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Item No. 14.1
Halifax Regional Council
June 25, 2013

TO: Mayor Savage and Members of Halifax Regional Council
original signed
SUBMITTED BY: Councillor Bill Karsten, ~~Chair~~, Audit and Finance Standing Committee
DATE: June 17, 2013
SUBJECT: Year End Financial Statements

ORIGIN

The June 19, 2013 Audit and Finance Standing Committee meeting.

LEGISLATIVE AUTHORITY

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval. The Terms of Reference also include:

3.2.3 Review annually with Finance management and report to Council on the appropriateness of financial accounting policies, disclosures, forecasts

RECOMMENDATION

It is recommended that Halifax Regional Council approve:

- the Consolidated Financial Statements of the Halifax Regional Municipality for the year ended March 31, 2013;
- the statement of General Rate Surplus of the Halifax Regional Municipality for the year ended March 31, 2013;
- the transfer of a portion of the general rate surplus to the reserves identified in the statement of General Rate Surplus of the Halifax Regional Municipality for the year ended March 31, 2013; and,
- the financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the year ended March 31, 2013.

BACKGROUND

The Audit and Finance Standing Committee received presentations on Audited Consolidated Financial Statements March 31, 2013, the Consolidated Financial Statements of HRM, Year ended March 31, 2013, Financial Statements of HRM Miscellaneous Trust Funds, Year ended March 31, 2013 and General Rate of Surplus of HRM, Year ended March 31, 2013.

DISCUSSION

Following the presentation of the Statements, staff provided clarification to Committee members on a number of points, including appeals on residential and commercial properties, payments in lieu of taxes, staff vacancies and reserves. The Committee then approved the above recommendation.

FINANCIAL IMPLICATIONS

There are no financial implications. Any costs related to the Financial Statements are covered in the Finance and Information, Communication and Technology annual budget.

COMMUNITY ENGAGEMENT

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

ENVIRONMENTAL IMPLICATIONS

None indicated.

ALTERNATIVES

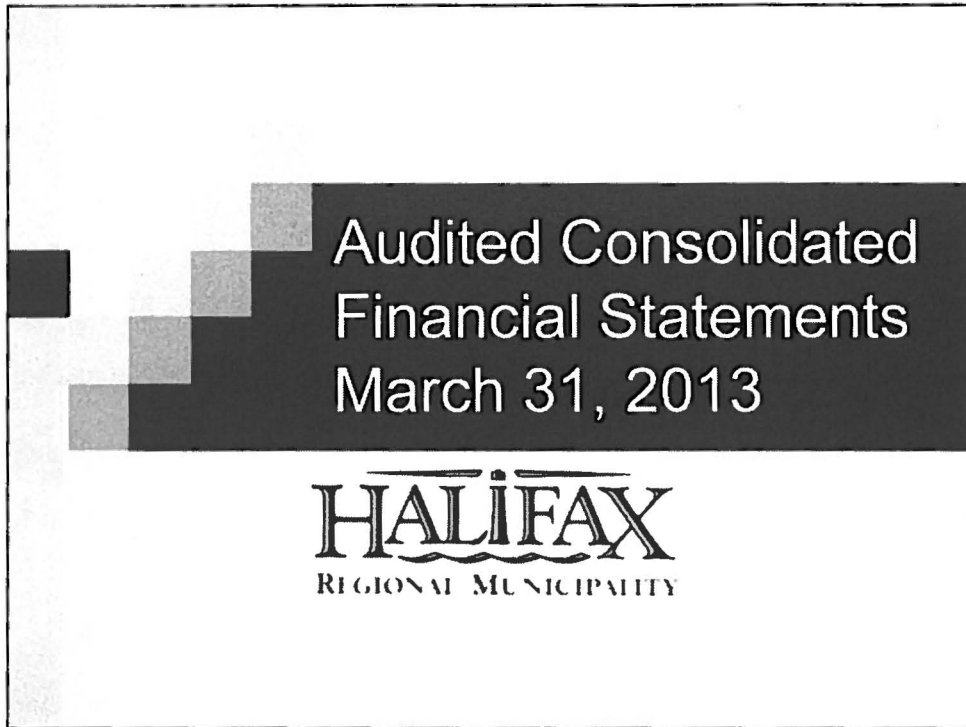
1. Regional Council may choose not to approve the proposed recommendation. This is not the recommended option.

ATTACHMENTS

1. **Audited Consolidated Financial Statements, March 31, 2013 – presentation given June 19, 2013.**
 2. **Abridged Audited Consolidated Financial Statements, March 31, 2013 – presentation**
 3. **Miscellaneous Trust Funds, March 31, 2013 - presentation given on June 19, 2013.**
 4. **Audited General Rate Surplus – March 31, 2013 – presentation.**
 5. **Consolidated Financial Statements of the HRM, Year ended March 31, 2013.**
 6. **Financial Statements of HRM Miscellaneous Trust Funds, Year ended March 31, 2013.**
 7. **HRM Audit Findings Report - KPMG**
 8. **General Rate Surplus of HRM Year ended March 31, 2013.**
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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: Matt Godwin, Legislative Assistant, 490-6521.



We are here today to present the consolidated financial statements for the fiscal year ended March 31, 2013.

Consolidated Entities

Recreation facilities

- Metro Centre
- Dartmouth Sportsplex
- Cole Harbour Place
- Halifax Forum
- Eastern Shore Recreation Commission
- St. Margaret's Community Centre
- Sackville Sports Centre
- Centennial Arena
- BMO Centre
- Canada Games Centre
- Centennial Pool (New for 2012/13)

Other

- Alderney Landing
- MetroPark
- Business Commissions
 - Downtown Halifax
 - Spring Garden Area
 - Downtown Dartmouth
 - Quinpool Road
 - Sackville Drive
 - Spryfield and District
 - Main Street Dartmouth
 - North End
- Library

In 2012/13, for the first time, we have included the financial result of the Centennial Pool. We have not included their financial results for 2011/12.

Centennial Pool (2012/13 results included in consolidated statements):

Total Revenue \$530K, Total Expense \$529K

Assets \$49K, Liabilities \$109K

Other Audits - Concurrent

- Trust Funds Financial statements.
- General Rate Surplus.
- Gas Tax Funding.
- Central Library Federal/Provincial Claims.
- Centennial Arena.
- Halifax Forum.

Consolidated Financial Statements - Highlights

- Received an unqualified Audit Report.
- Few audit adjustments and management letter points.
- Prepared in accordance with GAAP and PSAB.
- Prepared on a timely basis.

Financial Statement – Walk Through

- Management's Responsibility for Financial Statements – Page 1
- Auditors' Report – Page 2
- Statement of Financial Position – Page 3
- Statement of Operations and Accumulated Surplus – Page 4
- Statement of Change in Net Financial Assets – Page 5
- Statement of Cash Flows – Page 6
- Notes to Financial Statements – Pages 7 to 31
- Schedules
 - Remuneration of Members of Council and Chief Administrative Officer – Page 32
 - Long-term Debt – Pages 33-34
 - Segmented Disclosure – Pages 35-36

The schedules of segmented disclosure are new for this year and provides details of our Revenues and Expenses by our various service categories.

Financial Assets – Cash and Investments

- Cash and short-term deposits (Note 3) are funds that are invested in financial assets for a term of 90 days or less.
- Investments (Note 6) are funds that are invested in financial assets for a period of more than 90 days.
- These items are managed as one portfolio but distinction is made for financial statement presentation.

We invest in Treasury Bills, Bonds, Banker's Acceptance, Commercial Paper and Notes. Investments are reported to the Investment Committee quarterly.

Cash and Investments

	2013	2012	Change
Cash	\$ 152,687	\$ 109,029	\$ 43,658
Investments	\$ 79,110	\$ 83,958	(\$ 4,848)

- In total, we had approximately \$231.8M to invest in 2012/13, up from \$193.0M last year.
- Increase relates to increased cash to fund reserves and other future expenses.
- Investment approach has not changed from previous years.

	2013	2012
Cash		
HRM Cash	9.3	8.9
Reallocated to Cash	139.0	95.7
ABC Cash	4.4	4.4
Total Cash	152.7	109.0
Investments		
Government of Canada	5.9	17.8
Province of British Columbia	62.1	29.2
Province of New Brunswick	2.4	-
Province of Ontario	25.4	30.5
Province of Quebec	8.0	-
BMO	23.9	8.2
Desjardins	4.0	3.5
CIBC	4.9	18.5
Financement Quebec	4.9	23.9
Hydro Quebec	19.9	8.9
National Bank	10.4	9.0
Royal Bank of Canada	5.0	-
OMERS Finance Trust	11.3	7.0
Province of Manitoba	-	2.8
Toronto Dominion	2.0	7.4
	190.1	166.7
Bonds		
Alberta Capital Finance	7.0	7.0
Province of Alberta	2.0	2.0
Canada Mortgage & Housing Corp	4.0	4.0
Financement Quebec	11.0	-
Province of Quebec	4.0	-
	28.0	13.0
Total Investments	218.1	179.7
Reallocated to Cash	(139.0)	(95.7)
Total Investments (over 90 days)	79.1	84.0

Investments that have a term to maturity of 90 days or less are reclassified to Cash and Short Term Investments on the Statement of Financial Position.

Taxes Receivable

- Taxes receivable are property and deed transfer tax amounts that have been billed but not yet received.
- Includes the interest on overdue accounts and tax deferrals receivable.
- Reduced by an estimated allowance for items that may become uncollectable.

Taxes Receivable

	2013	2012	Change
Taxes receivable	\$ 27,216	\$ 29,243	(\$ 2,027)

- Decrease is due to the effect of changing the way the interim tax bill was calculated.
 - The interim bill was based on the prior years tax rate times the property's new assessment value.
 - The tax rate was reduced in 2012/13 and thus a larger percentage of the total taxes for the year were collected earlier in the year.
 - A smaller percentage of taxes were billed in October.
 - Therefore taxes receivable at year end are lower.

	2013	2012	Var
Taxes Receivable	27.99	29.01	(1.02)
Plus: Interest	2.92	3.43	(0.51)
Less: Allowance	(3.69)	(3.20)	(0.49)
Total	27.22	29.24	(2.02)

March 31, 2013 Aging

(in thousands)	2013	2012	2013	2012
0-30 days	268	469	1%	2%
31-60 days	180	31	1%	0%
61-90 days	42	99	0%	0%
91-120 days	97	270	0%	1%
120+ days	27,404	28,141	98%	97%
Total	27,991	29,010	100%	100%

Accounts Receivable

- Accounts Receivable would be all other receivables including:
 - HST, Payment In Lieu Tax (PILT) Receivable (net of allowances) and cost sharing from Federal and Provincial Governments.
 - Local Improvement Charges (LIC) billed to customers
 - Investment income receivable.
 - Recreation receivables.

Accounts Receivable

	2013	2012	Change
Accounts receivable	\$ 66,409	\$ 65,637	\$ 772

- Increase primarily due to Federal/Provincial cost sharing up \$6.5M mostly related to the Halifax Central Library project.
- Federal PILT up \$2.8M due primarily to an increase in the assessment role and additions including the new RCMP building and the extension at the container terminal.
- Decrease due to receipt of \$5M related to Hurricane Juan \$3.6M and White Juan \$1.4M.
- Offset by an increase in the Allowance related to PILT receivables, including Citadel.

	2013	2012	Var
<u>Federal</u>			
PILT	26.2	23.4	2.8
HST Receivable	6.0	5.2	0.8
Capital Cost Sharing (billed)	2.4	1.1	1.3
Accrued Cost Sharing (unbilled)	2.3	0.5	1.8
Total Federal	36.9	30.2	6.7
<u>Provincial</u>			
Gas Tax	12.6	12.6	0.0
Hurricane Juan / White Juan	0.0	5.0	(5.0)
Capital Cost Sharing (billed)	4.8	2.1	2.7
Accrued Cost Sharing (unbilled)	1.5	0.8	0.7
Other	0.3	0.2	0.1
Total Provincial	19.2	20.7	(1.5)
<u>Other A/R</u>			
HRWC & Other Cost Sharing	1.7	0.9	0.8
LIC's Receivable	11.6	13.0	(1.4)
ABC's A/R	2.6	1.5	1.1
Accrued Receivables	9.7	12.1	(2.4)
General Revenue Receivable	10.4	8.6	1.8
Other	2.1	1.9	0.2
Total Other A/R	38.1	38.0	0.1
Less: Allowance	(27.8)	(23.3)	(4.5)
Total Accounts Receivable	66.4	65.6	0.8

Loan, Deposits and Advances

- Includes primarily employee payroll advances which occurred at amalgamation and are being repaid as people leave the organization.

Loans, Deposits and Advances

	2013	2012	Change
Loans, deposits and advances	\$ 1,216	\$ 1,297	(\$ 81)

- Decrease in loans, deposits and advances due primarily to:
 - Reduction in employee payroll advances due to employees retiring/leaving.
 - Other changes in miscellaneous loan balances.

	2013	2012	Var
Employee Receivables/Payroll Advances	0.8	0.9	(0.1)
Harbour City Loan	0.1	0.2	(0.1)
Canada Games	-	0.1	(0.1)
Other	0.3	0.1	0.2
	1.2	1.3	(0.1)

Employee payroll advances are a result of the synchronization of the various payroll cycles of the different municipal units at the time of amalgamation. For example, if the "old" and "new" payroll cycles overlapped an employee would be paid twice for the period of overlap.

These advances are collected as a lump sum when an employee leaves, or can be collected bi-weekly based on employee authorization.

Harbour City Loan: Balance at March 31, 2013 was \$134,862 (2012 - \$176,862). Payments of \$3,500 per month, \$42,000 per year. No interest charged on loan. (Council Report Dec. 9, 2009).

Land Held for Resale

- This item represents land held in the business parks for sale including the Aerotech Park, Burnside and Bayers Lake.

Land Held for Resale

	2013	2012	Change
Land held for resale	\$ 23,491	\$ 28,401	(\$ 4,910)

- Lots in the business parks continue to be developed and sold:
 - Eighteen parcels were sold in 2012-13 for a total sales value of \$21.7M, including 17 lots in Burnside Park and a bulk land parcel in Bayers Lake Park.
 - Total net gain is \$16.2M.

Sales Price of Lots Sold (Gross)	2013	2012
Burnside Park:		
1240-A Wilkinson Avenue		0.4
1221A Wright Avenue		1.0
1146A John Savage Avenue		0.4
1223 Wilkinson Avenue		4.3
1167A Mellor Avenue		0.4
1251 Wilkinson Avenue		2.1
1232A Wilkinson Avenue		0.2
939 Gloria McCluskey Avenue		0.1
1247A Wilkinson Avenue		1.2
1232B Wilkinson Avenue		0.2
1203Y Burbridge Avenue		0.1
Thornhill Drive		0.4
EE18A Thorne Avenue	0.1	
EE21B Thorne Avenue	0.1	
EE7B Brown Avenue	0.1	
1254 Cutler Avenue	0.6	
1257 Cutler Avenue	0.5	
1256 Cutler Avenue	0.8	
1253 Cutler Avenue	0.6	
Lot 1147A-C John Savage Avenue	2.1	
Lot 1201X-1 Burbridge Avenue	0.2	
Lot 1139B Garland Avenue	0.4	
Lot EE-3A Thorne Avenue	0.2	
Lot # 1167B Mellor Avenue	0.5	
Lot # 1260 Cutler Avenue	1.0	
Lot EE-4 Thorne Avenue	0.2	
Lot # L-52A1-CX Thornhill Drive	0.6	
Lot # 95 Akerley Blvd	-	
Parcel S,6 & H Akerley Boulevard	4.4	
Bayer's Lake:		
11A Lovett Lake Court		0.7
Block BLBP -1 Chain Lake Drive	9.3	
Sales Values	21.7	11.5

	2013	2012
Aerotech	10.2	10.2
Burnside	8.7	11.2
Bayer's Lake	0.6	0.6
Other	3.9	6.4
	23.4	28.4

	2013	2012
Sales Value	21.7	11.5
Operating Costs - External	0.4	1.3
	21.3	10.2
Operating Costs - Internal	1.2	1.5
Proceeds to Reserves	20.1	8.7
Cost of Sales	(3.9)	(3.0)
Profit	16.2	5.7

Investment in HRWC

- We record our investment in the Halifax Regional Water Commission on the "modified equity basis":
 - We do not consolidate individual items in our statements.
 - We record the equity of the HRWC as Investment in the HRWC on the Statement of Financial Position.
 - We record the increase in equity of the HRWC as a revenue line on the Statement of Operations.

Investment in HRWC

	2013	2012	Change
Investment in HRWC	\$ 816,687	\$ 790,882	\$ 25,805

- The increase is primarily due to an increase in assets of \$68M which includes increases of \$7M in cash due to recent debt issues, \$3M in receivables and \$58M in fixed assets.
- Offset by an increase in their long term liabilities \$37M, and a increase in their short term liabilities of \$5M.

Current assets - \$7M increase in cash due to recent debt issues. \$3M increase in receivables.

Fixed assets – Increase of \$58M.

Short term liabilities – Current portion of LTD increased \$2.6M, payable to HRM increased \$1M and trade and other payables increased \$1.6M.

Long term liabilities – New debt issued of \$49.7M offset by debt payments of \$13.1M.

Accounts Payable and Accrued Liabilities

- Regular trade payables and accruals related to operations and projects.
- Includes accruals for payroll related items such as vacation and overtime.
- Includes and accrual for interest expense related to our debt that is not payable at the end of March.

Accounts Payable and Accrued Liabilities

	2013	2012	Change
Accounts payables and accrued liabilities	\$ 100,955	\$ 93,649	\$ 7,306

- Increase primarily due to capital invoices being up \$3.1M mostly related to the Central Library project and operating invoices up \$4.0M.
- Increase in Provincial cost sharing of \$6.3M mostly due to our share of the work on Bedford and Porters Lake Community Centres.
- Offset by reduction in payroll deductions due to Federal government as we paid deductions before year end, and reduction in accruals as more invoices received and recorded directly in accounts payable.

Accounts Payable - Additional Detail	2013	2012	Var
Payable to Other Governments			
<u>Federal</u>			
Receiver General - payroll deductions	3.3	7.4	(4.1)
Minister of Finance - RCMP costs for last quarter	5.6	5.4	0.2
Total Federal	8.9	12.8	(3.9)
<u>Provincial</u>			
Metro Regional Housing Authority	2.3	2.3	-
Minister of Finance - Infrastructure Renewal	11.3	5.9	5.4
Other	2.0	1.1	0.9
Total Provincial	15.6	9.3	6.3
Total Payable to Other Governments	24.5	22.1	2.4
<u>Trade Accounts Payable</u>			
Trade Accounts Payable	29.2	21.8	7.4
Refundable Deposits/Deposit Liabilities	3.1	1.5	1.6
Total Trade Accounts Payable	32.3	23.3	9.2
<u>Accrued Liabilities</u>			
Payroll items	7.2	6.8	0.4
Vacation	3.2	3.0	0.2
Pension Deductions Payable	1.7	1.6	0.1
Police OT	0.9	0.9	-
Payment Suspense	2.0	3.1	(1.1)
Misc. Accruals	10.8	9.5	1.3
ABC's	2.9	3.5	(0.6)
Business Parks	2.7	4.0	(1.3)
Capital Accruals	1.4	4.8	(3.4)
LIBY	2.3	1.8	0.5
Total Accrued Liabilities	35.1	39.0	(4.2)
Salaries & Wages Payable	5.9	5.7	0.2
Accrued Interest on Debentures	3.2	3.5	(0.3)
Total AP and Accrued Liabilities	101.0	93.6	7.3

Deferred Revenue

- Deferred Revenue includes payments that we have received in 2012-13, which are not recognized as revenue for this period as they have not been earned:
 - Prepayment of property taxes in advance of final bills being issued.
 - Recreation fees being paid in advance of program.
 - Cost sharing received but not yet earned.

Deferred Revenue

	2013	2012	Change
Deferred revenue	\$ 52,697	\$ 44,695	\$ 8,002

- The primary reasons for increase is due to:
 - Cost sharing received in advance for the Central Library \$5.7M.
 - Area rated revenues collected to be used in future years are up by \$1.2M.
 - Prepayment of taxes has decreased by \$0.8M.
 - Sponsorship money paid up front for long-term naming rights has increased by \$0.8M.
 - Other deposits received to be used to offset future costs have also increased.
 - Deferred revenue in the Recreation Centres has increased by \$0.5M.

	2013	2012	Var
Prepayment of Taxes	23.8	24.6	(0.8)
Restricted Area Rate Surpluses	5.3	4.1	1.2
Deferred Capital Charges	7.4	8.3	(0.9)
Deferred Revenue Central Library	6.9	1.2	5.7
Oval Sponsorship	0.8	-	0.8
Deferred Revenue in ABC's	3.1	2.6	0.5
Other	5.4	3.9	1.5
Total Deferred Revenue	52.7	44.7	8.0

Prepayment of taxes represents payments made through mortgage companies.

Employee Future Benefits

- This is the estimated liability for the benefits we have agreed to pay to employees in future periods.
- Morneau Shepell prepared an estimate of our liability on Early Retirement Program, Regional Retirement Incentive, Workforce Adjustment Program, Retiring Allowance, Police Health Trust and Sick Leave.
- The estimate is prepared once a year.

Employee Future Benefits

	2013	2012	Change
Employee future benefits	\$ 47,571	\$ 45,317	\$ 2,254

- The increase is primarily due to increases in the liabilities for retiring allowance \$1.9M and accumulated employee sick leave \$0.3M.

Increase in liability estimated by Morneau Shepell for 2013/14 is \$2.8M.

Estimated Liability March 31, 2014	50,329,600
Estimated Liability March 31, 2013	47,570,990
	<u>2,758,610</u>

Estimated increase in liability is budgeted in Fiscal Services.

Solid Waste Liabilities

- The estimate of the closure and post closure costs of the land fill sites in Sackville, Otter Lake and Mengoni.

Solid Waste Liabilities

	2013	2012	Change
Solid waste liabilities	\$ 10,607	\$ 14,860	(\$ 4,253)

- The liability related to the estimated future closure and post closure costs has decreased by \$4.3M, primarily due to the costs to close Cell 5 in Otter Lake that have been incurred in 2012/13. As costs have been incurred, this reduces our estimated future liability.
- The liability is funded by reserves.
- As of March 2013, we have \$0.1M more in reserves that we estimate will be required.

	Sackville	Otter Lake	Mengoni	2013 Total	2012 Total
Estimated present value of closure and post closure costs	19,573	30,165	2,497	52,235	49,119
Less: Expenses incurred	15,345	24,043	2,240	41,628	34,259
	4,228	6,122	257	10,607	14,860
Reserve fund	4,126	6,348	239	10,713	14,860
Amount to be funded from future revenue	102	(226)	18	(106)	-

Long-term Debt

- Long-term debt schedules in the financial statements outline total outstanding long-term debt and the portion that is recoverable from HRWC.
- Interest rates and maturity dates are also included in the schedules.
- Long-term debt is net of amounts that HRWC is required to repay related to Harbour Solution Project.

Long-term Debt

	2013	2012	Change
Long-term debt	\$ 230,275	\$ 241,406	(\$ 11,131)

- We continue to reduce the amount of debt funding.
- HRM has issued \$28.4M in new debt and redeemed \$39.4M.
- HRWC has redeemed \$7.3M of the Harbour Solutions Project debt they are required to repay.

Tangible Capital Assets

- Tangible capital assets include: buildings, land, land improvements (such as playgrounds, sports courts and sports fields), vehicles, ferries, dams, machinery and equipment, road infrastructure, leasehold improvements and assets under construction.

Tangible Capital Assets

	2013	2012	Change
TCA	\$ 1,788,580	\$ 1,748,787	\$ 39,793

- We have added \$153M of new assets in the year.
- Recorded \$112M in amortization expenses.
- These changes resulted in an increase in the overall balance of TCA by \$40M.

Of the \$153M in additions this year:

- Buildings \$36M including:
 - Bridge Terminal \$14.2M
 - Beaver-Bank Kinsac CC \$7.5M
 - Porters Lake CC \$3.9M
 - North Preston CC \$2.7M
- Vehicles \$26M
 - Includes \$21M bus additions including 31 new conventional buses and 14 new Access-a-Buses
- Road infrastructure \$42M
- Land and land improvements \$32M
 - Includes \$16.1M Cell 6 – Otter Lake
- Machinery & Equipment - \$11M
- Assets Under Construction - \$6M

Inventory and Prepaid Expenses

- Inventory and Prepaid expenses includes the inventory we hold at the various depots and the bills we pay upfront for services to be provided over the course of the year, such as licenses for software.
- Also includes the prepayment of debt discounts on debt issued by MFC that are amortized over the term of the debt.

Inventory and Prepaid Expenses

	2013	2012	Change
Inventory and prepaid expenses	\$ 8,946	\$ 8,574	\$ 372

- Increase primarily due to an increase in Cowie Hill inventory as less salt/sand was required during March than anticipated.

	2013	2012	Var
Inventory	5.5	5.1	0.4
Prepays	1.5	1.6	(0.1)
Deferred Debt Discount	1.6	1.6	-
ABC's & Other	0.3	0.3	-
Total	8.9	8.6	0.3
Inventory:			
MacIntosh	0.7	0.7	-
Cowie Hill	1.0	0.5	0.5
Transit - Burnside	1.9	2.0	(0.1)
Police Fleet	0.1	0.1	-
Waverley Fleet	0.5	0.5	-
Transit - Ragged Lake	0.8	0.8	-
Municipal Fleet	0.4	0.4	-
Other	0.1	0.1	-
	5.5	5.1	0.4

Accumulated Surplus

- Reflects our net asset position.

Accumulated Surplus

	2013	2012	Change
Accumulated surplus	\$ 2,522,137	\$ 2,425,881	\$ 96,256

- Investment in HRWC is up \$25.8M.
- Investment in TCA (net of associated debt) is up \$50.8M.
- Reserves increased \$32.1M primarily related to:
 - Increase in Capital reserves of \$31.9M due to net business park sales of \$19.5M, transfers to strategic growth \$8.3M, new reserve for regional facility expansion \$8.1M and partially offset by decreases in Otter Lake landfill closure reserve \$3.8M and waste resources reserve of \$5.2M.
 - Operating reserves includes a new reserve for LED streetlights conversion \$8M.
- Increases partially offset by increase in net liabilities of capital fund.

Summary of Note 16 Accumulated Surplus of the March 31, 2013 Consolidated Financial Statements:

Surplus	2013	2012	Variance
Invested in tangible capital assets	1,558,205	1,507,381	50,824
Equity in Halifax Regional Water Commission	816,687	790,882	25,805
Other	(24,870)	(12,366)	(12,504)
	2,350,022	2,285,897	64,125
Operating Reserves	42,955	43,317	(362)
Capital Reserves	125,650	93,751	31,899
Equipment Reserves	3,510	2,916	594
	172,115	139,984	32,131
Total Accumulated Surplus	2,522,137	2,425,881	96,256

Statement of Operations

- This is the consolidation of the revenue and expenses of the municipality including consolidated entities.
- Expenses are shown by the types of services provided.
- Expenses by object (salaries, interest, materials, etc.) are shown in the Schedules of Segment Disclosure contained in the financial statements.

Revenue - Taxation

- Increased assessment values for both Residential and Commercial.
- Residential and Commercial tax rates down.

Assessment:

Residential: \$29.6B up from \$27.6B increase of \$2B or 7%.

Commercial: \$6.2B up from \$5.8B increase of \$400M or 7%.

Business Occupancy: \$155M up from \$149M increase of \$6M or 4%.

	2013	2012	Var
<u>Residential - General Rate</u>			
Urban	0.661	0.709	-6.8%
Suburban	0.645	0.692	-6.8%
Rural	0.639	0.685	-6.7%
<u>Transit Area Rates</u>			
Regional	0.051	0.051	0.0%
Local	0.105	0.105	0.0%
<u>Commercial Rate</u>			
Urban	3.084	3.274	-5.8%
Suburban	3.084	3.274	-5.8%
Rural	2.733	2.928	-6.7%

Revenue - Taxation

	2013 Budget	2013	2012	Change
Taxation	\$ 631,730	\$ 632,814	\$ 622,576	\$ 10,238

- Increase of \$10M is primarily due to:
 - An increase in area rates of \$8M including a \$3M increase in transit area rate.
 - Deed transfer taxes were up by \$3M from prior years.

Deed transfer tax increased \$2.8M over last year. Total number of sales for the year ended March 31, 2013 are 8,326, which is 177 lower than last year. Despite lower sales volume, the real estate market remains strong due to positive economic growth in HRM combined, low interest rates and the Irving Shipbuilding contract. Residential sales prices on average are up \$9K over last year. Apartment and commercial sales activity compared to last year are up approximately \$350M.

Revenue – Taxation from Other Governments

- Payments in lieu of taxes for Federal and Provincial governments and their agencies.
 - Properties include:
 - Federal dockyard
 - Shearwater military base
 - Windsor Park
 - Provincial office buildings
 - Law courts / court house

Payments in lieu of taxes are calculated by multiplying the assessment times tax rate, unless there is a tax agreement.

In June 2012, the Supreme Court of Canada rendered its decision on the Citadel PILT case. In the decision the supreme court said that the federal government did not fairly apply the PILT Act with respect to the Citadel. Although, the court did not rule on value, it said that the starting point should be the value as assigned by the provincial assessment authority. HRM last September submitted a schedule with respect to the years 1997 – 2007 for land, eligible improvements and interests totalling \$13.5M. The federal government has acknowledged acceptance of this schedule but has not made a payment.

Revenue – Taxation from Other Governments

	2013 Budget	2013	2012	Change
Taxation from other governments	\$ 34,244	\$ 34,281	\$ 31,886	\$ 2,395

- Increase due primarily to increase in assessment values including increase of \$15M on assessment role from new RCMP building.
- In 2013, fire protection was charged on schools contributing incremental revenue of \$300K.

	2013	2012	Var
Federal (other than below)	20.2	19.3	0.9
Citadel	1.5	1.5	-
Canada Post	0.7	0.7	-
Halifax Port Corp.	2.4	1.8	0.6
CBC	0.3	0.3	-
Via Rail	0.1	0.1	-
NRC	0.1	0.1	-
Provincial	8.0	7.1	0.9
Other - Provincial	0.3	0.3	-
Tax Agreement - NSLC	0.7	0.7	-
Total	34.3	31.9	2.4

Revenue – User Fees and Charges

- User fees includes fees for parking meters, animal licenses, bus and ferry fares, tipping fees, building permits, facility rental fees, property rent, encroachment fees, recreation revenue and others.

Revenue – User Fees and Charges

	2013 Budget	2013	2012	Change
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User fees and charges	\$ 108,359	\$ 117,396	\$ 114,221	\$ 3,175
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- Increases in transit fare revenue and recreation fees partially offset by:
 - A reduction in insurance recoveries – last year we received an insurance recovery related to Beaver Bank Kinsac Community Centre fire.
 - A reduction in solid waste revenues:
 - Tipping fees down due to a reduction in commercial tonnage.
 - Recycling revenue down due to drop in commodity prices.

	2013	2012	Var
Recreation Fees:			
ABC 's	29.6	27.0	2.6
HRM	8.1	7.6	0.5
Transit Fares	30.5	26.6	3.9
Parking Meters	2.8	2.9	(0.1)
Tipping Fees	10.9	11.2	(0.3)
Sale of Recyclables	2.1	2.6	(0.5)
Building Permits	4.8	3.9	0.9
Other Licences & Permits	1.9	2.1	(0.2)
Facilities Rentals	2.7	2.6	0.1
Parking Rentals	2.3	2.6	(0.3)
Insurance Recoveries	0.6	4.0	(3.4)
Marketing Levy	1.8	1.8	-
By-law F300 (Provision of Tax Info)	1.8	1.8	-
Extra Duty / Ports Policing	0.9	0.8	0.1
Integrated Emergency Services	1.0	0.7	0.3
Other	15.6	16.0	(0.4)
Total	117.4	114.2	3.2

Revenue – Government Grants

- These are primarily grants that we receive for Gas Tax and contributions to other capital projects earned in the current fiscal year. Also includes operating grants from Provincial government.

Revenue – Government Grants

	2013 Budget	2013	2012	Change
Government grants	\$ 40,122	\$ 52,088	\$ 47,293	\$ 4,795

- Increase in funding for Central Library project of \$6.9M partially offset by a reduction in the number of projects receiving grant funding in 2013.

	2013	2012	Var
Unconditional Grants PNS	3.3	3.4	(0.1)
Boots on the Street	3.9	3.9	-
Library	4.8	4.8	-
RRFB Waste Diversion	2.7	2.9	(0.2)
Infrastructure Grants	10.5	4.8	5.7
Capital Grants PNS	1.7	2.4	(0.7)
Gas Tax Funding	25.2	25.1	0.1
Total	52.1	47.3	4.8

Revenue – Development Levies

- Development levies includes capital cost contributions and parkland development fees.

Revenue – Development Levies

	2013 Budget	2013	2012	Change
Development levies	\$ 1,644	\$ 3,132	\$ 2,808	\$ 324

- No significant change.

	2013	2012	Var
Capital Cost Contribution	2.1	2.0	0.1
Parkland Development Charges	1.0	0.8	0.2
Total	3.1	2.8	0.3

Revenue – Investment Income

- Investment Income is the income we earn from investing our temporarily surplus cash.

Revenue – Investment Income

	2013 Budget	2013	2012	Change
Investment income	\$ 2,488	\$ 3,821	\$ 2,877	\$ 944

- Increase primarily due to higher than anticipated cash balances.
- Annual money market rates:
 - 2013 – 1.20%
 - 2012 – 1.14%

Higher average balances and somewhat higher rates for money market investments.

HRM money market investment performance is compared to Mercer Investment Consulting Survey of Cdn Institutional Pooled Funds

HRM relative performance was at the 1st quartile break for the 3 months ending March 31, 2013 and somewhat above the Mercer Median for the 1 year period before allowing for fees that would have been paid to an external management firm. The positive relative performance was largely due to locking in relatively attractive rates near the one year term in April 2012 when the Bank of Canada was suggesting that rates may rise in the future.

Revenue - Penalties, Fines and Interest

- Represents penalties and interest on over due tax bills as well as parking tickets, summary offense revenue and library fines.

Revenue – Penalties, Fines and Interest

	2013 Budget	2012	2012	Change
Penalties, fines and interest	\$ 12,102	\$ 13,019	\$ 11,998	\$ 1,021

- Summary Offense Ticket revenue increased by \$1M due to an increase in the number of tickets outstanding in the Provincial court system.

	2013	2012	Var
Parking Tickets	3.9	3.7	0.2
Summary Offence Tickets	3.2	2.2	1.0
Interest Revenue - Capital Charges	0.6	0.5	0.1
Interest Revenue - Taxes	4.5	4.7	(0.2)
Library Fines	0.5	0.5	-
Other	0.3	0.4	(0.1)
Total	13.0	12.0	1.0

Revenue - Land Sales, Contributions and Other Revenue

- Sale of land in business parks and gain on sale of other assets.
- Includes Tangible Capital Assets received through the subdivision development process.
- Also includes cost sharing from external groups – primarily HRWC.

Revenue – Land Sales, Contributions and Other Revenue

	2013 Budget	2013	2012	Change
Land sales, contributions and other revenue	\$ 37,277	\$ 44,250	\$ 52,622	(\$ 8,372)

- Decrease is primarily due to the sale of parcels of land in downtown Halifax which raised revenues last year with no comparably large sale this year.
- Some of the decrease is offset by an increase in the sale of lots in Business Parks, including a bulk land parcel in Bayer's Lake Park.

	2013	2012	Var
Donations - Land	9.8	2.2	7.6
Donations - Roads	6.1	16.2	(10.1)
Gain on Sale of Assets	0.7	13.8	(13.1)
Loss on Sale of Assets	(0.8)	(0.4)	(0.4)
Sales in Business Parks	21.3	10.2	11.1
Sales of Other Land / Assets	0.2	4.4	(4.2)
External Cost Sharing & Other	7.0	6.2	0.8
Total	44.3	52.6	(8.3)

Revenue - HRWC

- Change in equity of our investment in HRWC – changes detailed in Note 7 of financial statements.
- Grant in lieu of tax is calculated at 1.56% of rate base for prior year.

Revenue – HRWC

	2013 Budget	2013	2012	Change
Increase in equity in the HRWC	\$ 26,000	\$ 25,805	\$ 15,766	\$ 10,039
Grant in lieu of tax	\$ 3,700	\$ 3,971	\$ 3,944	\$ 27

- The increase in equity in the HRWC is primarily due to an increase in HRWC revenue as a result of a waste / storm water rate increase as well as an increase in contributed capital assets which are primarily water infrastructure in new subdivisions.

Expenses – General Government Services

- Includes the costs for Mayor's Office and Council, Auditor General's Office, Finance and Information, Communication and Technology, HR and Legal Services.

Expenses – General Government Services

	2013 Budget	2013	2012	Change
General government services	\$ 104,347	\$ 101,401	\$ 99,774	\$ 1,627

- Increases due to October 2012 municipal elections costs and additional provision taken for taxes, capital cost sharing and assessment appeals partially offset by a reduction in expense for accumulated employee sick time.
 - In 2011/12, HRM recorded a \$12.4M expense to recognize the liability associated with accumulated sick time.
 - This expense was distributed across the segments.

Expenses by function	2013	2012	Var
1021112 - Mayor Expenses	0.7	0.7	-
1021132 - Council Expenses	2.6	2.8	(0.2)
1021290 - Other Gen Admin Services	61.9	64.9	(3.0)
1021700 - Interest Gen Gov't	1.8	1.0	0.8
1021712 - General Operations Interest	0.3	0.3	-
1021790 - Other Debt Charges	0.3	0.3	-
1021812 - Other Doubtful Receivables	6.2	3.6	2.6
1021910 - Elections	1.5	0.1	1.4
1021950 - Grants to Individ. & Orgs.	0.6	0.8	(0.2)
1021990 - Other General Services	3.7	4.9	(1.2)
Provincially mandated services	9.1	8.9	0.2
Amortization	12.7	11.5	1.2
Other			-
Total	101.4	99.8	1.6

Expenses by object	2013	2012	Var
Salaries, wages and benefits	48.8	50.9	(2.1)
Interest on long-term debt	1.4	0.1	1.3
Materials, goods, supplies and utilities	15.0	14.0	1.0
Contracted services	9.9	8.6	1.3
Other operating expenses	3.9	4.8	(0.9)
External transfers and grants	9.7	9.9	(0.2)
Amortization	12.7	11.5	1.2
Total	101.4	99.8	1.6

Expenses – Protective Services

- Includes the costs of Police, Fire and EMO.
- Includes fleet for police and fire.
- Amortization of assets related to these services.

Expenses – Protective Services

	2013 Budget	2013	2012	Change
Protective services	\$ 192,455	\$ 190,213	\$ 188,334	\$ 1,879

- Increases in compensation & benefits due to collective agreements offset by reduction in expense for accumulated employee sick time.
- Mandatory contribution for correctional services has increased by \$1.6M due to change in MOU with Province.

Expenses by function	2013	2012	Var
1022210 - Police Protection	98.3	98.6	(0.3)
1022290 - Law Enforcement Other	3.0	2.4	0.6
1022450 - Water Supply and Hydrants	10.9	11.1	(0.2)
1022490 - Fire Protection Other	56.7	58.1	(1.4)
1022500 - Emergency Measures	0.1	0.1	-
1022721 - Interest on LT Debt	0.7	0.7	-
1022900 - Other Protective Services	16.2	13.3	2.9
Amortization	4.3	4.0	0.3
Total	190.2	188.3	1.9

Expenses by object	2013	2012	Var
Salaries, wages and benefits	127.3	127.2	0.1
Interest on long-term debt	0.7	0.7	-
Materials, goods, supplies and utilities	6.3	7.0	(0.7)
Contracted services	27.0	25.9	1.1
Other operating expenses	18.1	18.6	(0.5)
External transfers and grants	6.5	4.9	1.6
Amortization	4.3	4.0	0.3
Total	190.2	188.3	1.9

Expenses – Transportation Services

- Includes Municipal Operations, Metro Transit, costs of street lighting, costs to plan and manage the road infrastructure, including winter works.
- Amortization of fleet is a significant component of these costs (33%).

Expenses – Transportation Services

	2013 Budget	2013	2012	Change
Transportation services	\$ 240,845	\$ 235,790	\$ 238,200	(\$ 2,410)

- Reduction in non-tca expenses partially offset by:
 - Increased costs associated with transit expansion including compensation & benefits, fuel, and repair and maintenance costs.
 - An increase in winter works costs due to increased number of adverse weather events this winter.
 - The creation of 4 new cost centres with a \$1.9M allocation from the project budget.
 - An increase in amortization related to the addition of \$46M of road infrastructure last year.

Expenses by function	2013	2012	Var
1023100 - Common Services	12.0	11.6	0.4
1023230 - Roads and Streets	36.8	32.0	4.8
1023250 - Street Lighting	6.3	6.3	-
1023270 - Parking	0.4	0.5	(0.1)
1023500 - Public Transit	81.2	73.0	8.2
1023721 - Interest on LT Debt	4.7	5.3	(0.6)
Non TCA Expenses	11.8	27.4	(15.6)
Amortization	78.8	76.2	2.6
Other	3.8	5.9	(2.1)
Total	235.8	238.2	(2.4)

Expenses by object	2013	2012	Var
Salaries, wages and benefits	79.6	79.4	0.2
Interest on long-term debt	4.7	5.3	(0.6)
Materials, goods, supplies and utilities	24.7	21.9	2.8
Contracted services	26.2	39.4	(13.2)
Other operating expenses	21.7	16.0	5.7
External transfers and grants	0.1	-	0.1
Amortization	78.8	76.2	2.6
Total	235.8	238.2	(2.4)

Expenses – Environmental Services

- Primarily the costs of garbage and waste collection, recycling and related services.

Expenses – Environmental Services

	2013 Budget	2013	2012	Change
Environmental services	\$ 53,668	\$ 51,271	\$ 52,537	(\$ 1,266)

- Reduction in the landfill accrual for post-closure costs is partially offset by:
 - Closure costs for Cell 5.
 - An increase in costs due to increase in leachate volume and collections costs of servicing new homes.

Expenses by function	2013	2012	Var
1024310 - Garbage Admin	1.0	0.8	0.2
1024320 - Garbage Collection	13.8	13.1	0.7
1024350 - Recycling	13.3	13.5	(0.2)
1024360 - Garbage Other	14.3	14.0	0.3
1024721 - Interest on LT Debt	0.8	0.9	(0.1)
Non TCA Expenses	7.8	1.6	6.2
Landfill accrual increase (decrease)	(4.3)	4.3	(8.6)
Amortization	4.6	4.3	0.3
Total	51.3	52.5	(1.2)

Expenses by object	2013	2012	Var
Salaries, wages and benefits	2.0	1.9	0.1
Interest on long-term debt	0.8	0.9	(0.1)
Materials, goods, supplies and utilities	0.1	0.1	-
Contracted services	43.3	44.7	(1.4)
Other operating expenses	0.5	0.6	(0.1)
External transfers and grants	-	-	-
Amortization	4.6	4.3	0.3
Total	51.3	52.5	(1.2)

- **Expenses – Recreation and Cultural Services**

- Costs of providing recreational services and facilities and library.

Expenses – Recreation and Cultural Services

	2013 Budget	2013	2012	Change
Recreation and cultural services	\$ 112,944	\$ 108,863	\$ 107,312	\$ 1,551

- Increases in amortization, non-tca expenses and library materials expenses partially offset by reduction in expense for accumulated employee sick time.

Expenses by function	2013	2012	Var
1027180 - Parks, Playgrounds, Sports	10.8	10.5	0.3
1027190 - Rec & Culture Other	4.4	4.3	0.1
1027290 - Other Rec & Culture	2.1	2.7	(0.6)
1027721 - Interest on LT Debt	1.8	2.7	(0.9)
1027900 - Other Rec and Culture	21.6	22.4	(0.8)
Library	22.4	21.4	1.0
ABC's	28.3	28.0	0.3
Non TCA Expenses	5.9	4.8	1.1
Amortization	11.6	10.5	1.1
Total	108.9	107.3	1.6

Expenses by object	2013	2012	Var
Salaries, wages and benefits	47.7	49.6	(1.9)
Interest on long-term debt	1.9	2.7	(0.8)
Materials, goods, supplies and utilities	12.7	11.3	1.4
Contracted services	9.3	7.7	1.6
Other operating expenses	23.7	23.8	(0.1)
External transfers and grants	2.0	1.7	0.3
Amortization	11.6	10.5	1.1
Total	108.9	107.3	1.6

- **Expenses – Planning and Development Services**

- Includes land use planning, zoning and development, development of industrial parks and cost related to activities that enhance local economic development and tourism.

Expenses – Planning and Development Services

	2013 Budget	2013	2012	Change
Planning and development services	\$ 22,683	\$ 22,381	\$ 22,216	\$ 165

- Increase in cost of Business Park lots sold partially offset by reduction in expense for accumulated employee sick time and reduction in salary costs.

Expenses by function	2013	2012	Var
1026190 - Other Enviro Planning	11.9	12.1	(0.2)
1026400 - Natural Resources Developmt	0.9	1.0	(0.1)
1026600 - Industrial Parks	0.4	0.4	-
1026721 - Interest on LT Debt	0.1	0.1	-
1026910 - Tourism	2.4	2.4	-
1026990 - Environmental Develop. Other	2.2	2.0	0.2
Non TCA Expenses	0.6	1.2	(0.6)
BUPK Cost of Sales	3.9	3.0	0.9
Amortization	-	-	-
Total	22.4	22.2	0.2

Expenses by object	2013	2012	Var
Salaries, wages and benefits	10.3	11.0	(0.7)
Interest on long-term debt	0.1	0.1	-
Materials, goods, supplies and utilities	0.3	0.5	(0.2)
Contracted services	1.0	1.3	(0.3)
Other operating expenses	6.1	5.2	0.9
External transfers and grants	4.6	4.1	0.5
Amortization	-	-	-
Total	22.4	22.2	0.2

- **Expenses – Educational Services**

- Includes both mandatory and supplementary contributions to school boards.

Expenses – Educational Services

	2013 Budget	2013	2012	Change
Educational services	\$ 124,402	\$ 124,402	\$ 118,366	\$ 6,036

- Increase in mandatory education contributions of \$6.5M.
- Decrease in supplementary education contributions of \$0.5M.

■ Statement of Changes in Net Financial Assets

- Shows the changes from annual surplus to the Net Financial Assets.

Statement of Cash Flows

- Shows the reason for the changes in our cash balance on the financial statements.
- Items that are revenue and expenses for financial statement purposes may not actually use or provide cash.
- Main items have been discussed already.

Notes to the Financial Statements

- Very important part of the financial statements.
- Provides much more detail than on the financial statements by themselves.



Notes

- Note 1 – provides details about the how we prepare the financial statements, the entities we consolidate and details on our method of accounting for the items in the financial statements.

Notes

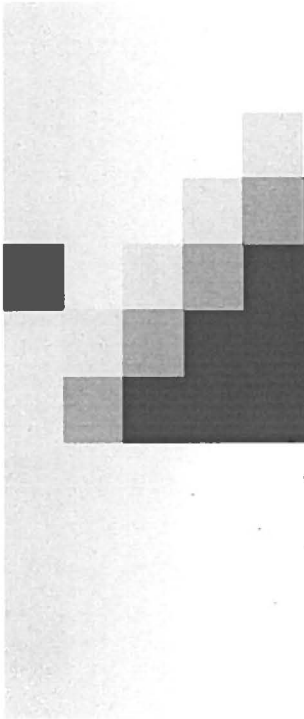
- Note 2 – we implemented two new handbook sections:
 - Section 3410 Government Transfers – related to revenue recognition of government transfers.
 - Section 3510 Tax Revenue – relates to accounting treatment of tax transfers, tax concessions and taxes imposed on behalf of others. Resulted in change in disclosure of provincially mandated contributions.

Notes

- Note 14 – Tangible Capital Assets provides details on the asset classes and the cost and accumulated amortization for each item.
- Note 15 – Accumulated Surplus provides details about where the surpluses are being used or held. Primarily TCA, HRWC and reserves.



Questions?




**Audited Consolidated
Financial Statements
– March 31, 2013**



**Financial Statement -
Recommendation**

- We require Council approval for the
 - Consolidated Financial Statements
 - Miscellaneous Trust Financial Statements
 - General Rate Surplus
- KPMG has presented its audit finding report to Audit and Finance Standing Committee:
 - No significant finding
 - Clean audit report



Preparing the Consolidated Financial Statements

- Start with the financial results from the Operating Fund, the Capital Fund, Business Parks and Reserve Funds.
- Add the financial results of the Library.
- Then the information for all the large Agencies, Boards and Commissions.
- Eliminate the transactions between all these groups.
- Add the results of Halifax Regional Water Commission – accounted for on the modified equity basis of accounting.



Financial Statement – Walk Through

- Management's Responsibility for Financial Statements – Page 1
- Auditors' Report – Page 2
- Statement of Financial Position – Page 3
- Statement of Operations and Accumulated Surplus – Page 4
- Statement of Change in Net Financial Assets – Page 5
- Statement of Cash Flows – Page 6
- Notes to Financial Statements – Pages 7 to 31
- Schedules
 - Remuneration of Members of Council and Chief Administrative Officer – Page 32
 - Long-term Debt – Pages 33-34
 - Segmented Disclosure – Pages 35-36

Summary of Statement of Financial Assets

	March 2013	March 2012	Change
Financial Assets	\$1,166,816	\$1,108,447	\$58,369
Financial Liabilities	\$442,205	\$439,927	\$2,278
Net Assets	\$724,611	\$668,520	\$56,091
Non-Financial Assets	\$1,797,526	\$1,757,361	\$40,165
Accumulated Surplus	\$2,522,137	\$2,425,881	\$96,256

- Increase in financial assets primarily due to increase in cash and short term investments and increase in investment in HRWC.
- Increases in employee future benefits, accounts payable & accrued liabilities and deferred revenue partially offset by reductions in long-term debt and solid waste management facilities liabilities.
- Increase in non financial assets due to increase in acquisition of tangible capital assets.

5

Summary of Statement of Operations

	2012/13 Budget	March 2013	March 2012	Change
Revenue	\$897,666	\$930,577	\$905,991	\$24,586
Expenses	\$851,344	\$834,321	\$826,739	\$7,582
Surplus for Period	\$46,322	\$96,256	\$79,252	\$17,004

- Revenue increase primarily as a result of increases in taxation revenue, government grants and increase in equity in HRWC. Smaller increases in other categories are offset by a decrease in land sales, contributions and other revenue.
- Increases in expenses due to transit expansion, municipal election costs, contractual increases, increased winter works costs, landfill cell closure costs and the cost of provincially mandated services partially offset by a reduction due to the initial recording of sick time liability last year and a reduction in non-capital project expenses.

6

Miscellaneous Trust Funds

March 31, 2013

Summary of Assets and Equity

	2013	2012	Change
Cash	\$ 6,701,754	\$ 6,457,363	\$ 244,391
Accounts Receivable	\$ 402,387	\$ 464,860	(\$ 62,473)
Investments	\$ 6,410	\$ 6,410	\$ 0
Equity	\$ 7,110,551	\$ 6,928,633	\$ 181,918

- Cash increased due primarily to tax sales.
- Accounts Receivable are reduced by loan payments.

Summary of Equity

	2013	2012	Change
Equity	\$ 7,110,551	\$ 6,928,633	\$ 181,918

- Equity increased due primarily to tax sales

Income and Expenditures

	2013	2012	Change
Income	\$ 362,686	\$ 1,045,230	(\$ 682,544)
Expenditures	\$ 187,046	\$ 148,382	\$ 38,664
Capital contributions	\$ 6,278	\$ 3,204	\$ 3,074

- Income – Tax sale (net of refunds) and interest income.
- Expenditures – Transfers to reserves and operating accounts.
- Capital contributions – cemetery lot sales.

Audited General Rate Surplus – March 31, 2013



General Rate Surplus

	2013
General rate surplus, before transfers to reserves	\$ 15,907
Transfers to reserves	
Contribution to Police Emergency/Extraordinary Investigation reserve	(66)
Contribution to Police Officer On the Job Injury reserve	(300)
Contribution to Police Facility Lease reserve	(634)
Contribution to LED Streetlight reserve	(8,000)
Contribution to Capital Surplus reserve	(3,000)
Contribution to Strategic Growth reserve	(2,200)
	(14,200)
	1,707
Prior years general rate surplus available for the 2013 fiscal year	7,581
General rate surplus	\$ 9,288

Consolidated Financial Statements of the

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2013

HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2013

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HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2013

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.

Richard Butts
Chief Administrative Officer

Greg Keefe
Director of Finance & Information,
Communication & Technology / CFO

Auditors Report

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2013, with comparative figures for 2012
(In thousands of dollars)

	2013	2012
Financial assets		
Cash and short-term deposits (note 3)	\$ 152,687	\$ 109,029
Taxes receivable (note 4)	27,216	29,243
Accounts receivable (note 5)	66,409	65,637
Loans, deposits and advances	1,216	1,297
Land held for resale	23,491	28,401
Investments (note 6)	79,110	83,958
Investment in the Halifax Regional Water Commission (note 7)	816,687	790,882
	<u>1,166,816</u>	<u>1,108,447</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 8)	100,955	93,649
Deferred revenue	52,697	44,695
Employee future benefits (note 10)	47,571	45,317
Solid waste management facilities liabilities (note 11)	10,607	14,860
Long-term debt (note 12)	230,375	241,406
	<u>442,205</u>	<u>439,927</u>
Net financial assets	724,611	668,520
Non-financial assets		
Tangible capital assets (note 15)	1,788,580	1,748,787
Inventory and prepaid expenses	8,946	8,574
	<u>1,797,526</u>	<u>1,757,361</u>
Accumulated surplus (note 16)	<u>\$ 2,522,137</u>	<u>\$ 2,425,881</u>

Commitments and contingent liabilities (notes 14 and 17)

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

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2013, with comparative figures for 2012

(In thousands of dollars)

	Budget	2013	2012
	Unaudited (Note 20)		Restated (Note 2)
Revenue			
Taxation	\$ 631,730	\$ 632,814	\$ 622,576
Taxation from other governments	34,244	34,281	31,886
User fees and charges	108,359	117,396	114,221
Government grants	40,122	52,088	47,293
Development levies	1,644	3,132	2,808
Investment income (note 6)	2,488	3,821	2,877
Penalties, fines and interest	12,102	13,019	11,998
Land sales, contributions and other revenue	37,277	44,250	52,622
Increase in equity in the Halifax Regional Water Commission (note 7)	26,000	25,805	15,766
Grant in lieu of tax from the Halifax Regional Water Commission (note 7)	3,700	3,971	3,944
Total revenue	897,666	930,577	905,991
Expenses			
General government services	104,347	101,401	99,774
Protective services	192,455	190,213	188,334
Transportation services	240,845	235,790	238,200
Environmental services	53,668	51,271	52,537
Recreation and cultural services	112,944	108,863	107,312
Planning and development services	22,683	22,381	22,216
Educational services	124,402	124,402	118,366
Total expenses	851,344	834,321	826,739
Annual surplus	46,322	96,256	79,252
Accumulated surplus, beginning of year	2,425,881	2,425,881	2,346,629
Accumulated surplus, end of year	\$ 2,472,203	\$ 2,522,137	\$ 2,425,881

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

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31, 2013, with comparative figures for 2012
(In thousands of dollars)

	Budget	2013	2012
	Unaudited (Note 20)		
Annual surplus	\$ 46,322	\$ 96,256	\$ 79,252
Acquisition of tangible capital assets	(103,000)	(152,859)	(97,539)
Amortization of tangible capital assets	112,163	112,155	106,581
Loss (gain) on sale of tangible capital assets	-	132	(13,454)
Proceeds on sale of tangible capital assets	-	779	15,204
	55,485	56,463	90,044
Acquisition of inventories of supplies and prepaid expenses	-	(26,860)	(22,380)
Consumption of inventories of supplies and use of prepaid expenses	-	26,488	23,506
Change in net financial assets	55,485	56,091	91,170
Net financial assets, beginning of year	668,520	668,520	577,350
Net financial assets, end of year	\$ 724,005	\$ 724,611	\$ 668,520

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

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

For the year ended March 31, 2013, with comparative figures for 2012

(In thousands of dollars)

	2013	2012
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 96,256	\$ 79,252
Items not involving cash:		
Amortization	112,155	106,581
Loss (gain) on sale of tangible capital assets	132	(13,454)
Contributed tangible capital assets	(15,942)	(18,400)
Increase in equity in the Halifax Regional Water Commission	(25,805)	(15,766)
	166,796	138,213
Change in non-cash assets and liabilities		
Decrease (increase) in taxes receivable	2,027	(488)
Decrease (increase) in accounts receivable	(772)	27,342
Decrease in loans, deposits and advances	81	798
Decrease (increase) in land held for resale	4,910	(1,063)
Decrease (increase) in inventory and prepaid expenses	(372)	1,126
Increase (decrease) in accounts payable and accrued liabilities	7,306	(16,512)
Increase in deferred revenue	8,002	1,256
Increase in employee future benefits	2,254	13,722
Increase (decrease) in solid waste management facilities liabilities	(4,253)	4,283
Net change in cash from operating activities	185,979	168,677
Capital activities		
Proceeds on disposal of tangible capital assets	779	15,204
Acquisition of tangible capital assets	(136,917)	(79,139)
Net change in cash from capital activities	(136,138)	(63,935)
Investing activities		
Decrease (increase) in investments	4,848	(25,612)
Net change in cash from investing activities	4,848	(25,612)
Financing activities		
Long-term debt issued	28,400	24,266
Long-term debt redeemed	(46,693)	(46,885)
Debt repayments recovered from Halifax Regional Water Commission	7,262	7,363
Net change in cash from financing activities	(11,031)	(15,256)
Net change in cash and short-term deposits	43,658	63,874
Cash and short-term deposits, beginning of year	109,029	45,155
Cash and short-term deposits, end of year	\$ 152,687	\$ 109,029

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the Halifax Regional Municipality (the "Municipality") have been prepared by management in accordance with generally accepted accounting principles ("GAAP") for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the 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:

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

Commissions, cultural and other facilities:

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

Halifax Regional Library

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

1. Significant accounting policies (continued):

(c) Investment in the Halifax Regional Water Commission:

The Halifax Regional Water Commission (the "HRWC") is accounted for using the modified equity basis of accounting; consistent with 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.

(d) School boards:

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

(e) 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.

(f) 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.

(g) 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 Section 3150 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, 2013
(In thousands of dollars)

1. Significant accounting policies (continued):

(h) Taxation and related revenues:

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

(i) Government transfers:

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. If a liability is created, the satisfaction of the transfer stipulations by the recipient government determines the timing of the recognition of the transfer as revenue.

(j) Short-term deposits and investments:

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

(k) 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.

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

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

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

1. Significant accounting policies (continued):

(n) Solid waste management facilities liabilities:

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

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

(o) Non-financial assets:

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

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the 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 the 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.

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.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

1. Significant accounting policies (continued):

(o) Non-financial assets (continued):

- 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.

2. Change in accounting policies:

The Municipality has implemented Public Sector Accounting Standards ("PS") 3410 Government Transfers and 3510 Tax Revenue. Both Sections are effective for fiscal years beginning on or after April 1, 2012. PS 3410 outlines conditions with respect to the revenue recognition of government transfers. The Municipality has chosen to apply this standard prospectively. PS 3510 offers guidance with respect to the accounting treatment of tax transfers, tax concessions and taxes imposed on behalf of others. In response to the guidance offered in PS 3510, the Municipality has revised its presentation of several provincially mandated contributions, which previously had been netted against taxation revenue. As outlined in Note 19, these contributions are now included as expenses. The change in presentation has not impacted the prior year's surplus or the accumulated surplus.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

3. Cash and short-term deposits:

	2013	2012
Halifax Regional Municipality	\$ 148,254	\$ 104,589
Commissions, cultural and other recreation facilities and Halifax Regional Library	4,433	4,440
Total	\$ 152,687	\$ 109,029

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

4. Taxes receivable:

	2013	2012
Taxes receivable	30,902	32,448
Allowance	(3,686)	(3,205)
Total	\$ 27,216	\$ 29,243

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

5. Accounts receivable:

	2013		2012	
Federal government	\$	36,901	\$	30,234
Provincial government		19,205		20,771
Other receivables		35,561		36,913
Allowance		(25,258)		(22,281)
Total	\$	66,409	\$	65,637

6. Investments:

Money market instruments include Federal and Provincial treasury bills, discounted notes of Federal Crown Corporations and instruments of Canadian Financial Institutions. These investments have a term to maturity of one year or less. Investments shown here have a remaining term to maturity of more than 90 days at March 31, 2013.

Bonds of Federal and Provincial governments and their guarantees have a maturity range from September 2013 to May 2016. The weighted average yield on market value of these bonds is 1.61% at March 31, 2013 (2012 - 1.42%).

	2013				2012	
	Cost	Market value	Cost	Market value	Cost	Market value
Money market instruments	\$ 51,105	\$ 51,267	\$ 70,952	\$ 71,149		
Bonds of Federal and Provincial governments and their guarantees	28,005	28,193	13,006	13,192		
Total	\$ 79,110	\$ 79,460	\$ 83,958	\$ 84,341		

The investment income earned on money market instruments is \$3,544 (2012 - \$2,527) and on bonds of Federal and Provincial governments and their guarantees is \$277 (2012 - \$350).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

7. Investment in the Halifax Regional Water Commission:

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

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

	2013	2012
Financial position		
Current assets	\$ 50,371	\$ 40,214
Capital assets	980,909	923,106
Total assets	1,031,280	963,320
Current liabilities	37,001	31,545
Long-term liabilities	177,592	140,893
Total liabilities	214,593	172,438
Total	\$ 816,687	\$ 790,882

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

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

	2013	2012
Results of operations		
Revenues	\$ 104,070	\$ 98,827
Operating expenses	(83,037)	(79,457)
Financing expenses	(7,693)	(8,164)
Other income	3,500	2,558
Net income before grant in lieu of tax	16,840	13,764
Grant in lieu of tax	(3,971)	(3,944)
Net income	12,869	9,820
Donated tangible capital assets	9,893	4,292
Decrease in reserves	3,043	1,654
Increase in investment and equity	25,805	15,766
Investment and equity, beginning of year	790,882	775,116
Investment and equity, end of year	\$ 816,687	\$ 790,882

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

	2013	2012
Revenues:		
Grant in lieu of tax	\$ 3,971	\$ 3,944
Expenses:		
Fire protection charge	\$ 10,851	\$ 11,081

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, 2013

(In thousands of dollars)

8. Accounts payable and accrued liabilities:

	2013	2012
Trade accounts payable	\$ 32,282	\$ 23,347
Federal government	8,913	12,784
Provincial government	15,580	9,280
Salaries and wages payable	5,933	5,714
Accrued liabilities	35,085	39,061
Accrued interest	3,162	3,463
Total	\$ 100,955	\$ 93,649

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

Employees of the Municipality participate in the Halifax Regional Municipality Pension Plan (the "HRM Plan"). The HRM Plan is a multiemployer 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 \$24,336 for the fiscal year ending March 31, 2013 (2012 - \$24,217). 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, at December 31, 2012, is to be filed by December 31, 2013. The interest rate used in the last filed valuation was 6.75% per year. The following estimates as at December 31, 2012 are based on the actuarial valuation as at December 31, 2009 extrapolated to December 31, 2012:

	2013 Extrapolated	2012 Extrapolated
Actuarial value of plan assets	\$ 1,209,583	\$ 1,176,502
Estimated present value of accrued pension benefits	(1,381,009)	(1,311,495)
Estimated funding deficit	\$ (171,426)	\$ (134,993)

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

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

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

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

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

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

Actuarial valuations of the above benefits are done for accounting purposes using the projected benefit method prorated on services. The last actuarial valuation of the lump sum amounts to the police health trust was conducted as at March 31, 2011, and extrapolated to March 31, 2012 and March 31, 2013. The last actuarial valuations of the unused sick leave benefits and lifetime and temporary benefits to former employees were conducted as at March 31, 2012, and extrapolated to March 31, 2013. For all other benefits, actuarial valuations were conducted as at March 31, 2013. 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:

	2013	2012
Accrued benefit obligation, beginning of the year	\$ 50,800	\$ 34,932
Current period benefit cost	3,880	16,455
Benefit payments	(3,992)	(4,494)
Interest cost	1,852	1,825
Actuarial loss	220	2,082
Accrued benefit obligation, end of fiscal year	\$ 52,760	\$ 50,800
Main assumptions used for fiscal year-end disclosure:		
Discount rate	3.16%	3.65%
Salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation:		
Discount rate	3.65%	3.87%
Salary increase	3% plus merit	3% plus merit

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

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

These other employee benefit plans require no contributions from employees. The benefit liability as at March 31, 2013 includes the following components:

	2013	2012
Accrued benefit obligation		
Retiring allowances	\$ 27,599	\$ 26,783
Sick leave	13,598	12,893
HRM pension contributions for employees on LTD	2,991	2,760
Police health trust	1,782	1,633
Other	6,790	6,731
	52,760	50,800
Unamortized actuarial loss	(5,189)	(5,483)
Benefit liability	\$ 47,571	\$ 45,317

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:

	2013	2012
Current period benefit cost	\$ 3,880	\$ 16,455
Amortization of actuarial loss	514	321
Other employee benefit expense	4,394	16,776
Other employee benefit interest expense	1,852	1,825
Total expense related to other employee benefit plans	\$ 6,246	\$ 18,601

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

11. Solid waste management facilities liabilities:

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

Sackville Landfill:

The Sackville Landfill site closed during the year ended March 31, 1997. A closure plan and an environmental audit were completed in 1996. Post closure care activities for this site include perpetual care that is expected to occur until 2017 and will involve the management and monitoring of groundwater, gas and leachate levels, operating and monitoring the leachate treatment 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 2.76% (2012 - 3.03%) and a forecasted inflation rate of 0.99% (2012 - 1.59%).

The estimated present value of future expenses for closure and post closure care as at March 31, 2013 is \$19,573 (2012 - \$18,774), of which total expenses of \$15,345 (2012 - \$14,267), have been made to date, resulting in a liability of \$4,228 (2012 - \$4,507).

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, 2013, the balance in the reserve is \$4,126 (2012 - \$4,507), which means the reserve has \$102 (2012 - \$nil) less 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 11 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 (2012 - 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 2.76% (2012 - 3.03%) and a forecasted inflation rate of 0.99% (2012 - 1.59%). The liability was adjusted for capacity used of 100% for the closed cells and 11.4% of Cell 6.

The estimated present value of future expenses for closure and post closure care as at March 31, 2013 is \$30,165 (2012 - \$27,866), of which total expenses of \$24,043 (2012 - \$17,766), have been made to date resulting in a liability of \$6,122 (2012 - \$10,100).

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, 2013, the balance in the reserve is \$6,348 (2012 - \$10,100), which means the reserve has \$226 (2012 - \$nil) more than needed to fund the projected liability.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

11. Solid waste management facilities liabilities (continued):

Mengoni Landfill:

The Mengoni Landfill site closed during the year ended March 31, 2008. A closure plan and an environmental audit were completed in 2008. Post closure care activities for this site include perpetual care that is expected to occur until 2029 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 2.76% (2012 - 3.03%) and a forecasted inflation rate of 0.99% (2012 - 1.59%).

The estimated present value of future expenses for closure and post closure care as at March 31, 2013 is \$2,497 (2012 - \$2,479) of which total expenses of \$2,240 (2012 - \$2,226), have been made to date, resulting in a liability of \$257 (2012 - \$253).

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, 2013 the balance in the reserve is \$239 (2012 - \$253), which means the reserve has \$18 (2012 - \$nil) less than needed to fund the projected liability.

				2013	2012
	Sackville	Otter Lake	Mengoni	Total	Total
Estimated present value of closure and post closure costs	\$ 19,573	\$ 30,165	\$ 2,497	\$ 52,235	\$ 49,119
Less: Expenses incurred	15,345	24,043	2,240	41,628	34,259
	4,228	6,122	257	10,607	14,860
Reserve fund	4,126	6,348	239	10,713	14,860
Amount to be funded from future revenue	\$ 102	\$ (226)	\$ 18	\$ (106)	\$ -

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

12. Long-term debt:

The schedules of long-term debt attached to the consolidated financial statements details the various terms and conditions related to the long-term debt (see pages 33 and 34).

Principal payments required in each of the next five years and thereafter on debt held as at March 31, 2013 are as follows:

2013	\$	38,525
2014	\$	35,650
2015	\$	32,429
2016	\$	27,204
2017	\$	24,017
Thereafter	\$	72,550
Total	\$	230,375

13. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2013 are \$7.1 million (2012 - \$6.9 million).

14. Commitments:

- (a) The Municipality and its consolidated entities rent facilities under several long-term operating leases with aggregate annual payments for each of the next five years approximating \$6.1 million (2012 - \$6.2 million).
- (b) The Municipality has entered into several long-term contracts for waste resources operations with aggregate annual payments for each of the next five years approximating \$45 million (2012 - \$41 million).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

15. Tangible capital assets:

Cost	Balance at March 31, 2012	Additions (Net of Transfers)	Disposals	Balance at March 31, 2013
Land	\$ 281,486	\$ 9,863	\$ (528)	\$ 290,821
Land improvements	204,194	21,636	-	225,830
Buildings	393,095	35,887	-	428,982
Vehicles	168,236	26,296	(4,632)	189,900
Machinery and equipment	80,436	11,046	-	91,482
Roads and infrastructure	1,661,383	42,146	-	1,703,529
Dams	480	-	-	480
Ferries	19,425	-	-	19,425
Leasehold improvements	3,030	-	-	3,030
Assets under construction	37,779	5,985	-	43,764
Total	\$ 2,849,544	\$ 152,859	\$ (5,160)	\$ 2,997,243

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization Expense	Balance at March 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	155,820	-	8,369	164,189
Buildings	166,896	-	12,788	179,684
Vehicles	85,506	(4,249)	12,842	94,099
Machinery and equipment	43,690	-	10,470	54,160
Roads and infrastructure	629,870	-	66,916	696,786
Dams	420	-	12	432
Ferries	17,959	-	588	18,547
Leasehold improvements	596	-	170	766
Assets under construction	-	-	-	-
Total	\$ 1,100,757	\$ (4,249)	\$ 112,155	\$ 1,208,663

	Net book value March 31, 2012	Net book value March 31, 2013
Land	\$ 281,486	\$ 290,821
Land improvements	48,374	61,641
Buildings	226,199	249,298
Vehicles	82,730	95,801
Machinery and equipment	36,746	37,322
Roads and infrastructure	1,031,513	1,006,743
Dams	60	48
Ferries	1,466	878
Leasehold improvements	2,434	2,264
Assets under construction	37,779	43,764
Total	\$ 1,748,787	\$ 1,788,580

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

15. Tangible capital assets (continued):

Cost	Balance at March 31, 2011	Additions (Net of Transfers)	Disposals	Balance at March 31, 2012
Land	\$ 278,225	\$ 4,843	\$ (1,582)	\$ 281,486
Land improvements	192,773	11,421	-	204,194
Buildings	377,035	16,286	(226)	393,095
Vehicles	165,018	6,836	(3,618)	168,236
Machinery and equipment	70,260	10,176	-	80,436
Roads and infrastructure	1,615,250	46,133	-	1,661,383
Dams	480	-	-	480
Ferries	19,026	399	-	19,425
Leasehold improvements	3,030	-	-	3,030
Assets under construction	36,334	1,445	-	37,779
Total	\$ 2,757,431	\$ 97,539	\$ (5,426)	\$ 2,849,544

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization Expense	Balance at March 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	148,142	-	7,678	155,820
Buildings	155,484	(217)	11,629	166,896
Vehicles	76,147	(3,459)	12,818	85,506
Machinery and equipment	34,411	-	9,279	43,690
Roads and infrastructure	565,634	-	64,236	629,870
Dams	408	-	12	420
Ferries	17,202	-	757	17,959
Leasehold improvements	424	-	172	596
Assets under construction	-	-	-	-
Total	\$ 997,852	\$ (3,676)	\$ 106,581	\$ 1,100,757

	Net book value March 31, 2011	Net book value March 31, 2012
Land	\$ 278,225	\$ 281,486
Land improvements	44,631	48,374
Buildings	221,551	226,199
Vehicles	88,871	82,730
Machinery and equipment	35,849	36,746
Roads and infrastructure	1,049,616	1,031,513
Dams	72	60
Ferries	1,824	1,466
Leasehold improvements	2,606	2,434
Assets under construction	36,334	37,779
Total	\$ 1,759,579	\$ 1,748,787

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

15. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$43,764 (2012 - \$37,779) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at the fair market value at the date of contribution. The value of contributed assets received during the year is \$15,942 (2012 - \$18,400) and is comprised of roads and infrastructure in the amount of \$6,116 (2012 - \$16,218) and land and land improvements having a value of \$9,826 (2012 - \$2,182).

(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 \$163 (2012 - \$nil).

(f) Roads and infrastructure:

Roads and infrastructure have a net book value of \$1,006,743 (2012 - \$1,031,513) and are comprised of: road beds - \$306,756 (2012 - \$316,263), road surfaces - \$367,458 (2012 - \$381,896), infrastructure - \$321,853 (2012 - \$324,433) and bridges - \$10,676 (2012 - \$8,921).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

16. Accumulated surplus:

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

	2013	2012
Surplus		
Invested in tangible capital assets	\$ 1,558,205	\$ 1,507,381
Other	1,577	18,311
Equity in Halifax Regional Water Commission	816,687	790,882
Funded by reserves		
Landfill closure costs	(10,607)	(14,860)
Unfunded		
Accrued interest	(3,162)	(3,463)
Employee benefits	(12,678)	(12,354)
Total surplus	2,350,022	2,285,897
Operating reserves set aside by Council		
Self insurance	4,109	3,980
Operations stabilization	1,661	4,606
Snow and ice control variable operating	4,310	8,423
Service improvement	1,764	2,000
Cemetery maintenance	162	157
Culture development	1,134	1,242
Municipal elections	736	1,405
EMO cost recovery	338	310
Marketing levy special events	456	1,112
DNA costs	120	115
Titanic commemorative	39	13
Central library capital campaign and development	3,427	2,983
Major events facilities	1,395	857
Operating cost of new capital	3,930	6,789
Information and communication technologies	5,039	4,637
Police emergency and extraordinary investigation	1,000	1,170
Police officer on the job injury	1,599	885
Commons enhancement	1	1
Provincially funded police officers and facility lease	2,923	2,260
Convention Centre	803	372
LED street light conversion	8,009	-
Total operating reserves set aside by Council	42,955	43,317

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

16. Accumulated surplus (continued):

	2013	2012
Capital and equipment reserves set aside by Council		
Sale of capital assets	\$ 984	\$ 330
Business/industrial parks expansion	25,470	5,938
Capital surplus	3,280	1,856
Parkland development	3,176	2,584
Sackville landfill closure	4,126	4,507
Otter Lake landfill closure	6,348	10,100
Mengoni landfill closure	239	253
Waste resources capital	9,137	14,300
Upper Sackville turf	101	325
MetroPark parkade	2,044	2,031
Strategic growth	15,357	7,030
HRM sustainable communities	473	337
Rural fire	832	705
Ferry replacement	9,946	8,194
Capital replacement	2,255	1,630
Energy and underground services co-location	1,850	1,700
Bedford South capital cost contribution interchange	95	94
Gas tax	12,574	15,058
Alderney Gate recapitalization	1,202	1,094
Regional capital cost contribution	2,974	2,007
Community facility partnership	830	820
Kingswood water	4	4
5594-96 Morris Street	70	61
Rockingham community centre	14	13
Captain William Spry centre	2	2
Richmond school	1	1
Waterfront development	73	19
Central Library capital replacement	12,579	12,422
BMO centre life cycle	591	336
Bus replacement	956	-
Regional facility expansion	8,067	-
Total capital reserves set aside by Council	125,650	93,751
General fleet	1,959	1,477
Police vehicles	584	450
Fire and emergency service vehicles and equipment	937	959
Fuel system	30	30
Total equipment reserves set aside by Council	3,510	2,916
Total capital and equipment reserves set aside by Council	129,160	96,667
Total accumulated surplus	\$ 2,522,137	\$ 2,425,881

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

17. Contingent liabilities:

- (a) As of March 31, 2013, 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 HRWC. As at March 31, 2013, this outstanding debt was \$71.8 million (2012 - \$44.3 million), with maturity dates ranging from 2017 to 2022. In addition, the Municipality is responsible for outstanding debt of \$79.9 million (2012 - \$87.1 million) recoverable from the HRWC.

18. Financial instruments:

(a) Fair value:

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

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

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

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

18. Financial instruments (continued):

(b) Credit risk:

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

19. Amounts contributed for provincially mandated services:

	Budget	2013	2012
	(Unaudited)		
School boards	\$ 124,402	\$ 124,402	\$ 118,366
Assessment services	6,822	6,720	6,693
Social housing	2,400	2,400	2,220
Correctional services	6,437	6,437	4,796
Total	\$ 140,061	\$ 139,959	\$ 132,075

(a) School boards:

The Municipality is required to provide a mandatory contribution in the amount of \$106.3 million (2012 - \$99.8 million) and supplementary contributions of \$18.1 million (2012 - \$18.6 million) to the Halifax Regional School Board and the Conseil scolaire acadien provincial. These contributions are recorded as expenses in educational services.

(b) Assessment services:

The Municipality is required to pay a share of the cost of operating the Property Valuation Services Corporation based on the total municipal assessment cost times the average of the Municipality's share of the Uniform Assessment and the Municipality's share of assessment accounts. This expense is included in general government services.

(c) Social housing:

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

(d) Correctional services:

Municipalities in Nova Scotia are required to make a mandatory contribution to fund the cost of correctional services. The contribution is set by provincial formula and is included in protective services.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

20. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2012/2013 operating and project budgets approved by Council on April 3, 2012, plus the budgeted figures of the various Agencies, Boards and Commissions included in the consolidated statements, to the extent that they could be reasonably determined.

PSAB Tangible Capital Asset accounting standards have not been adopted for budget preparation purposes. The 2012/2013 Council approved budget has been modified to reflect these adjustments.

	2013	2012
	Unaudited	Unaudited
Revenue		
Operating budget	\$ 790,026	\$ 758,701
Project budget	131,600	144,774
	<u>921,626</u>	<u>903,475</u>
Less:		
Miscellaneous capital funding	(4,578)	(3,690)
Principal and interest recovery from Halifax Regional Water Commission	(11,675)	(1,017)
Tax concessions	(5,186)	(5,232)
Transfers from reserves to capital	(23,851)	(36,148)
Transfers operating to capital	(45,285)	(40,354)
Long-term debt issued	(31,239)	(30,361)
	<u>(121,814)</u>	<u>(116,802)</u>
Add:		
Revenues from agencies, boards and commissions	29,000	29,000
Prior year surplus area rates	4,343	4,756
Proceeds from sale of assets deposited to reserves	18,216	27,727
Interest on reserves	1,388	1,475
Development levies in reserves	1,644	650
Other reserve revenue	1,867	1,797
Tangible capital assets related adjustments	15,396	31,850
Equity in earnings of the Halifax Regional Water Commission	26,000	15,800
	<u>97,854</u>	<u>113,055</u>
Total revenue	\$ 897,666	\$ 899,728

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013

(In thousands of dollars)

20. Budget data (continued):

	2013	2012
	(Unaudited)	(Unaudited)
Expenses		
Operating budget	\$ 790,026	\$ 758,701
Less:		
Tax concessions	(5,186)	(5,232)
Transfers operating to capital	(45,285)	(40,354)
Transfers operating to reserves	(14,295)	(26,385)
Change in solid waste management facilities liabilities	(4,250)	4,283
Principal and interest payments made on behalf of Halifax Regional Water Commission	(11,675)	(1,017)
Long-term debt redeemed	(38,867)	(38,296)
	(119,558)	(107,001)
Add:		
Expenses from agencies, boards and commissions	28,500	28,000
Cost of lots sold in business parks	3,875	2,985
Application of prior year surplus	8,243	4,756
Tangible capital assets adjustments including amortization	140,258	142,650
	180,876	178,391
Total expenses	851,344	830,091
Annual surplus	\$ 46,322	\$ 69,637

21. Segmented information:

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

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

The major segments are as follows:

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2013
(In thousands of dollars)

21. Segmented information (continued):

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

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

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

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

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

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

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

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

For additional information, see the Consolidated Schedules of Segment Disclosure (see pages 35 and 36).

22. Comparative figures:

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

HALIFAX REGIONAL MUNICIPALITY

Schedule of Remuneration of Members of Council and Chief Administrative Officer

Year ended March 31, 2013

(In thousands of dollars)

	2013	2012
Current Council members:		
M. Savage, Mayor	\$ 63	\$ -
S. Adams	74	72
S. Craig	31	-
B. Dalrymple	74	72
D. Fisher	74	72
D. Hendsbee	74	72
B. Johns	74	72
B. Karsten	74	75
W. Mason	31	-
G. McCluskey	76	74
L. Mosher	74	72
L. Nicoll	74	72
T. Outhit	74	72
R. Rankin	77	72
R. Walker	74	72
J. Watts	74	72
M. Whitman	31	-
Past Council members:		
P. Kelly, Mayor	90	145
J. Barkhouse	44	72
J. Blumenthal	45	74
R. Harvey	43	72
D. Hum	44	72
P. Lund	44	72
D. Sloane	44	72
J. Smith	44	77
S. Streach	44	72
S. Uteck	44	72
M. Wile	45	74
Chief Administrative Officer:		
Richard Butts	309	289

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, 2013
(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31, 2012	Issued	Redeemed	Balance March 31, 2013
Municipal Finance Corporation:							
02-A-1	10	3.375/6.125	2012	\$ 2,443	\$	\$ 2,443	\$ -
02-B-1	10	3.25/5.625	2012	1,238		1,238	-
03-A-1	10	3.5/5.375	2013	7,764		3,882	3,882
03-B-1	10	2.75/5.0	2013	846		423	423
04-A-1	10	2.55/5.45	2014	6,903		1,842	5,061
04-B-1	10	3.195/5.05	2014	6,951		2,317	4,634
24-HBR-1	20	2.84/5.94	2024	71,500		5,500	66,000
05-A-1	10	2.97/4.56	2015	9,200		2,300	6,900
05-B-1	15	3.63/4.83	2020	23,089		2,215	20,874
06-A-1	10	4.29/4.88	2016	11,542		2,308	9,234
06-B-1	10	4.1/4.41	2016	5,075		1,016	4,059
07-A-1	10	4.45/4.63	2017	11,740		1,958	9,782
07-B-1	10	4.65/5.01	2017	5,280		880	4,400
08-A-1	10	3.75/4.884	2018	18,550		2,650	15,900
08-B-1	10	3.1/5.095	2018	17,316		2,473	14,843
09-A-1	20	1.0/5.644	2024	43,762		4,395	39,367
09-B-1	10	0.97/4.329	2019	5,200		650	4,550
10-A-1	10	1.51/4.5	2020	18,360		2,040	16,320
10-B-1	10	1.55/3.87	2020	24,052		2,673	21,379
11-A-1	10	1.63/4.221	2021	13,250		1,325	11,925
11-B-1	10	1.219/3.645	2021	11,016		1,103	9,913
12-A-1	10	1.636/3.48	2022	-	14,800		14,800
12-B-1	10	1.51/3.16	2022	-	9,600		9,600
				315,077	24,400	45,631	293,846
Federation of Canadian Municipalities:							
GMIF-1599	10	1.33/3.127	2014	13,000		1,000	12,000
FCM	20	2.0	2032	-	4,000		4,000
Misc.:							
5% stock Permanent		5.0	-	2			2
Sackville Landfill Trust:							
Acadia School	20	7.0	2018	465		62	403
				328,544	28,400	46,693	310,251
Less long-term debt recovery from Halifax Regional Water Commission:							
24-HBR-1	20	2.84/5.94	2024	(71,500)		(5,500)	(66,000)
GMIF-1599	10	1.33/3.127	2014	(13,000)		(1,000)	(12,000)
Other debt	1 to 5	2.55/6.875		(2,638)		(762)	(1,876)
				(87,138)	-	(7,262)	(79,876)
Net long-term debt				\$ 241,406	\$ 28,400	\$ 39,431	\$ 230,375

HALIFAX REGIONAL MUNICIPALITY

Schedule of Long-term Debt

Year ended March 31, 2012

(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31, 2011	Issued	Redeemed	Balance March 31, 2012
Municipal Finance Corporation:							
01-A-1	10	4.375/6.25	2011	1,630	-	1,630	-
01-B-1	10	3.125/6.0	2011	991	-	991	-
02-A-1	10	3.375/6.125	2012	4,887	-	2,444	2,443
02-B-1	10	3.25/5.625	2012	2,475	-	1,237	1,238
03-A-1	10	3.5/5.375	2013	11,646	-	3,882	7,764
03-B-1	10	2.75/5.0	2013	1,269	-	423	846
04-A-1	10	2.55/5.45	2014	8,748	-	1,845	6,903
04-B-1	10	3.195/5.05	2014	9,269	-	2,318	6,951
24-HBR-1	20	2.84/5.94	2024	77,000	-	5,500	71,500
05-A-1	10	2.97/4.56	2015	11,500	-	2,300	9,200
05-B-1	15	3.63/4.83	2020	25,305	-	2,216	23,089
06-A-1	10	4.29/4.88	2016	13,850	-	2,308	11,542
06-B-1	10	4.1/4.41	2016	6,090	-	1,015	5,075
07-A-1	10	4.45/4.63	2017	13,696	-	1,956	11,740
07-B-1	10	4.65/5.01	2017	6,160	-	880	5,280
08-A-1	10	3.75/4.884	2018	21,200	-	2,650	18,550
08-B-1	10	3.1/5.095	2018	19,790	-	2,474	17,316
09-A-1	20	1.0/5.644	2024	48,157	-	4,395	43,762
09-B-1	10	0.97/4.329	2019	5,850	-	650	5,200
10-A-1	10	1.51/4.5	2020	20,400	-	2,040	18,360
10-B-1	10	1.55/3.87	2020	26,725	-	2,673	24,052
11-A-1	10	1.63/4.221	2021	-	13,250	-	13,250
11-B-1	10	1.219/3.645	2021	-	11,016	-	11,016
				336,638	24,266	45,827	315,077
Federation of Canadian Municipalities:							
GMIF-1599	10	1.33/3.127	2014	14,000	-	1,000	13,000
Misc.:							
5% stock Permanent		5.0	-	2	-	-	2
Sackville Landfill Trust:							
Acadia School	20	7.0	2018	523	-	58	465
				351,163	24,266	46,885	328,544
Less long-term debt recovery from Halifax Regional Water Commission:							
24-HBR-1	20	2.84/5.94	2024	(77,000)	-	(5,500)	(71,500)
GMIF-1599	10	1.33/3.127	2014	(14,000)	-	(1,000)	(13,000)
Other debt	1 to 6	2.55/6.875		(3,501)	-	(863)	(2,638)
				(94,501)	-	(7,363)	(87,138)
Net long-term debt				\$ 256,662	\$ 24,266	\$ 39,522	\$ 241,406

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2013
(In thousands of dollars)

Year ended March 31, 2013	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Total
Revenue								
Taxation	\$ 433,296	\$ 6,437	\$ 68,679	\$ -	\$ -	\$ -	\$ 124,402	\$ 632,814
Taxation from other governments	34,281	-	-	-	-	-	-	34,281
User fees and charges	6,816	11,619	36,646	15,059	42,922	4,334	-	117,396
Government grants	3,723	3,900	25,999	2,694	15,772	-	-	52,088
Development levies	-	-	959	1,156	1,017	-	-	3,132
Investment income	3,821	-	-	-	-	-	-	3,821
Penalties, fines and interest	5,230	7,302	-	-	487	-	-	13,019
Land sales, contributions and other revenue	148	-	12,195	44	10,590	21,273	-	44,250
Increase in equity in the Halifax Regional Water Commission	25,805	-	-	-	-	-	-	25,805
Grant in lieu of tax from the Halifax Regional Water Commission	3,971	-	-	-	-	-	-	3,971
Total revenue	517,091	29,258	144,478	18,953	70,788	25,607	124,402	930,577
Expenses								
Salaries, wages and benefits	48,824	127,246	79,604	1,961	47,668	10,298	-	315,601
Interest on long-term debt	1,411	665	4,651	771	1,851	51	-	9,400
Materials, goods, supplies and utilities	15,026	6,302	24,718	113	12,755	311	-	59,225
Contracted services	9,924	26,972	26,227	43,385	9,299	1,022	-	116,829
Other operating expenses	3,774	18,200	21,722	451	23,629	6,128	-	73,904
External transfers and grants	9,698	6,484	74	-	1,995	4,554	124,402	147,207
Amortization	12,744	4,344	78,794	4,590	11,666	17	-	112,155
Total expenses	101,401	190,213	235,790	51,271	108,863	22,381	124,402	834,321
Annual surplus (deficit)	\$ 415,690	\$ (160,955)	\$ (91,312)	\$ (32,318)	\$ (38,075)	\$ 3,226	\$ -	\$ 96,256

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2013
(In thousands of dollars)

Year ended March 31, 2012	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Total
Revenue								
Taxation	\$ 435,433	\$ 4,797	\$ 63,980	\$ -	\$ -	\$ -	\$ 118,366	\$ 622,576
Taxation from other governments	31,886	-	-	-	-	-	-	31,886
User fees and charges	9,026	10,826	32,728	15,793	42,198	3,650	-	114,221
Government grants	3,923	3,881	25,309	3,338	10,822	20	-	47,293
Development levies	-	-	1,062	929	817	-	-	2,808
Investment income	2,877	-	-	-	-	-	-	2,877
Penalties, fines and interest	5,245	6,235	-	-	518	-	-	11,998
Land sales, contributions and other revenue	4,292	48	34,081	45	3,841	10,315	-	52,622
Increase in equity in the Halifax Regional Water Commission	15,766	-	-	-	-	-	-	15,766
Grant in lieu of tax from the Halifax Regional Water Commission	3,944	-	-	-	-	-	-	3,944
Total revenue	512,392	25,787	157,160	20,105	58,196	13,985	118,366	905,991
Expenses								
Salaries, wages and benefits	50,896	127,212	79,366	1,858	49,577	11,002	-	319,911
Interest on long-term debt	82	668	5,322	876	2,672	91	-	9,711
Materials, goods, supplies and utilities	14,020	6,947	21,949	143	11,222	503	-	54,784
Contracted services	8,632	25,896	39,418	44,759	7,683	1,314	-	127,702
Other operating expenses	4,753	18,735	15,898	589	23,868	5,163	-	69,006
External transfers and grants	9,926	4,844	30	-	1,745	4,133	118,366	139,044
Amortization	11,465	4,032	76,217	4,312	10,545	10	-	106,581
Total expenses	99,774	188,334	238,200	52,537	107,312	22,216	118,366	826,739
Annual surplus (deficit)	\$ 412,618	\$ (162,547)	\$ (81,040)	\$ (32,432)	\$ (49,116)	\$ (8,231)	\$ -	\$ 79,252

Financial Statements of the

HALIFAX REGIONAL MUNICIPALITY
MISCELLANEOUS TRUST FUNDS

Year ended March 31, 2013

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Balance Sheet

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Assets		
Cash	\$ 6,701,754	\$ 6,457,363
Accounts receivable (note 2)	402,387	464,860
Investments (note 3)	6,410	6,410
	<u>\$ 7,110,551</u>	<u>\$ 6,928,633</u>
Fund Equity		
Fund equity (schedule)	7,110,551	6,928,633
	<u>\$ 7,110,551</u>	<u>\$ 6,928,633</u>

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

Approved on behalf of the Halifax Regional Municipality

Mayor, Mike Savage

Municipal Clerk, Cathy Mellett

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Statement of Income and Expenditures and Fund Equity

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Income		
Investment Income	\$ 96,746	\$ 96,186
Tax sales	265,940	949,044
	<u>362,686</u>	<u>1,045,230</u>
Expenditures		
Transfer to Halifax Regional Municipality	170,925	104,620
Net transactions with Trustors	16,121	43,762
	<u>187,046</u>	<u>148,382</u>
Excess of income over expenditures	175,640	896,848
Capital contributions received during the period	6,278	3,204
	181,918	900,052
Fund equity, beginning of the period	6,928,633	6,028,581
Fund equity, end of period	<u>\$ 7,110,551</u>	<u>\$ 6,928,633</u>

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

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Statement of Cash Flow

Year ended March 31, 2013 with comparative figures for 2012

	2013	2012
Excess of income over expenditures	\$ 175,640	\$ 896,848
Capital contributions received during the period	6,278	3,204
Decrease in accounts receivable	62,473	58,570
Increase in cash	244,391	958,622
Cash, beginning of year	6,457,363	5,498,741
Cash, end of year	\$ 6,701,754	\$ 6,457,363

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

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Notes to Financial Statements

Year Ended March 31, 2013

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

1. Significant accounting policies:

(a) Revenue recognition:

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

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

(b) Use of estimates:

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

2. Accounts receivable:

The accounts receivable balance, \$402,387 (2012 - \$464,860) is due from an entity controlled by the Halifax Regional Municipality. During the year, the entity made principal payments of \$62,473 (2012 - \$58,261) and interest payments of \$30,563 (2012 - \$34,775).

3. Investments:

	2013		2012	
Shares, cost	\$	6,410	\$	6,410
	\$	6,410	\$	6,410
Shares, market values	\$	257,806	\$	239,098
	\$	257,806	\$	239,098

The market value shown for investments represents the estimated value of the shares as at March 31, 2013. Shares are valued at year end quoted market prices.

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Schedule of Funds Equity

Year ended March 31, 2013

	Balance March 31, 2012	Income	Transfer to Halifax Regional Municipality	Net transactions with trustors	Contributions	Balance March 31, 2013
J.L. Dillman Park Maintenance	\$ 156,090	\$ 1,886	\$ -	\$ -	\$ -	\$ 157,976
Tax sales	1,980,320	265,940	(91,163)	-	-	2,155,097
J.D. Shatford Memorial	60,000	721	(721)	-	-	60,000
Sackville Landfill	1,591,067	44,978	(30,563)	(13,500)	-	1,591,982
Camphill Cemetery Trust	132,303	1,588	(1,588)	-	473	132,776
Camphill Cemetery Perpetual Care	566,179	6,806	(6,806)	-	-	566,179
Camphill Cemetery Fence	12,063	145	(145)	-	-	12,063
Fairview Cemetery Trust	2,310,242	39,175	(39,200)	-	5,380	2,315,597
Fairview Cemetery Maintenance	45,000	541	(541)	-	-	45,000
Titanic Trust	23,622	291	-	(715)	425	23,623
Commons Commutation	16,491	198	(198)	-	-	16,491
Harbour Championship	11,600	131	-	(1,906)	-	9,825
Other	23,656	286	-	-	-	23,942
	\$ 6,928,633	\$ 362,686	\$ (170,925)	\$ (16,121)	\$ 6,278	\$ 7,110,551

AUDIT

Halifax Regional Municipality

Audit Findings Report

For the year ended March 31, 2013

For the Audit and Finance Standing Committee meeting
to be held on June 19, 2013

KPMG LLP, Chartered Accountants

Contents

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For KPMG's audit committee resources,
please visit kpmg.ca/auditcommittee

Executive summary

Overview

The purpose¹ of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the consolidated financial statements of Halifax Regional Municipality ("HRM") as at and for the period ended March 31, 2013.

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you for the purpose above, and we look forward to discussing our findings and answering your questions.

Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures which include:

- receipt of the final reporting package from the auditors of the Halifax Regional Water Commission
- obtaining legal confirmation requested from internal legal council
- completion of our quality review procedures for the consolidated audit
- final review of the financial statements
- finalizing our file documentation and review
- receipt of signed management representation letter
- completing our discussions with the audit committee
- obtaining evidence of the Council's approval of the financial statements.

Please refer to the Appendices for our draft auditors' report. We will update you on significant matters, if any, arising from the completion of the audit, including completion of the above procedures. Our auditors' report will be dated upon completion of any remaining procedures.

¹ This Audit Findings Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Significant audit, accounting and reporting matters

Included in this report are significant matters we have highlighted for discussion at the upcoming audit committee meeting. We look forward to discussing these matters and our findings with you.

Changes from the Audit Plan

There have been no changes from the Audit Planning Report previously presented to you.

Matters related to management's judgment and estimates

We have highlighted below significant matters related to management's judgment and estimates that we would like to bring to your attention:

Actuarial calculation of employee future benefits
<ul style="list-style-type: none">• Due to the complexity, management engages external actuaries to perform the calculations required in the determination of the liability for employee future benefits, the required disclosures under PSAB 3250 "Retirement Benefits" and PSAB 3255 "Post employment benefits, compensated absences and termination benefits".• Management must estimate several assumptions with the assistance of the external actuaries in preparing their calculations.• Key assumptions have been disclosed in note 9 and 10 of the financial statements.
KPMG comments regarding effect on the audit
<ul style="list-style-type: none">• KPMG assessed our ability to rely on the work of management's experts.• KPMG reviewed the key assumptions used by the actuaries and assessed the appropriateness.
Solid waste landfill closure and post-closure liability
<ul style="list-style-type: none">• Under environmental law, there is a liability for closure and post-closure care. It is not sufficient to disclose the closure and post-closure care liability as a contingency or a contractual obligation as the existence of the liability is known with certainty. As such, management has determined the closure estimates based on PS 3270, Solid waste landfill closure and post-closure liability.• Management must make several assumptions in preparing the post-closure liability calculations with the assistance of internal experts of the HRM.• Key assumptions are disclosed in note 11 of the financial statements.
KPMG comments regarding effect on the audit
<ul style="list-style-type: none">• KPMG reviewed any changes in cost estimates and assessed the appropriateness.• KPMG reviewed key assumptions used by management in the calculation of the post-closure liability.

Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Segmented Disclosures
<ul style="list-style-type: none">• PS 2700, Segment disclosures require governments to disclose information related to defined segments as outlines in the accounting guidance.• In the past, HRM has not provided this disclosure. In the current year, the financial statements includes disclosures required related to segments.• Management is required to use judgment in the determination of segments and in the allocation of revenues and costs where they are shared between segments.
KPMG comments regarding effect on the audit
<ul style="list-style-type: none">• Historically, KPMG has noted this as a deficiency in the financial reporting of the HRM.• KPMG have reviewed the rational and methodology related to segment disclosures.

Significant qualitative aspects of accounting policies and practices

Our professional standards require that we communicate our views regarding the matters below, which represent judgments about significant qualitative aspects of accounting policies and practices. Judgments about quality cannot be measured solely against standards or objective criteria. These judgments are inherently those of the individual making the assessment: the engagement partner. However, although judgments about quality are those of the engagement partner, the views discussed below are not contrary to positions KPMG has taken.

The following are the matters we plan to discuss with you:

Significant accounting policies	Significant accounting policies or practices are disclosed in Note 1 to the financial statements.
Critical accounting estimates	<p>Critical accounting estimates are disclosed as such in Note 1(g) to the financial statements].</p> <p>We would like to discuss the following matters:</p> <ul style="list-style-type: none"> • Management's process for <i>identifying</i> critical accounting estimates • Management's process for <i>making</i> critical accounting estimates • Disclosure of estimation uncertainty in the financial statements
Critical disclosures and financial statement presentation	<p>The financial statements include disclosures and presentation requirements under the relevant financial reporting framework.</p> <p>Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.</p> <p>There are no critical disclosures.</p>

Misstatements

Identification of misstatements

There were no corrected or uncorrected misstatements identified during the audit.

Performance improvement observations

We indicated in our audit plan that we would communicate opportunities for improvements in financial or operational processes or controls should we become aware of them during our audit. During the course of our audit, we did not become aware of such opportunities for performance improvement that we believe warrant the attention of the Audit & Finance Standing Committee at this time. Observations of a minor nature will be communicated to management in a management letter outlining our observations.

Appendices

Draft auditors' report

Draft Independence letter

Management representation letter

KPMG's Audit Quality Framework

Draft auditors' report

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, 2013, 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 Public Sector Accounting Standards, 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 consolidated financial position of the Halifax Regional Municipality as at March 31, 2013, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Draft Independence letter

Audit & Finance Standing Committee
Halifax Regional Municipality
PO Box 1749
Halifax, Nova Scotia, B3J 3A5

June •, 2013

Ladies and Gentlemen

Professional standards specify that we communicate to you in writing all relationships between the Entity (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

a) provision of services in addition to the audit engagement

b) other relationships such as:

holding a financial interest, either directly or indirectly, in a client

holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client

personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client

economic dependence on a client

PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) from April 1, 2012 up to the date of our auditors' report:

Description of Professional Services
Audit <ul style="list-style-type: none"><li data-bbox="267 716 1221 772">• Audit of the Halifax Regional Municipality consolidated financial statements for the year-ended March 31, 2013
All other audit-related <ul style="list-style-type: none"><li data-bbox="267 877 987 905">• Audit of the Miscellaneous Trust Funds as at March 31, 2013<li data-bbox="267 909 922 936">• Audit of the General Rate Surplus as of March 31, 2013<li data-bbox="267 940 865 968">• Audit of the Federal Gas Tax as of March 31, 2013<li data-bbox="267 972 1157 999">• Audit of various Boards and Commissions of the Entity as of March 31, 2013<li data-bbox="267 1003 1242 1094">• Audits of the financial statements of the Halifax Regional Municipality Pension Plan and the Halifax Regional Municipality Master Trust for the year ended December 31, 2012<li data-bbox="267 1098 1253 1155">• Audit of the Statement of Revenue and Expenditures related to various Infrastructure Program claims for Federal and Provincial programs

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity and its related entities that may reasonably be thought to bear on our independence from April 1, 2012 up to the date of our auditors' report.

CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the Entity and its related entities within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from April 1, 2012 up to the date of our auditors' report.

As indicated above, this letter includes all relationships between our firm and the Entity that may reasonably be thought to bear on independence. With respect to other auditors (which collectively audited approximately 28% of the assets and 2% of the revenues reflected in the consolidated financial statements), we, pursuant to professional standards, among other things, satisfied ourselves as to their professional reputation and independence, including obtaining a confirmation from the other auditor that they are independent under applicable professional standards. You may wish to obtain more information from the other auditor and have discussions with them about independence matters.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

Chartered Accountants

Draft Management representation letter

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

June ●, 2013

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of Halifax Regional Municipality ("the Entity") as at and for the period ended March 31, 2013.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

GENERAL:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 11, 2013, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information

- c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
- d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

INTERNAL CONTROL OVER FINANCIAL REPORTING:

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

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

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

COMMITMENTS & CONTINGENCIES:

- 4) There are no:
 - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

- b) other environmental matters that may have an impact on the financial statements
- c) guarantees, whether written or oral, under which the Entity is contingently liable.

SUBSEQUENT EVENTS:

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

NON-CONSOLIDATED PARTIES SUBJECT TO INFLUENCE:

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

ESTIMATES:

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

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

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

ASSETS & LIABILITIES - GENERAL:

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

CONTRACTUAL AGREEMENTS

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

ENVIRONMENTAL MATTERS:

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

EMPLOYEE FUTURE BENEFITS:

- 14) The employee future benefit costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

EXPERTS/SPECIALISTS:

- 15) The information provided by us to Morneau Shepell and Aon Hewitt (the experts) and used in the work and findings of the experts are complete and accurate. We agree with the findings of the experts in evaluating the employee future benefits disclosure and have adequately considered the qualifications of the experts in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matter that have had an impact on the independence and objectivity of the experts.

Yours very truly,

Richard Butts, Chief Administrative Officer

Greg Keefe, Chief Financial Officer

cc: Audit Committee

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

KPMG's Audit Quality Framework

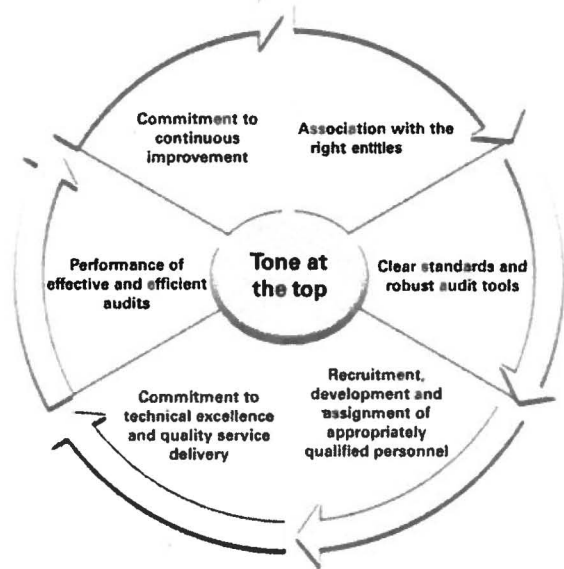
Audit quality, and the respective roles of the auditor and audit committee, is fundamental to the integrity of financial reporting in our capital markets.

This is why audit quality is at the core of everything we do at KPMG. And we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To help ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

The framework comprises seven key drivers of audit quality.

The seven key drivers of audit quality



Driver	What it does	What it means to you
Tone at the top	<p>Audit quality is part of our culture and our values and therefore non-negotiable</p> <p>Allows the right behaviours to permeate across our entire organization and each of our engagements</p>	<p>Assures you that:</p> <ul style="list-style-type: none"> • Our culture supports our promise to you of excellent service and a high quality audit—consistently • You're receiving an independent, transparent, audit opinion • You're receiving an efficient and high quality audit that will help you maintain investor confidence in your financial statements. <p>Provides you with:</p> <ul style="list-style-type: none"> • An engagement team handpicked for your business needs – a team with relevant professional and industry experience • An audit engagement team whose qualifications evolve as your business grows and changes • An audit opinion that
Association with the right entities	<p>Ethics above all</p> <p>Eliminates any potential independence and conflict-of-interest issues</p>	
Clear standards and robust audit tools	<p>A solid rule book</p> <p>Rigorous internal policies and guidance that help ensure our work meets applicable professional standards, regulatory requirements, and KPMG's standards of quality</p>	
Recruitment, development and assignment of appropriately qualified personnel	<p>People who add value</p> <p>Helps us attract and retain the best people and reinforces the importance of developing their talents</p> <p>Assigns Partners' portfolios based on their specific skill sets</p>	

Driver	What it does	What it means to you
<p>Commitment to technical excellence and quality service delivery</p>	<p>The right tools for the right job</p> <p>Promotes technical excellence and quality service delivery through training and accreditation, developing business understanding and industry knowledge, investment in technical support, development of specialist networks, and effective consultation processes</p>	<p>continues to meet your needs as a participant in the capital markets</p> <p>Assists you with:</p> <ul style="list-style-type: none"> • Assessing the effectiveness and efficiency of the audit • Performing your governance role with confidence.
<p>Performance of effective and efficient audits</p>	<p>We understand that how an audit is conducted is as important as the final result.</p> <p>A code of conduct, audit delivery tools, and internal policies and procedures that help ensure the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and our standards of quality</p>	
<p>Commitment to continuous improvement</p>	<p>Comprehensive and effective monitoring</p> <p>We regularly solicit feedback from the audit committees of the entities we audit. Our robust internal quality review program ensures the work of each partner is reviewed every three years. Additionally, our procedures and a sample of our audits of listed entities are reviewed by the Canadian Public Accountability Board (CPAB), the independent regulator of the accountancy profession in Canada. The Public Company Accounting Oversight Board (PCAOB) in the US also conducts an annual inspection of a sample of our audits of SEC registrants. Finally, a sample of other audits and reviews is undertaken annually by the various provincial institutes in Canada. We consider the recommendations that come from these reviews and implement actions to strengthen our policies and procedures, as appropriate.</p>	

The regulatory landscape is changing

Uncertain economic forecasts and a changing regulatory environment define today's world; reliable financial information and high quality audits have never been more essential.

We believe that high quality audits contribute directly to market confidence and we share your objectives of credible and transparent financial reporting.

Our Audit Quality Framework is particularly relevant to Audit Committees, and we see our role in being transparent to you as a key mechanism to support you in the execution of your responsibilities.

Our commitment to quality

The independence, judgment and professional skepticism of your auditors add value to your financial statements, and we believe it is important to be transparent about the processes we follow to develop a KPMG auditors' report. We want you to have absolute confidence in us and in the quality of your audit.

Our own professional standards dictate technical requirements for reaching and communicating an audit opinion. And we live and abide by these requirements. We invest heavily in our quality, and the Audit Quality Framework helps ensure these investments are the right ones—that they help us continuously drive and maximize our quality improvements. But we feel it is also important that we communicate to you how we view and implement audit quality. The seven key drivers outlined here, combined with the commitment of each individual in KPMG, are meant to do just that.

KPMG member firms across the world use this audit quality framework to describe, focus on and enhance audit quality for the benefit of the entities we audit and in support of the efficacy of our capital markets.

It is our hope that sharing our vision of what audit quality means is a significant step in building confidence in the value of our audits.

Audit quality is fundamental to the way we work.

www.kpmg.ca

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The independent member firms of the KPMG network are affiliated with KPMG International. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

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General Rate Surplus of the

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2013

HALIFAX REGIONAL MUNICIPALITY

Statement of General Rate Surplus

Year ended March 31, 2013

(In thousands of dollars)

	2013	2012
General rate surplus, before transfers to reserves	\$ 15,907	\$ 17,790
Transfers to reserves		
Contribution to Otter Lake Landfill Closure reserve	-	(5,135)
Transfer to fund Mengoni landfill closure costs	-	(177)
Contribution to Ferry Replacement reserve	-	(2,533)
Contribution to ICT Planning reserve	-	(400)
Contribution to Central Library reserve	-	(600)
Contribution to Police Emergency/Extraordinary Investigation reserve	(66)	(500)
Contribution to Police Officer On the Job Injury reserve	(300)	(265)
Contribution to Police Facility Lease reserve	(634)	-
Contribution to LED Streetlight reserve	(8,000)	-
Contribution to Capital Surplus reserve	(3,000)	-
Contribution to Strategic Growth reserve	(2,200)	-
	(14,200)	(9,610)
Adjustments related to prior years recorded in the 2012 fiscal year		
Accumulated deficit of Sackville Sports Stadium	-	(3,132)
Total adjustments related to prior years	-	(3,132)
	1,707	5,048
Prior years general rate surplus available for the 2013 fiscal year	7,581	2,533
General rate surplus	\$ 9,288	\$ 7,581

HALIFAX REGIONAL MUNICIPALITY

Notes to the Statement of General Rate Surplus

Year ended March 31, 2013
(In thousands of dollars)

1. Basis of accounting:

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

This statement is the net actual result of revenue and expenses of the Municipality's Operating Fund, to the extent that those revenues and expenses are included in the calculation of the Municipality's estimate of required sums as determined under Section 72 of the MGA, the basis for the general tax rate.

2. Significant accounting policies:

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

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