

**Item No. 11.4.1**  
**Halifax Regional Council**  
**July 5, 2011**

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

**SUBMITTED BY:** Original Signed  
Councillor Gloria McCluskey, Chair, Audit and Finance Standing  
Committee

**DATE:** June 28, 2011

**SUBJECT:** HRM Consolidated Financial Statements for Year Ended March 31, 2011;  
Miscellaneous Trust Funds Financial Statements for Year Ended March  
31, 2011, and the General Rate Surplus Financial Information for Year  
Ended March 31, 2011.

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**ORIGIN**

The special Audit and Finance Standing Committee meeting of June 27, 2011.

**RECOMMENDATION**

It is recommended that Halifax Regional Council accept, pending approval of the Halifax Water Commission Financial Statements for Year Ended March 31, 2011, the Consolidated Financial Statements for Year Ended March 31, 2011; the Miscellaneous Trust Funds Financial Statements for Year Ended March 31, 2011, and; the General Rate Surplus Financial Information for Year Ended March 31, 2011, as attached to this report.

## **BACKGROUND**

At the June 27, 2011 special meeting of the Audit and Finance Standing Committee meeting, staff presented the Consolidated Financial Statements for the Year Ended March 31, 2011; the Miscellaneous Trust Funds Financial Statements for Year Ended March 31, 2011 and the General Rate Surplus Financial Information for the Year Ended March 31, 2011.

Mr. Gordon Moore of KPMG also presented KPMG's Audit Findings Report for the Year Ended March 31, 2011.

## **DISCUSSION**

Staff advised that page 31 of the Consolidated Financial Statements had been amended and a revised page was circulated to the Committee at this time. The amended page has been included in the attached Consolidated Financial Statements document.

Following the presentations, the Audit and Finance Standing Committee accepted the information pending confirmation of the Halifax Water Commissions Financial Statements approval by the Halifax Water Commission Board and motioned to forward the information to Halifax Regional Council.

## **BUDGET IMPLICATIONS**

None associated with this report.

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

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

## **COMMUNITY ENGAGEMENT**

The Audit and Finance Standing Committee meetings are open to the public.

## **ALTERNATIVES**

1. Halifax Regional Council may choose not to accept the Consolidated Financial Statements and Audit Findings Report for Year Ended March 31, 2011. This is not the recommended action.

**ATTACHMENTS**

1. Consolidated Financial Statements of the Halifax Regional Municipality for Year Ended March 31, 2011, including the revised Page 31.
2. General Rate Surplus Financial Information of the Halifax Regional Municipality for the Year Ended March 31, 2011.
3. Miscellaneous Trust Funds Financial Statements for the Year Ended March 31, 2011.

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

Report Prepared by: Chris Newson, Legislative Assistant, 490-6732

**Original Signed**

Report Approved by: Bruce Fisher, Acting Director, Finance, 490-4493

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Consolidated Financial Statements of

**HALIFAX REGIONAL MUNICIPALITY**

Year ended March 31, 2011

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Financial Statements

Year ended March 31, 2011

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# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Financial Statements

Year ended March 31, 2011

### 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 Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

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Richard Butts  
Chief Administrative Officer

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Bruce Fisher, CMA, MPA  
Acting, CFO/Director of Finance and Treasurer

## INDEPENDENT AUDITORS' REPORT

To the Mayor and the Councillors of the Halifax Regional Municipality

We have audited the accompanying consolidated financial statements of the Halifax Regional Municipality, which comprise the consolidated statement of financial position as at March 31, 2011, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Municipality's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Halifax Regional Municipality as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Halifax, Canada  
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# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Position

March 31, 2011, with comparative figures for 2010  
(In thousands of dollars)

	2011	2010
<b>Financial assets</b>		
Cash and short-term deposits (note 2)	\$ 45,155	\$ 48,380
Taxes receivable (note 3)	29,364	29,166
Accounts receivable (note 4)	92,369	68,004
Loans, deposits, and advances	2,095	3,450
Land held for resale	27,338	28,373
Investments (note 5)	58,346	109,976
Investment in the Halifax Regional Water Commission (note 6)	775,116	567,810
	<u>1,029,783</u>	<u>855,159</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 7)	105,702	132,704
Accrued interest on long-term debt	4,329	3,927
Deferred revenue	43,568	55,015
Employee future benefits (notes 8 and 9)	31,595	30,354
Solid waste management facilities liabilities (note 10)	10,577	13,764
Long-term debt (note 11)	256,662	248,907
	<u>452,433</u>	<u>484,671</u>
Net financial assets	577,350	370,488
<b>Non-financial assets</b>		
Tangible capital assets (note 14)	1,759,579	1,841,318
Inventory and prepaid expenses	9,700	9,459
	<u>1,769,279</u>	<u>1,850,777</u>
Accumulated Surplus (note 15)	\$ 2,346,629	\$ 2,221,265

Commitments and contingencies (notes 13 and 16)

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



# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Operations and Accumulated Surplus

March 31, 2011, with comparative figures for 2010  
(In thousands of dollars)

	Budget (Unaudited Note 19)	2011	2010
<b>Revenue</b>			
Taxation	\$ 579,561	\$ 583,868	\$ 562,190
Less amounts received for provincially mandated services (note 18)	(130,201)	(130,245)	(132,582)
	449,360	453,623	429,608
Taxation from other governments	29,412	30,674	29,117
User fees and charges	115,604	121,787	117,926
Government grants	59,540	69,673	53,571
Development levies	3,071	4,827	4,508
Investment income	1,483	1,963	1,955
Penalties, fines and interest	11,877	13,456	9,824
Land sales, contributions and other revenue	9,690	42,321	30,777
Increase in equity in the Halifax Regional Water Commission	-	34,338	36,234
Grant in lieu of tax from the Halifax Regional Water Commission (note 6)	3,700	3,749	3,626
<b>Total revenue</b>	<b>683,737</b>	<b>776,411</b>	<b>717,146</b>
<b>Expenses</b>			
General government services	102,563	98,743	102,056
Protective services	163,928	167,242	166,166
Transportation services	115,564	219,813	194,081
Environmental services	43,134	50,391	57,660
Recreation and cultural services	78,846	94,934	89,045
Planning and development services	18,367	19,924	22,864
<b>Total expenses</b>	<b>522,402</b>	<b>651,047</b>	<b>631,872</b>
Annual surplus	161,335	125,364	85,274
Accumulated surplus, beginning of year	2,221,265	2,221,265	2,135,991
<b>Accumulated surplus, end of year</b>	<b>\$ 2,382,600</b>	<b>\$ 2,346,629</b>	<b>\$ 2,221,265</b>

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

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Change in Net Financial Assets

March 31, 2011, with comparative figures for 2010

(In thousands of dollars)

	Budget (Unaudited Note 19)	2011	2010
Annual surplus	\$ 161,335	\$ 125,364	\$ 85,274
Acquisition of tangible capital assets	(133,388)	(190,880)	(196,916)
Amortization of tangible capital assets	-	98,280	91,699
Loss (gain) on sale of tangible capital assets	-	649	(6,089)
Proceeds on sale of tangible capital assets	-	722	18,212
Transfer of assets to Halifax Regional Water Commission	-	172,968	147,709
	27,947	207,103	139,889
Acquisition of inventories of supplies and prepaid expenses	-	(9,700)	(9,459)
Consumption of inventories of supplies and use of prepaid expenses	-	9,459	8,684
Change in net financial assets	27,947	206,862	139,114
Net financial assets, beginning of year	370,488	370,488	231,374
Net financial assets, end of year	\$ 398,435	\$ 577,350	\$ 370,488

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

# HALIFAX REGIONAL MUNICIPALITY

## Consolidated Statement of Cash Flows

March 31, 2011, with comparative figures for 2010

(In thousands of dollars)

	2011	2010
Cash provided by (used in):		
<b>Operating activities</b>		
Annual surplus	\$ 125,364	\$ 85,274
Items not involving cash:		
Amortization	98,280	91,699
Loss (gain) on sale of tangible capital assets	649	(6,089)
Donated tangible capital assets	(31,262)	(12,109)
Increase in equity in the Halifax Regional Water Commission	(34,338)	(36,234)
	158,693	122,541
Change in non-cash assets and liabilities		
Decrease (increase) in taxes receivable	(198)	525
Increase in accounts receivable	(24,365)	(7,149)
Decrease in loans, deposits, and advances	1,355	322
Decrease in land held for resale	1,035	4,129
Increase in inventory and prepaid expenses	(241)	(775)
Increase (decrease) in accounts payable and accrued liabilities	(27,002)	13,827
Increase (decrease) in accrued interest on long-term debt	402	(71)
Increase (decrease) in deferred revenue	(11,447)	7,847
Increase in employee future benefits	1,241	1,123
Increase (Decrease) in solid waste management facilities liabilities	(3,187)	1,654
Net change in cash from operating activities	96,286	143,973
<b>Capital activities</b>		
Proceeds on disposal	722	18,212
Cash used to acquire tangible capital assets	(159,618)	(184,807)
Net change in cash from capital activities	(158,896)	(166,595)
<b>Investing activities</b>		
Decrease (increase) in investments	51,630	(42,521)
Net change in cash from investing activities	51,630	(42,521)
<b>Financing activities</b>		
Long-term debt issued	47,125	59,052
Long-term debt repaid	(47,019)	(52,225)
Debt repayments recovered from Halifax Regional Water Commission	7,649	8,000
Net change in cash from financing activities	7,755	14,827
Net change in cash and short-term deposits	(3,225)	(50,316)
Cash and short-term deposits, beginning of year	48,380	98,696
Cash and short-term deposits, end of year	\$ 45,155	\$ 48,380

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

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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### 1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the Halifax Regional Municipality (the "Municipality") have been prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA").

(b) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Municipality. The Municipality is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality, except the Halifax Regional Water Commission which is accounted for on the modified equity basis of accounting. The entities included are as follows:

Recreation facilities:

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

Commissions, cultural and other facilities:

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

Halifax Regional Library

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

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

(c) School board:

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

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

(d) Basis of accounting:

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

(e) Fund accounting:

The resources and operations of the Municipality are comprised in the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(f) Investment in the Halifax Regional Water Commission:

The Halifax Regional Water Commission (the "HRWC") is accounted for using the modified equity basis of accounting; consistent with Canadian generally accepted accounting principles, as recommended by PSAB for an investment in a government business enterprise. Under the modified equity basis of accounting, 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 statement of operations with a corresponding increase or decrease in its investment asset account.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

(g) Miscellaneous Trust funds:

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

(h) Investments:

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

(i) Non-financial assets:

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

i) Tangible capital assets

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

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 capacity of each cell.

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.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

(i) Non-financial assets (continued):

i) Tangible capital assets (continued)

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

ii) Contributions of tangible capital assets

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

iii) Natural resources

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

iv) Works of art and cultural and historic assets

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

v) Interest capitalization

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

vi) Leased tangible capital assets

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

vii) Inventories of supplies

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

(j) Government transfers:

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

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

(k) Deferred revenue:

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

(l) Solid waste management facilities liabilities:

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

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

(m) Taxation and related revenues:

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

(n) Land held for resale:

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

(o) Use of estimates:

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

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

Actual results could differ from these estimates.



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

	2011	2010
Halifax Regional Municipality	\$ 37,630	\$ 36,785
Commissions, cultural and recreation facilities	7,525	11,595
<b>Total</b>	<b>\$ 45,155</b>	<b>\$ 48,380</b>

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

### 3. Taxes receivable:

	2011	2010
Balance, beginning of year	\$ 33,081	\$ 34,324
Add:		
Current year's levy of property taxes	544,870	524,725
Tax agreements	9,687	9,923
Deed transfer tax	33,344	31,153
	620,982	600,125
Less:		
Current year's collections	584,337	563,433
Reduced taxes	4,033	3,611
	588,370	567,044
Balance, end of year	32,612	33,081
Allowance	(3,248)	(3,915)
<b>Balance, end of year (net of allowance)</b>	<b>\$ 29,364</b>	<b>\$ 29,166</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

### 4. Accounts receivable:

	2011	2010
Federal Government	\$ 21,975	\$ 12,346
Provincial Government	27,861	15,660
Other receivables	42,533	39,998
<b>Total</b>	<b>\$ 92,369</b>	<b>\$ 68,004</b>

### 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, 2011.

Government and Canada Mortgage and Housing Corporation (CMHC) bonds have a maturity range from October 25, 2011 to December 15, 2015. The weighted average yield on market value of these bonds is 1.83% at March 31, 2011 (2010 – 1.77%).

	Cost	2011 Market value	Cost	2010 Market value
Money market instruments	\$ 44,326	\$ 44,567	\$ 105,010	\$ 105,268
Government and CMHC bonds	14,020	14,043	4,966	5,049
<b>Total</b>	<b>\$ 58,346</b>	<b>\$ 58,610</b>	<b>\$ 109,976</b>	<b>\$ 110,317</b>

The investment income earned on money market instruments is \$1,734 (2010 - \$1,712) and on Government and CMHC bonds is \$229 (2010 - \$243).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

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

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

In accordance with the transfer agreement between the Municipality and the HRWC, certain components of the Halifax Harbour Solutions Project were transferred effective June 1, 2009. The assets transferred included the Halifax Sewage Treatment Plant and portions of the related collection system, as well as a Biosolids Processing Facility. The carrying value of the assets transferred was \$147,709. The associated debt transferred to the HRWC was \$104,000. The remaining components including the Herring Cove and Dartmouth Sewage Treatment Plants with a carrying value of \$167,241 were transferred August 1, 2010 for a total of \$314,950 of assets transferred to the HRWC.

The HRM also transferred the Herring Cove water servicing assets purchased with the Herring Cove Community Integration Funds of \$5,727.

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

	2011	2010
<b>Financial Position</b>		
Current assets	\$ 51,634	\$ 58,468
Capital assets	905,943	698,963
<b>Total assets</b>	<b>957,577</b>	<b>757,431</b>
Current liabilities	28,995	27,505
Long term liabilities	153,466	162,116
<b>Total liabilities</b>	<b>182,461</b>	<b>189,621</b>
<b>Total</b>	<b>\$ 775,116</b>	<b>\$ 567,810</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

	2011	2010
<b>Results of Operations</b>		
Revenues	\$ 89,680	\$ 87,166
Operating expenses	(74,910)	(59,301)
Financing expenses	(8,974)	(9,086)
Other income	4,424	2,645
Net income before grant in lieu of tax	10,220	21,424
Grant in lieu of tax	(3,749)	(3,626)
Net income	6,471	17,798
Increase (decrease) in contributed capital surplus	(4,600)	2,278
Donated tangible capital assets	34,851	18,251
Decrease in reserves	(2,384)	(2,093)
Increase in investment and equity	34,338	36,234
Investment and equity, beginning of year	567,810	494,017
Net assets transferred from Halifax Regional Municipality	172,968	37,559
Investment and equity, end of year	\$ 775,116	\$ 567,810

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

	2011	2010
Revenues:		
Grant in lieu of tax	\$ 3,749	\$ 3,626
Expenses:		
Fire protection charge	\$ 10,014	\$ 9,644

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, 2011

(In thousands of dollars)

### 7. Accounts payable and accrued liabilities:

	2011	2010
Trade accounts payable	\$ 54,250	\$ 75,917
Payable to other governments	13,689	15,545
Accrued liabilities	37,763	41,242
<b>Total</b>	<b>\$ 105,702</b>	<b>\$ 132,704</b>

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

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

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

The Municipality contributed to the HRM Plan an amount of \$21,908 for the fiscal year ending March 31, 2011 (2010 - \$22,232). Since April 1, 2006, 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, 2009. The next actuarial valuation is to be filed by December 31, 2012. The interest rate used in the last filed valuation was 6.75% per year. The following estimates as at December 31, 2010 are based on the actuarial valuation as at December 31, 2009 extrapolated to December 31, 2010:

	2011 Extrapolated	2010 Actuarial Value
Actuarial value of plan assets	\$ 1,153,361	\$ 1,115,263
Extrapolated value of accrued pension benefits	(1,239,216)	(1,175,354)
<b>Estimated funding deficit</b>	<b>\$ (85,855)</b>	<b>\$ (60,091)</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

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

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Asset rate of return	6.75% per year
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Salary increase	3.0% per year plus merit and promotional increases
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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)
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Mortality:	UP 94 with projections based on scale AA
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The actuarial value of net assets and the actuarial present value of accrued pension benefits are presented on the going concern basis. In accordance with the Nova Scotia Pension Benefits Act ("PBA"), a solvency valuation is performed on the Plan, even though the risk of it being wound up is remote. The values of the Plan's assets and liabilities on a solvency basis are related to the corresponding values calculated as though the Plan were wound up and settled on the valuation date, excluding any provision for future indexing of benefits as provided under PBA regulation 16(1)(a). Further to an amendment to the same Regulation to the PBA effective at the end of 2004, plan sponsors can also exclude from the solvency valuation the value of benefits provided under Section 79 (commonly referred to as the "grow in" provisions) of the PBA. The contribution requirements consider the exclusion of such benefits in the determination of the solvency special payments schedule for 2006 and beyond.

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

Effective December 31, 2010, Amendment 2009-01 provides for a change in the benefit payable to members who terminate from active employment. The benefit payable on termination will be an unreduced basis from the former member's Normal Retirement Date, rather than age 60.

Effective December 31, 2009, Amendment 2009-02 to the HRM Plan provides for an increase to the maximum pension payable under the Plan from \$1,825 per year of credited service to the maximum pension payable under the Income Tax Act for all members who have retired or will retire on or after December 31, 2006. The increase in maximum pension will apply automatically to all service after December 31, 2009, and will apply to service before December 31, 2009 provided that an amount equal to the increase in contributions that would have been required since 2004 if the maximum pension had been increased to that level since 2004 is deposited to the Plan.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

### 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.

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, 2010. The results of the retiring allowance actuarial valuations were extrapolated to March 31, 2011. For all other benefits, actuarial valuations were conducted as at March 31, 2011. 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:

	2011	2010
Accrued benefit obligation at beginning of the year	\$ 32,645	\$ 31,094
Current period benefit cost	2,297	1,791
Benefit payments	(2,642)	(2,219)
Interest cost	1,406	1,396
Actuarial loss	1,226	583
Accrued benefit obligation at end of fiscal year	\$ 34,932	\$ 32,645
Main assumptions used for fiscal year-end disclosure:		
Discount rate	3.87%	4.33%
Salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation:		
Discount rate	4.33%	4.52%
Salary increase	3% plus merit	3% plus merit

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

### 9. 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, 2011 includes the following components:

	2011	2010
Accrued benefit obligation	\$ 34,932	\$ 32,645
Unamortized actuarial loss	(3,337)	(2,291)
<b>Benefit liability</b>	<b>\$ 31,595</b>	<b>\$ 30,354</b>

The unamortized actuarial 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:

	2011	2010
Current period benefit cost	\$ 2,297	\$ 1,791
Amortization of actuarial gains	180	155
Other employee benefit expense	2,477	1,946
Other employee benefit interest expense	1,406	1,396
<b>Total expense related to other employee benefit plans</b>	<b>\$ 3,883</b>	<b>\$ 3,342</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 plant 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 4.00% (2010 - 4.52%) and a forecasted inflation rate of 2.16% (2010 - 1.49%).



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

#### Sackville Landfill (continued):

The estimated present value of future expenses for closure and post-closure care as at March 31, 2011 is \$18,254 (2010 - \$18,564), of which total expenses of \$13,370 (2010 - \$13,054), have been made to date, resulting in \$4,884 (2010 - \$5,510), of the liability to still be funded.

In order to help reduce the future impact of these obligations, the Municipality has established a reserve fund for the responsible care of this site. At March 31, 2011 the balance in the reserve is \$5,340 (2010 - \$5,599), which means that the reserve has \$456 (2010 - \$89) more than needed to fund the projected liability.

#### Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 13 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 (2010 - 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 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 4.00% (2010 - 4.52%) and a forecasted inflation rate of 2.16% (2010 - 1.49%). The liability was adjusted for capacity used of 100% for the closed cells and 0% for the remaining cells. Currently Cell 5 is 31% full.

The estimated present value of future expenses for closure and post-closure care as at March 31, 2011 is \$23,224 (2010 - \$23,017), of which total expenses of \$17,766 (2010 - \$15,010), have been made to date resulting in \$5,458 (2010 - \$8,007), 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, 2011 the balance in the reserve is \$1,934 (2010 - \$2,289), and the remaining \$3,524 (2010 - \$5,718) of the liability will be funded from future revenues.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

#### Mengoni Landfill:

The Mengoni Landfill site closed during the year ended March 31, 2008. A closure plan and an environmental audit were completed in 2008. Post closure care activities for this site include perpetual care that is expected to occur until 2028 and will involve the management and monitoring of groundwater, gas and leachate levels, operating and monitoring the leachate treatment plan when necessary, removal of buildings, site cleanup and general site maintenance.

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using a long-term borrowing rate of 4.00% (2010 - 4.52%) and a forecasted inflation rate of 2.16% (2010 - 1.49%).

The estimated present value of future expenses for closure and post-closure care as at March 31, 2011 is \$2,436 (2010 - \$2,448) of which total expenses of \$2,201 (2010 - \$2,201), have been made to date, resulting in \$235 (2010 - \$247), of the liability to still be funded.

In order to help reduce the future impact of these obligations, the Municipality has established a reserve for the responsible care of this site. At March 31, 2011 the balance in the reserve is \$101 (2010 - \$100), and the remaining \$134 (2010 - \$147) of the liability will be funded from future revenues.

		Sackville	Otter Lake	Mengoni	2011 Total	2010 Total
Estimated present value of closure and post closure costs	\$	18,254	\$ 23,224	\$ 2,436	\$ 43,914	\$ 44,029
Less: Expenses incurred		13,370	17,766	2,201	33,337	30,265
		4,884	5,458	235	10,577	13,764
Reserve fund		5,340	1,934	101	7,375	7,988
Amount to be funded from future revenue	\$	(456)	\$ 3,524	\$ 134	\$ 3,202	\$ 5,776

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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### 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 33).

Principal payments required in each of the next five years on debt held as at March 31, 2011 are as follows:

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2012	\$	46,884
2013	\$	44,266
2014	\$	40,589
2015	\$	47,663
2016	\$	33,266

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### 12. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2011 are \$ 6.0 million (2010 - \$5.9 million).

### 13. Commitments:

- (a) The Municipality and its consolidated entities rent facilities under several long-term operating leases with aggregate annual payments for the next five years approximating \$6.0 million (2010 - \$6.0 million).
- (b) The Municipality has entered into several long-term contracts for waste resources operations, with aggregate annual payments for the next five years approximating \$41 million (2010 - \$36 million).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

### 14. Tangible capital assets:

Cost	Balance at March 31, 2010	Additions (Net of Transfers)	Disposals	Balance at March 31, 2011
Land	\$ 259,692	\$ 18,655	\$ (122)	\$ 278,225
Land improvements	181,244	11,529	-	192,773
Buildings	252,418	127,617	(3,000)	377,035
Vehicles	142,311	24,235	(1,528)	165,018
Machinery and equipment	57,137	13,123	-	70,260
Roads and infrastructure	1,566,050	49,200	-	1,615,250
Dams	480	-	-	480
Ferries	18,511	515	-	19,026
Leasehold improvements	3,009	21	-	3,030
Assets under construction	263,317	(54,015)	(172,968)	36,334
<b>Total</b>	<b>\$ 2,744,169</b>	<b>\$ 190,880</b>	<b>\$ (177,618)</b>	<b>\$ 2,757,431</b>

Accumulated amortization	Balance at March 31, 2010	Disposals	Amortization Expense	Balance at March 31, 2011
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	138,675	-	9,467	148,142
Buildings	150,974	(1,800)	6,310	155,484
Vehicles	66,074	(1,479)	11,552	76,147
Machinery and equipment	26,966	-	7,445	34,411
Roads and infrastructure	503,189	-	62,445	565,634
Dams	396	-	12	408
Ferries	16,325	-	877	17,202
Leasehold improvements	252	-	172	424
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 902,851</b>	<b>\$ (3,279)</b>	<b>\$ 98,280</b>	<b>\$ 997,852</b>

	Net book value March 31, 2010	Net book value March 31, 2011
Land	\$ 259,692	\$ 278,225
Land improvements	42,569	44,631
Buildings	101,444	221,551
Vehicles	76,237	88,871
Machinery and equipment	30,171	35,849
Roads and infrastructure	1,062,861	1,049,616
Dams	84	72
Ferries	2,186	1,824
Leasehold improvements	2,757	2,606
Assets under construction	263,317	36,334
<b>Total</b>	<b>\$ 1,841,318</b>	<b>\$ 1,759,579</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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

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

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

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

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011  
(In thousands of dollars)

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

- (a) Assets under construction:  
Assets under construction having a value of \$36,334 (2010 - \$263,317) have not been amortized. Amortization of these assets will commence when asset is available for productive use.
- (b) Contributed tangible capital assets:  
Contributed tangible capital assets have been recognized at the fair market value at the date of contribution. The value of contributed assets received during the year is \$31,262 (2010 - \$12,109) and is comprised of roads and infrastructure in the amount of \$15,974 (2010 - \$11,162) and land and land developments having a value of \$15,288 (2010 - \$947).
- (c) Tangible capital assets disclosed at nominal values:  
Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.
- (d) Works of art and cultural and historical assets:  
The Municipality manages and controls various works of art and non-operational cultural and historical assets including buildings, artifacts, paintings and sculptures located at Municipal sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.
- (e) Write-down of tangible capital assets:  
The write-down of tangible capital assets during the year was \$1,280 (2010 - \$1,647).
- (f) Roads and Infrastructure:  
The net book value of these assets are as follows: road beds - \$320,218 (2010 - \$325,055), road surfaces - \$392,246 (2010 - \$396,831), infrastructure - \$329,859 (2010 - \$ 334,190) and bridges - \$7,293 (2010 - \$6,785).

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

### 15. Accumulated surplus:

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

	2011	2010
<b>Surplus</b>		
Invested in tangible capital assets	\$ 1,495,215	\$ 1,553,709
Other	83	2,076
Equity in Halifax Regional Water Commission	775,116	567,810
Agencies, boards, commissions' reserves	685	94
Unfunded		
Accrued Interest	(4,329)	(3,927)
Landfill closure costs	(10,577)	(13,764)
Employee benefits	(563)	(1,127)
<b>Total surplus</b>	<b>2,255,630</b>	<b>2,104,871</b>
<b>Operating reserves set aside by Council</b>		
Self insurance	4,479	4,427
Operations stabilization	4,549	2,526
Snow and ice control variable operating	8,320	4,726
Service improvement	1,948	2,254
Cemetery maintenance	153	147
Culture development	909	705
Municipal elections	988	575
EMO cost recovery	281	278
Marketing levy special events	1,235	618
DNA costs	110	105
Titanic commemorative	6	6
Central library capital campaign and development	1,665	643
Major events facilities	846	6,409
Operating cost of new capital	4,513	3,444
Information and communication technologies	4,084	4,360
Police emergency and extraordinary investigation	661	655
Police officer on the job injury	612	566
Commons enhancement	1	1
Provincially funded police officers and facility lease	1,782	1,313
Environmental protection	-	18,184
<b>Total operating reserves set aside by Council</b>	<b>37,142</b>	<b>51,942</b>

# HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

## 15. Accumulated surplus (continued):

	2011	2010
<b>Capital and equipment reserves set aside by Council</b>		
Sale of capital assets	\$ -	\$ -
Business/industrial parks expansion	3,163	5,761
Capital surplus	3,046	3,004
Parkland development	2,145	1,341
Sackville landfill closure	5,340	5,599
Otter Lake landfill closure	1,934	2,289
Mengoni landfill closure	101	100
Waste resources capital	10,950	1,894
Upper Sackville turf	301	275
MetroPark parkade	1,843	2,003
Strategic growth	2,448	9,664
HRM sustainable communities	454	760
Rural fire	708	578
Ferry replacement	1,568	7,083
Capital replacement	1,015	2,971
Energy and underground services co-location	1,785	1,366
Bedford South capital cost contribution interchange	92	3,107
Gas tax	11,722	10,990
Alderney Gate recapitalization	888	756
Regional capital cost contribution	1,058	1,545
Community facility partnership	810	1,000
Kingswood water	4	4
5594-96 Morris Street	62	75
Rockingham community centre	13	13
Captain William Spry centre	2	2
Richmond school	1	1
BMO Centre	83	-
<b>Total capital reserves set aside by Council</b>	<b>51,536</b>	<b>62,181</b>
General fleet	1,142	1,493
Police vehicles	351	255
Fire and emergency service vehicles and equipment	799	494
Fuel system	29	29
<b>Total equipment reserves set aside by Council</b>	<b>2,321</b>	<b>2,271</b>
<b>Total capital and equipment reserves set aside by Council</b>	<b>53,857</b>	<b>64,452</b>
<b>Total accumulated surplus</b>	<b>\$ 2,346,629</b>	<b>\$ 2,221,265</b>



# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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### 16. Contingent liabilities:

- (a) As of March 31, 2011 there are a number of claims against the Municipality and its consolidated entities in varying amounts and for which provisions have been made in these financial statements, as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Municipality with respect to these claims, but management believes that any such amounts would not have a material impact on the financial position of the Municipality.
- (b) The Municipality is the plaintiff in various proceedings, which have arisen, in the normal course of carrying on its operations. It is not possible at this time to determine the amounts the Municipality may receive with respect to these claims.
- (c) The Municipality guarantees certain debt issues of the Halifax Regional Water Commission. As at March 31, 2011 this outstanding debt was \$48.6 million (2010 - \$49.1 million), with maturity dates ranging from 2011 to 2019. In addition, the Municipality is responsible for outstanding debt of \$94,501 (2010 - \$102,150) recoverable from the Halifax Regional Water Commission.

### 17. Financial instruments:

#### (a) Fair values:

The fair value of the Municipality's financial instruments that are comprised of cash and short-term deposits, taxes receivable, accounts receivable, loans, deposits and advances, accounts payable and accrued liabilities 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 the Halifax Regional Water Commission due to the lack of comparable market information.

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

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

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

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### 17. Financial instruments (continued):

(b) Credit risk:

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

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

	2011	2010
School board	\$ 116,010	\$ 116,080
Assessment services	6,724	6,300
Social housing	1,215	2,219
Corrections services	6,296	7,983
Total	130,245	132,582

(a) School board:

The Municipality provided a mandatory contribution in the amount of \$97.0 million (2010 - \$96.1 million) and supplementary contributions of \$19.0 million (2010 - \$19.9 million) to the Halifax Regional School Board.

(b) Assessment services:

The Municipality is required to pay a share of the cost of operating the municipal assessment system based on the total municipal assessment cost times the average of the Municipality's share of the Uniform Assessment and the Municipality's share of assessment accounts.

(c) Social housing:

The Municipality shared in the operations of the Metropolitan Regional Housing Authority.

(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.

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

### 19. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010/11 operating and capital budgets approved by Council on May 25, 2010, plus the budgeted figures of the various Agencies, Boards and Commission included in the consolidated statements, to the extent that they could be reasonably determined. Amortization was not contemplated in development of the budget and, as such, has not been included.

	2011	2010
<b>Revenue</b>		
Operating budget	\$ 726,574	\$ 703,620
Capital budget	157,251	141,816
Less: Mandatory provincial payments	(130,201)	(133,281)
	753,624	712,155
Less:		
Miscellaneous capital funding	(1,300)	(940)
Principal and interest recovery from Halifax Regional Water Commission	(1,336)	(1,638)
Tax concessions	(4,881)	(3,882)
Transfers from reserves to capital	(29,034)	(21,810)
Transfers operating to capital	(32,099)	(33,850)
Proceeds on debt issue	(30,345)	(31,827)
	(98,995)	(93,947)
Add:		
Revenues from agencies, boards and commissions	28,137	27,187
Area rated surplus - prior years fire protection	-	4,834
Interest on reserves	971	1,027
	29,108	33,048
<b>Total revenue</b>	<b>683,737</b>	<b>651,256</b>
<b>Expenses</b>		
Operating budget	726,574	703,620
Less: Mandatory provincial payments	(130,201)	(133,281)
	596,373	570,339
Less:		
Tax concessions	(4,881)	(3,882)
Transfers operating to capital	(32,099)	(35,457)
Transfers operating to reserves	(26,946)	(15,606)
Debt principal payments	(37,395)	(35,372)
	(101,321)	(90,317)
Add:		
Area rated surplus - prior years fire protection	-	4,834
Expenses from agencies, boards and commissions	27,350	26,812
	27,350	31,646
<b>Total expenses</b>	<b>522,402</b>	<b>511,668</b>
<b>Annual surplus</b>	<b>\$ 161,335</b>	<b>\$ 139,588</b>

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2011

(In thousands of dollars)

### 20. Classification of expenses by object:

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

	Budget	2011	2010
Salaries, wages and benefits	\$ 295,025	\$ 301,523	\$ 287,302
Interest on long-term debt	11,748	10,820	11,405
Materials, goods, supplies and utilities	29,889	30,555	30,893
Contracted services	84,569	124,800	114,449
Other	96,279	78,655	89,435
External transfers	4,892	6,414	6,689
Amortization	-	98,280	91,699
Total	\$ 522,402	\$ 651,047	\$ 631,872

### 21. Comparative figures:

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

# HALIFAX REGIONAL MUNICIPALITY

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

Year ended March 31, 2011

(In thousands of dollars)

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Council members:

P. Kelly, Mayor	\$	140
S. Adams		71
J. Barkhouse		71
J. Blumenthal		73
B. Dalrymple		71
R. Harvey		71
D. Hendsbee		71
D. Hum		71
B. Johns		76
B. Karsten		71
P. Lund		71
G. McCluskey		72
L. Mosher		71
L. Nicoll		71
T. Outhit		71
R. Rankin		71
D. Sloane		71
J. Smith		74
S. Streach		71
S. Uteck		71
R. Walker		71
J. Watts		71
M. Wile		73
D. Fisher		71

Chief Administrative Officer and Acting Chief Administrative Officer:

Wayne Anstey - Acting Chief Administrative Officer	131
Dan English - Former Chief Administrative Officer	65

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The remuneration, for members of Council, includes their base salary, plus an incremental amount if a member was Deputy Mayor and/or in receipt of a benefits supplement.

# HALIFAX REGIONAL MUNICIPALITY

## Schedule of Long-term Debt

Year ended March 31, 2011

(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31, 2010	Issued	Redeemed	Balance March 31, 2011
Municipal Finance Corporation:							
00-A-1	10	6.25/6.875	2010	1,450	-	1,450	-
00-B-1	10	5.875/6.375	2010	3,402	-	3,402	-
01-A-1	10	4.375/6.25	2011	3,260	-	1,630	1,630
01-B-1	10	3.125/6.0	2011	1,983	-	992	991
02-A-1	10	3.375/6.125	2012	7,331	-	2,444	4,887
02-B-1	10	3.25/5.625	2012	3,713	-	1,238	2,475
03-A-1	10	3.5/5.375	2013	15,529	-	3,883	11,646
03-B-1	10	2.75/5.0	2013	1,692	-	423	1,269
04-A-1	10	2.55/5.45	2014	10,590	-	1,842	8,748
04-B-1	10	3.195/5.05	2014	11,586	-	2,317	9,269
24-HBR-1	20	2.84/5.94	2024	82,500	-	5,500	77,000
05-A-1	10	2.97/4.56	2015	13,800	-	2,300	11,500
05-B-1	15	3.63/4.83	2020	27,520	-	2,215	25,305
06-A-1	10	4.29/4.88	2016	16,158	-	2,308	13,850
06-B-1	10	4.1/4.41	2016	7,105	-	1,015	6,090
07-A-1	10	4.45/4.63	2017	15,653	-	1,957	13,696
07-B-1	10	4.65/5.01	2017	7,040	-	880	6,160
08-A-1	10	3.75/4.884	2018	23,850	-	2,650	21,200
08-B-1	10	3.1/5.095	2018	22,264	-	2,474	19,790
09-A-1	20	1.0/5.644	2024	52,552	-	4,395	48,157
09-B-1	10	0.97/4.329	2019	6,500	-	650	5,850
10-A-1	10	1.51/4.5	2020	-	20,400	-	20,400
10-B-1	10	1.55/3.87	2020	-	26,725	-	26,725
				335,478	47,125	45,965	336,638
Federation of Canadian Municipalities:							
GMIF-1599	10	1.33/3.127	2014	15,000	-	1,000	14,000
Misc.:							
5% stock Permanent		5.0	-	2	-	-	2
Sackville Landfill Trust:							
Acadia School	20	7.0	2018	577	-	54	523
				351,057	47,125	47,019	351,163
Less debt recovery from Halifax Regional Water Commission:							
24-HBR-1	20	2.84/5.94	2024	(82,500)	-	(5,500)	(77,000)
GMIF-1599	10	1.33/3.127	2014	(15,000)	-	(1,000)	(14,000)
Other debt	1 to 6	2.55/6.875		(4,650)	-	(1,149)	(3,501)
				(102,150)	-	(7,649)	(94,501)
Net Debt				\$ 248,907	\$ 47,125	\$ 39,370	\$ 256,662



Financial Information of

**HALIFAX REGIONAL MUNICIPALITY**

Year ended March 31, 2011



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## AUDITORS' REPORT

To the Mayor and the Councillors of the Halifax Regional Municipality

We have audited the general rate surplus of the operating fund of the Halifax Regional Municipality for the year ended March 31, 2011. This financial information has been prepared to comply in all material respects to the accounting principles prescribed for municipalities pursuant to Section 451 of the Municipal Government Act of Nova Scotia by Service Nova Scotia and Municipal Relations.

### *Management's Responsibility for the Financial Information*

Management is responsible for the preparation of this financial information in accordance with Section 451 of the Municipal Government Act of Nova Scotia prescribed by Service Nova Scotia and Municipal Relations; this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on this financial information based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

### *Opinion*

In our opinion, the general rate surplus of the operating fund of the Halifax Regional Municipality for the year ended March 31, 2011 is prepared, in all material respects, in accordance with Section 451 of the Municipal Government Act of Nova Scotia prescribed by Service Nova Scotia and Municipal Relations.

### *Basis of Accounting and Restriction on Use*

The financial reporting provisions in Section 451 of the Municipal Government Act of Nova Scotia requires the financial information to be prepared in a manner prescribed by the Minister. These

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reporting provisions differ from the basis of accounting prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants ("PSAB"). These differences are disclosed in Note 1 to the financial information. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Mayor and Councillors of the Halifax Regional Municipality.

Chartered Accountants

XXXX  
Halifax, Canada

# HALIFAX REGIONAL MUNICIPALITY

## General Rate Surplus

Year ended March 31, 2011  
(In thousands of dollars)

	2011	2010
General rate surplus, before transfers to reserves at year end	2,368	3,290
Transfers of surplus to reserves at year end		
Operations stabilization		2,000
Information and communication technologies		950
Snow and ice control variable operating		1,000
Total transfers of surplus to reserves at year end		3,950
	2,368	(660)
Prior years general rate surplus available for the 2011 fiscal year	165	825
General rate surplus	2,533	165

# HALIFAX REGIONAL MUNICIPALITY

## Notes to Financial Information

Year ended March 31, 2011

(In thousands of dollars)

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### 1. Significant accounting policies:

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

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

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in net assets and in financial position of the reporting entity where the reporting entity is comprised of all organizations, commissions and agencies accountable to the Halifax Regional Municipality for the administration of their financial affairs and resources and which are owned or controlled by the HRM. This would include, at a minimum, the individual funds represented in the March 31, 2011 financial statements – Operating Fund, Capital Fund and Reserve Funds of the HRM, and the Halifax Regional Water Commission, a public utility owned by the HRM. The consolidated financial statements prepared in accordance with PSAB would include a Statement of Financial Position, Statement of Operations and Accumulated Surplus, Statement of change in Net Financial Assets and a Statement of Cash Flows;
- Revenue and expenses be recorded on a full accrual basis; and
- Expenditures on tangible capital assets be capitalized on the Statement of Financial Position in the year acquired and amortized over their useful lives.



Financial Statements of

**HALIFAX REGIONAL MUNICIPALITY**

MISCELLANEOUS TRUST FUNDS

Year ended March 31, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and the Councillors of the Halifax Regional Municipality

We have audited the accompanying financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds, which comprise the balance sheet as at March 31, 2011 and the statement of income and expenditures and fund equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Halifax Regional Municipality Miscellaneous Trust Funds as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Halifax, Canada  
xxx xx, 2011

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Balance Sheet

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Cash	\$ 5,498,741	\$ 5,349,437
Accounts receivable (note 2)	523,430	578,177
Investments (note 3)	6,410	6,410
	<u>\$ 6,028,581</u>	<u>\$ 5,934,024</u>
<b>Fund Equity</b>		
Fund equity (Schedule)	\$ 6,028,581	\$ 5,934,024
	<u>\$ 6,028,581</u>	<u>\$ 5,934,024</u>

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

Approved on behalf of the Halifax Regional Municipality:

\_\_\_\_\_  
Mayor, Peter Kelly

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



# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Statement of Income and Expenditures and Fund Equity

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Income		
Interest income	\$ 90,123	\$ 80,250
Tax sales	152,915	5,439
	243,038	85,689
Expenditures		
Transfer to Halifax Regional Municipality	79,316	75,379
Net transactions with trustors	74,799	155,669
	154,115	231,048
Excess of income over expenditures (expenditures over income)	88,923	(145,359)
Capital contributions received during year	5,634	29,440
	94,557	(115,919)
Fund equity, beginning of year	5,934,024	6,049,943
Fund equity, end of year	\$ 6,028,581	\$ 5,934,024

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

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Notes to Financial Statements

Year ended March 31, 2011

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

(a) Basis of accounting:

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

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

(b) Cash

Cash include cash on account.

(c) Use of estimates:

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

(d) Statement of cash flows:

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

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

Within the accounts receivable balance, \$523,121 (2010 - \$577,457) is due from an entity controlled by the Halifax Regional Municipality. During the year, the entity made principal payments of \$54,336 (2010 - \$50,674) and interest payments of \$38,700 (2010 - \$42,362).

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Notes to Financial Statements

Year ended March 31, 2011

#### 3. Investments:

	2011	2010
Shares, cost	\$ 6,410	\$ 6,410
	\$ 6,410	\$ 6,410
Shares, market values	\$ 253,935	\$ 248,573
	\$ 253,953	\$ 248,573

The market value shown for investments represents the estimated value of the securities as at March 31, 2011. Shares are valued at year-end quoted market prices.

# HALIFAX REGIONAL MUNICIPALITY

## MISCELLANEOUS TRUST FUNDS

### Schedule of Fund Equity

Year ended March 31, 2011

	Balance March 31 2010	Income	Transfer to Halifax Regional Municipality	Net transactions with trustors	Contributions	Balance March 31 2011
J.L. Dillman Park Maintenance	\$ 152,879	\$ 1,439	\$ -	\$ -	\$ -	\$ 154,318
Tax sales	964,430	152,915	-	(63,635)	-	1,053,710
J.D. Shatford Memorial	60,000	562	(562)	-	-	60,000
Sackville Landfill	1,618,009	47,461	(38,700)	(11,000)	-	1,615,770
Camphill Cemetery Trust	131,953	1,234	(1,234)	-	-	131,953
Camphill Cemetery Perpetual Care	566,179	5,302	(5,302)	-	-	566,179
Camphill Cemetery Fence	12,063	113	(113)	-	-	12,063
Fairview Cemetery Trust	2,302,529	32,830	(32,830)	-	5,259	2,307,788
Fairview Cemetery Maintenance	45,000	421	(421)	-	-	45,000
Titanic Trust	29,631	281	-	-	375	30,287
Commons Commutation	16,491	154	(154)	-	-	16,491
Harbour Championship	11,698	109	-	(164)	-	11,634
Other	23,171	217	-	-	-	23,388
	\$5,934,024	\$243,038	\$(79,316)	\$(74,799)	\$5,634	\$6,028,581

