIFAX REGIONAL MUNICIPALITY**

## Schedule of Reserve Funds and Change in Fund Balances

March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
	Actual	Actual
<b>Revenues:</b>		
User fees and charges	\$ 2,150	\$ 1,511
Government grants	18,215	18,517
Development levies	11,425	42,902
Investment income	347	1,299
Sale of properties	8,372	13,284
	<u>40,509</u>	<u>77,513</u>
<b>Expenditures:</b>		
Operating:		
General government	108	-
Environmental services	8,128	6,475
Recreation and cultural services	923	979
	<u>9,159</u>	<u>7,454</u>
Capital:		
General government	231	29
	<u>9,390</u>	<u>7,483</u>
Total expenditures	9,390	7,483
Net revenues	31,119	70,030
Financing and transfers:		
Transfers from operating fund	14,505	1,438
Transfers to capital fund	(109,828)	(103,451)
Net financing and transfers	(95,323)	(102,013)
Change in fund balances	(64,204)	(31,983)
Fund balances, beginning of year	82,643	114,626
Fund balances, end of year	<u>\$ 18,439</u>	<u>\$ 82,643</u>



**HALIFAX REGIONAL MUNICIPALITY**

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

March 31, 2008, with comparative figures for 2007  
(In thousands of dollars)

	2008	2007
	Actual	Actual
<b>Revenues:</b>		
User fees and charges	\$ 25,023	\$ 25,325
Investment income	10	7
	<u>25,033</u>	<u>25,332</u>
<b>Expenditures:</b>		
Operating:		
General government	241	280
Recreation and cultural services	24,039	22,699
	<u>24,280</u>	<u>22,979</u>
Capital:		
General government	4	30
Recreation and cultural services	196	457
	<u>200</u>	<u>487</u>
Total expenditures	<u>24,480</u>	<u>23,466</u>
Net revenues	553	1,866
Financing and transfers:		
Transfers from operating fund	375	418
Debt principal repayment	(385)	(509)
Net financing and transfers	<u>(10)</u>	<u>(91)</u>
Change in fund balances	543	1,775
Fund balances, beginning of year	850	(925)
Fund balances, end of year	<u>\$ 1,393</u>	<u>\$ 850</u>

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Consolidated Financial Statements of

**HALIFAX REGIONAL MUNICIPALITY**

Year ended March 31, 2008



Audited Consolidated  
Financial Statements  
– March 31, 2008

**HALIFAX**  
REGIONAL MUNICIPALITY



Consolidated Financial  
Statements

- Received unqualified Audit Report
- Prepared in accordance with GAAP and PSAB
- Consolidated report of HRM, HRWC, major facilities, commissions See Note 1 (b) and (f)

## Challenges – Why are the Financial Statements late?

- Capacity issues within Finance
  - Departure of Director, Manager, and Team Lead
  - Retirements of staff, loss of corporate knowledge
  - Many terms/backfilled positions
- Other initiatives impacting capacity
  - Waste water transfer to HRWC
  - New revenue tool
  - Growth in administrative workload within increased infrastructure funding
  - PSAB 3150 /Tangible Capital Asset project
- Some capacity issues with KPMG also

## Page 1 - Consolidated Statement of Financial Position

- Cash and short term deposits up \$44M (62 %)
- Accounts receivable down \$29M (32%)
- Investments down \$71M (63%)
- Investment in HRWC up \$209M (81%) (shows up in equity also)
- Deferred revenue up \$15M (34%)
- Long term debt down \$22M (6%)
- Net assets increased by \$158M
- Capital funds down \$14M (4.3%)
- Reserve funds down \$65M (71%)
- Operating funds up \$3M (109%)

Page 2 – Consolidated Statement of Financial Activities

- Net Expenditures year-to-year \$34M change
  - Revenues up \$9.5M (1.5 %) overall
  - Operating Expenditures up \$34.4M (7.5 %)
  - Capital expenditures up \$8.9M (4.6 %)
- Fund balances end of year up \$161,487 (643%)

Page 3 – Consolidated Statement of Cash Flows

Shows cash ins and outs for the year in comparison to last year

Cash and short term deposits have increased \$44.4M over last year,  
or 62%

## Pages 4 to 21- Notes to Financial Statements

- Note 6 Investment in Halifax Regional Water Commission
  - August 1, 2007 Transfer of waste water & storm water facilities
    - Transactions with no commercial substance. Recorded at carrying value – CICA Handbook Section 3840, Related Party Transactions
- Note 8 Employee future benefits – employees' retirement pension plan
  
- Note 10 Solid waste management facilities liabilities – there is a regulatory requirement to provide for closure and post-closure care of solid waste landfill sites. Future obligation to fund \$5.1 M
  
- Note 19 Tangible Capital Assets – PCA (PS3150) comes into effect for fiscal years beginning on or after January 1, 2009. The 09/10 Fiscal year will be the first set of financial statements prepared on this basis. The 08/09 financial statement will be re-stated for comparability. These statements (2007/08) are prepared under some transitional measures, in accordance with Accounting Guideline 7.

## Operating Surplus

- General rated operating surplus of \$70,354
- Area rate surplus of \$17,274
- Total operating surplus for year ended March 31, 2008 - \$87,628

Pages 22 to 28 Schedules

- Remuneration
- Long Term Debt
- Operating Fund by Function
- Operating Fund by Object
- Capital Fund
- Reserve Fund
- Other Funds

**Key Messages/Conclusion**

- Unqualified Audit Report
- Unremarkable accounting changes, other than uniqueness of waste water/storm water transfer
- Small General Rate Surplus \$70,354
- Long term debt reduced from \$369.5 M to \$347.3 M
- There are capacity issues in Finance
- PS3150 compliance is an 08/09 and 09/10 priority

## Next Steps

- April 15<sup>th</sup> Audit Committee meeting
  - Management Letter
  - Operating Surplus from 07/08 Audit Report
  - Planning presentation from KPMG
- Plan in place to increase capacity within Finance; fill vacant positions, and hire new staff to support tangible capital asset accounting.