

Consolidated Financial Statements of

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2012

HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2012

Contents	Page
Management's Responsibility for the Consolidated Financial Statements	1
Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-31
Schedule of Remuneration of Members of Council and Chief Administrative Officer	32
Schedule of Long-term Debt	33

HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2012

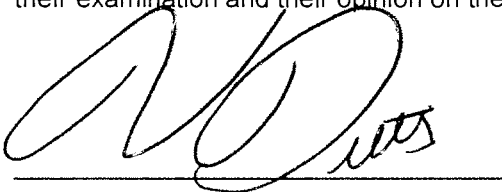
Management's Responsibility for the Consolidated Financial Statements

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.

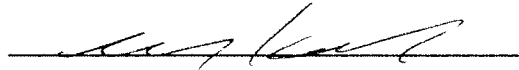
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on 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



KPMG LLP
Chartered Accountants
Suite 1500 Purdy's Wharf Tower I
1959 Upper Water Street
Halifax NS B3J 3N2
Canada

Telephone (902) 492-6000
Fax (902) 492-1307
Internet www.kpmg.ca

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, 2012, 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 financial position of the Halifax Regional Municipality as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Accountants
June 26, 2012
Halifax, Canada

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2012, with comparative figures for 2011
(In thousands of dollars)

	2012	2011
Financial assets		
Cash and short-term deposits (note 2)	\$ 109,029	\$ 45,155
Taxes receivable (note 3)	29,243	28,755
Accounts receivable (note 4)	67,078	92,979
Loans, deposits, and advances	1,297	2,095
Land held for resale	28,401	27,338
Investments (note 5)	83,958	58,346
Investment in the Halifax Regional Water Commission (note 6)	790,882	775,116
	<u>1,109,888</u>	<u>1,029,784</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 7)	91,627	105,832
Accrued interest on long-term debt	3,463	4,329
Deferred revenue	44,695	43,439
Employee future benefits (note 9)	45,317	31,595
Solid waste management facilities liabilities (note 10)	14,860	10,577
Long-term debt (note 11)	241,406	256,662
	<u>441,368</u>	<u>452,434</u>
Net financial assets	668,520	577,350
Non-financial assets		
Tangible capital assets (note 14)	1,748,787	1,759,579
Inventory and prepaid expenses	8,574	9,700
	<u>1,757,361</u>	<u>1,769,279</u>
Accumulated surplus (note 15)	<u>\$ 2,425,881</u>	<u>\$ 2,346,629</u>

Commitments and contingent liabilities (notes 13 and 16)

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

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2012, with comparative figures for 2011
(In thousands of dollars)

	Budget (Unaudited Note 19)	2012	2011
Revenue			
Taxation	\$ 610,232	\$ 622,576	\$ 583,868
Less amounts received for provincially mandated services (note 18)	(132,401)	(132,075)	(130,245)
	477,831	490,501	453,623
Taxation from other governments	32,008	31,886	30,674
User fees and charges	114,854	123,958	121,848
Government grants	32,077	40,556	69,673
Development levies	728	2,808	4,827
Investment income (note 5)	2,910	2,877	1,963
Penalties, fines and interest	11,146	11,694	13,456
Land sales, contributions and other revenue	41,343	50,417	42,321
Increase in equity in the Halifax Regional Water Commission (note 6)	15,800	15,766	34,338
Grant in lieu of tax from the Halifax Regional Water Commission (note 6)	3,700	3,944	3,749
Total revenue	732,397	774,407	776,472
Expenses			
General government services	107,697	100,079	99,243
Protective services	176,327	180,615	167,330
Transportation services	229,230	236,509	219,112
Environmental services	52,002	52,537	50,365
Recreation and cultural services	100,796	103,199	94,947
Planning and development services	19,768	22,216	20,111
Total expenses	685,820	695,155	651,108
Annual surplus	46,577	79,252	125,364
Accumulated surplus, beginning of year	2,346,629	2,346,629	2,221,265
Accumulated surplus, end of year	\$ 2,393,206	\$ 2,425,881	\$ 2,346,629

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, 2012, with comparative figures for 2011
(In thousands of dollars)

	Budget (Unaudited Note 19)	2012	2011
Annual surplus	\$ 46,577	\$ 79,252	\$ 125,364
Acquisition of tangible capital assets	(108,705)	(97,539)	(190,880)
Amortization of tangible capital assets	106,581	106,581	98,280
Loss (gain) on sale of tangible capital assets	(13,450)	(13,454)	649
Proceeds on sale of tangible capital assets		15,204	722
Transfer of assets to Halifax Regional Water Commission			172,968
	31,003	90,044	207,103
Acquisition of inventories of supplies and prepaid expenses		(22,380)	(26,005)
Consumption of inventories of supplies and use of prepaid expenses		23,506	25,764
Change in net financial assets	31,003	91,170	206,862
Net financial assets, beginning of year	577,350	577,350	370,488
Net financial assets, end of year	\$ 608,353	\$ 668,520	\$ 577,350

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, 2012, with comparative figures for 2011
(In thousands of dollars)

	2012	2011
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 79,252	\$ 125,364
Items not involving cash:		
Amortization	106,581	98,280
Loss (gain) on sale of tangible capital assets	(13,454)	649
Contributed tangible capital assets	(18,400)	(31,262)
Increase in equity in the Halifax Regional Water Commission	(15,766)	(34,338)
	138,213	158,693
Change in non-cash assets and liabilities		
Increase in taxes receivable	(488)	(198)
Decrease (increase) in accounts receivable	25,901	(24,365)
Decrease in loans, deposits, and advances	798	1,355
Decrease (increase) in land held for resale	(1,063)	1,035
Decrease (increase) in inventory and prepaid expenses	1,126	(241)
Decrease in accounts payable and accrued liabilities	(14,205)	(27,002)
Increase (decrease) in accrued interest on long-term debt	(866)	402
Increase (decrease) in deferred revenue	1,256	(11,447)
Increase in employee future benefits	13,722	1,241
Increase (decrease) in solid waste management facilities liabilities	4,283	(3,187)
Net change in cash from operating activities	168,677	96,286
Capital activities		
Proceeds on disposal of tangible capital assets	15,204	722
Acquisition of tangible capital assets	(79,139)	(159,618)
Net change in cash from capital activities	(63,935)	(158,896)
Investing activities		
Decrease (increase) in investments	(25,612)	51,630
Net change in cash from investing activities	(25,612)	51,630
Financing activities		
Long-term debt issued	24,266	47,125
Long-term debt repaid	(46,885)	(47,019)
Debt repayments recovered from Halifax Regional Water Commission	7,363	7,649
Net change in cash from financing activities	(15,256)	7,755
Net change in cash and short-term deposits	63,874	(3,225)
Cash and short-term deposits, beginning of year	45,155	48,380
Cash and short-term deposits, end of year	\$ 109,029	\$ 45,155

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(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 Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA").

(b) Basis of consolidation:

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

Recreation facilities:

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

Commissions, cultural and other facilities:

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

Halifax Regional Library

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

1. Significant accounting policies (continued):

(c) 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.

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

(d) Basis of accounting:

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

(e) Fund accounting:

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

(f) Investment in the Halifax Regional Water Commission:

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

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

1. Significant accounting policies (continued):

(g) Miscellaneous Trust Funds:

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

(h) 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.

(i) Non-financial assets:

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

i) Tangible capital assets

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

1. Significant accounting policies (continued):

- (i) Non-financial assets (continued):
 - i) Tangible capital assets (continued)

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

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

Natural resources that have not been purchased are not recognized as assets in the financial statements.
 - iv) Works of art and cultural and historic assets

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

The Municipality does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.
 - vi) Leased tangible capital assets

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

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.
- (j) Pension and post retirement benefits:

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.
- (k) Government transfers:

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

1. Significant accounting policies (continued):

(l) Deferred revenue:

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

(m) Solid waste management facilities liabilities:

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

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.

(n) Taxation and related revenues:

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

(o) 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.

(p) 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 is required 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, 2012
(In thousands of dollars)

2. Cash and short-term deposits:

	2012	2011
Halifax Regional Municipality	\$ 104,594	\$ 37,630
Commissions, cultural and other recreation facilities	4,435	7,525
Total	\$ 109,029	\$ 45,155

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

3. Taxes receivable:

	2012	2011
Balance, beginning of year	\$ 32,003	\$ 33,081
Add:		
Current year's levy of property taxes	577,600	544,870
Tax agreements	9,648	9,687
Deed transfer tax	39,302	33,344
	658,553	620,982
Less:		
Current year's collections	621,702	584,851
Reduced taxes	4,403	4,128
	626,105	588,979
Balance, end of year	32,448	32,003
Allowance	(3,205)	(3,248)
Balance, end of year (net of allowance)	\$ 29,243	\$ 28,755

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012
(In thousands of dollars)

4. Accounts receivable:

	2012		2011	
Federal Government	\$	7,872	\$	21,975
Provincial Government		21,073		27,861
Other receivables		38,133		43,143
Total	\$	67,078	\$	92,979

5. Investments:

Money market instruments include Federal and Provincial treasury bills, discounted notes of Federal Crown Corporations and instruments of Canadian Financial Institutions. These investments have a term to maturity of one year or less. Investments shown here have a remaining term to maturity of 90 days or more at March 31, 2012.

Government and Canada Mortgage and Housing Corporation (CMHC) bonds have a maturity range from October 1, 2013 to May 27, 2016. The weighted average yield on market value of these bonds is 1.42% at March 31, 2012 (2011 - 1.83%).

	2012		2011	
	Cost	Market value	Cost	Market value
Money market instruments	\$ 70,952	\$ 71,373	\$ 44,326	\$ 44,567
Government and CMHC bonds	13,006	13,192	14,020	14,043
Total	\$ 83,958	\$ 84,565	\$ 58,346	\$ 58,610

The investment income earned on money market instruments is \$2,527 (2011 - \$1,734) and on Government and CMHC bonds is \$350 (2011 - \$229).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

6. 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.

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

In accordance with the transfer agreement between the Municipality and HRWC, certain components of the Halifax Harbour Solutions Project totaling \$315 million were transferred to the HRWC during fiscal years 2009/10 and 2010/11. All asset transfers relating to this agreement have been completed.

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

	2012	2011
Financial position		
Current assets	\$ 40,214	\$ 51,634
Capital assets	923,106	905,943
Total assets	963,320	957,577
Current liabilities	31,545	28,995
Long-term liabilities	140,893	153,466
Total liabilities	172,438	182,461
Total	\$ 790,882	\$ 775,116

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

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

	2012	2011
Results of operations		
Revenues	\$ 98,827	\$ 89,680
Operating expenses	(79,457)	(74,910)
Financing expenses	(8,164)	(8,974)
Other income	2,558	4,424
Net income before grant in lieu of tax	13,764	10,220
Grant in lieu of tax	(3,944)	(3,749)
Net income	9,820	6,471
Increase (decrease) in contributed capital surplus	-	(4,600)
Donated tangible capital assets	4,292	34,851
Decrease in reserves	1,654	(2,384)
Increase in investment and equity	15,766	34,338
Investment and equity, beginning of year	775,116	567,810
Net assets transferred from Halifax Regional Municipality	-	172,968
Investment and equity, end of year	\$ 790,882	\$ 775,116

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

	2012	2011
Revenues:		
Grant in lieu of tax	\$ 3,944	\$ 3,749
Expenses:		
Fire protection charge	\$ 11,081	\$ 10,014

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, 2012
(In thousands of dollars)

7. Accounts payable and accrued liabilities:

	2012	2011
Trade accounts payable	\$ 23,884	\$ 47,513
Payable to other governments	22,255	17,768
Accrued liabilities	45,488	40,551
Total	\$ 91,627	\$ 105,832

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

Employees of the Municipality participate in the Halifax Regional Municipality Pension Plan (the "HRM Plan"). The HRM Plan is a 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 \$23,325 for the fiscal year ending March 31, 2012 (2011 - \$21,908). Since April 1, 2006, the Municipality and the members are each contributing 10.36% of regular earnings for members participating in the main division of the pension plan. Other contribution rates are in effect for the other divisions of the plan, and for members in public safety occupations.

The last actuarial valuation filed with regulators was at December 31, 2009. The next actuarial valuation is to be filed by December 31, 2012. The interest rate used in the last filed valuation was 6.75% per year. The following estimates as at December 31, 2011 are based on the actuarial valuation as at December 31, 2009 extrapolated to December 31, 2011:

	2012 Extrapolated	2011 Extrapolated
Actuarial value of plan assets	\$ 1,176,502	\$ 1,153,361
Extrapolated value of accrued pension benefits	(1,311,495)	(1,239,216)
Estimated funding deficit	\$ (134,993)	\$ (85,855)

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012
(In thousands of dollars)

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

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

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

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

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

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

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

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

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

The Municipality continues to pay for its share of the contributions to the 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 retiring allowance benefits was conducted as at March 31, 2010, and extrapolated to March 31, 2011 and March 31, 2012. 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. For all other benefits, actuarial valuations were conducted as at March 31, 2012. 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:

	2012	2011
Accrued benefit obligation, beginning of the year	\$ 34,932	\$ 32,645
Current period benefit cost	16,455	2,297
Benefit payments	(4,494)	(2,642)
Interest cost	1,825	1,406
Actuarial loss	2,082	1,226
Accrued benefit obligation, end of fiscal year	\$ 50,800	\$ 34,932
Main assumptions used for fiscal year-end disclosure:		
Discount rate	3.65%	3.87%
Salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation:		
Discount rate	3.87%	4.33%
Salary increase	3% plus merit	3% plus merit

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012
(In thousands of dollars)

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

These other employee benefit plans require no contributions from employees. The benefit liability as at March 31, 2012 includes the following components:

	2012	2011
Accrued benefit obligation		
Retiring allowances	\$ 26,783	\$ 24,489
Sick leave	12,893	-
HRM pension contributions for employees on LTD	2,760	2,094
Police health trust	1,633	1,542
Other	6,731	6,807
	50,800	34,932
Unamortized actuarial loss	(5,483)	(3,337)
Benefit liability	\$ 45,317	\$ 31,595

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:

	2012	2011
Current period benefit cost	\$ 16,455	\$ 2,297
Amortization of actuarial loss	321	180
Other employee benefit expense	16,776	2,477
Other employee benefit interest expense	1,825	1,406
Total expense related to other employee benefit plans	\$ 18,601	\$ 3,883

During the year, the Municipality recorded a benefit liability for accumulated sick leave of \$12,354. This adjustment was recognized in the current years expense related to other employee benefit plans as a current period benefit cost.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012
(In thousands of dollars)

10. Solid waste management facilities liabilities:

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

Sackville Landfill:

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

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post closure costs discounted using a long-term borrowing rate of 3.03% (2011 - 4.00%) and a forecasted inflation rate of 1.59% (2011 - 2.16%).

The estimated present value of future expenses for closure and post closure care as at March 31, 2012 is \$18,774 (2011 - \$18,254), of which total expenses of \$14,267 (2011 - \$13,370), have been made to date, resulting in a liability of \$4,507 (2011 - \$4,884).

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, 2012, the balance in the reserve is \$4,507 (2011 - \$5,340). As at March 31, 2012 the recognized liability was fully funded .

Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 12 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 (2011 - 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 3.03% (2011 - 4.00%) and a forecasted inflation rate of 1.59% (2011 - 2.16%). The liability was adjusted for capacity used of 100% for the closed cells and 0% for the remaining cells. Currently Cell 5 is 82% full.

The estimated present value of future expenses for closure and post closure care as at March 31, 2012 is \$27,866 (2011 - \$23,224), of which total expenses of \$17,766 (2011 - \$17,766), have been made to date resulting in a liability of \$10,100 (2011 - \$5,458).

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, 2012, the balance in the reserve is \$10,100 (2011 - \$1,934). As at March 31, 2012 the recognized liability was fully funded.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

10. Solid waste management facilities liabilities (continued):

Mengoni Landfill:

The Mengoni Landfill site closed during the year ended March 31, 2008. A closure plan and an environmental audit were completed in 2008. Post closure care activities for this site include perpetual care that is expected to occur until 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 3.03% (2011 - 4.00%) and a forecasted inflation rate of 1.59% (2011 - 2.16%).

The estimated present value of future expenses for closure and post closure care as at March 31, 2012 is \$2,479 (2011 - \$2,436) of which total expenses of \$2,226 (2011 - \$2,201), have been made to date, resulting in a liability of \$253 (2011 - \$235).

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, 2012 the balance in the reserve is \$253 (2011 - \$101). As at March 31, 2012 the recognized liability was fully funded.

				2012	2011
	Sackville	Otter Lake	Mengoni	Total	Total
Estimated present value of closure and post closure costs	\$ 18,774	\$ 27,866	\$ 2,479	\$ 49,119	\$ 43,914
Less: Expenses incurred	14,267	17,766	2,226	34,259	33,337
	4,507	10,100	253	14,860	10,577
Reserve fund	4,507	10,100	253	14,860	7,375
Amount to be funded from future revenue	\$ -	\$ -	\$ -	\$ -	\$ 3,202

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012
(In thousands of dollars)

11. Long-term debt:

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

Principal payments required in each of the next five years and thereafter on debt held as at March 31, 2012

2013	\$	46,693
2014	\$	43,015
2015	\$	50,090
2016	\$	35,693
2017	\$	30,260
Thereafter	\$	122,793

12. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2012 are \$6.9 million (2011 - \$6.0 million).

13. Commitments:

- (a) The Municipality and its consolidated entities rent facilities under several long-term operating leases with aggregate annual payments for the next five years approximating \$6.2 million (2011 - \$6.0 million).
- (b) The Municipality has entered into several long-term contracts for waste resources operations with aggregate annual payments for the next five years approximating \$41 million (2011 - \$41 million).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012
(In thousands of dollars)

14. Tangible capital assets:

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, 2012

(In thousands of dollars)

14. Tangible capital assets (continued):

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

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

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

14. Tangible capital assets (continued):

- (a) Assets under construction:
Assets under construction having a value of \$37,779 (2011 - \$36,334) 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 \$18,400 (2011 - \$31,262) and is comprised of roads and infrastructure in the amount of \$16,218 (2011 - \$15,974) and land and land improvements having a value of \$2,182 (2011 - \$15,288).
- (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 \$nil (2011 - \$1,280).
- (f) Roads and infrastructure:
Roads and infrastructure have a net book value of \$1,031,513 (2011 - \$1,049,616) and are comprised of: road beds - \$316,263 (2011 - \$320,218), road surfaces - \$381,896 (2011 - \$392,246), infrastructure - \$324,433 (2011 - \$329,859) and bridges - \$8,921 (2011 - \$7,293).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

15. Accumulated surplus:

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

	2012	2011
Surplus		
Invested in tangible capital assets	\$ 1,516,768	\$ 1,495,215
Other	8,357	226
Equity in Halifax Regional Water Commission	790,882	775,116
Reserves of agencies, boards and commissions	567	542
Funded by reserves		
Landfill closure costs	(14,860)	(10,577)
Unfunded		
Accrued interest	(3,463)	(4,329)
Employee benefits	(12,354)	(563)
Total surplus	2,285,897	2,255,630
Operating reserves set aside by Council		
Self insurance	3,980	4,479
Operations stabilization	4,606	4,549
Snow and ice control variable operating	8,423	8,320
Service improvement	2,000	1,948
Cemetery maintenance	157	153
Culture development	1,242	909
Municipal elections	1,405	988
EMO cost recovery	310	281
Marketing levy special events	1,112	1,235
DNA costs	115	110
Titanic commemorative	13	6
Central library capital campaign and development	2,983	1,665
Major events facilities	857	846
Operating cost of new capital	6,789	4,513
Information and communication technologies	4,637	4,084
Police emergency and extraordinary investigation	1,170	661
Police officer on the job injury	885	612
Commons enhancement	1	1
Provincially funded police officers and facility lease	2,260	1,782
Convention Centre	372	-
Total operating reserves set aside by Council	43,317	37,142

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

15. Accumulated surplus (continued):

	2012	2011
Capital and equipment reserves set aside by Council		
Sale of capital assets	\$ 330	\$ -
Business/industrial parks expansion	5,938	3,163
Capital surplus	1,856	3,046
Parkland development	2,584	2,145
Sackville landfill closure	4,507	5,340
Otter Lake landfill closure	10,100	1,934
Mengoni landfill closure	253	101
Waste resources capital	14,300	10,950
Upper Sackville turf	325	301
MetroPark parkade	2,031	1,843
Strategic growth	7,030	2,448
HRM sustainable communities	337	454
Rural fire	705	708
Ferry replacement	8,194	1,568
Capital replacement	1,630	1,015
Energy and underground services co-location	1,700	1,785
Bedford South capital cost contribution interchange	94	92
Gas tax	15,058	11,722
Alderney Gate recapitalization	1,094	888
Regional capital cost contribution	2,007	1,058
Community facility partnership	820	810
Kingswood water	4	4
5594-96 Morris Street	61	62
Rockingham community centre	13	13
Captain William Spry centre	2	2
Richmond school	1	1
Waterfront development	19	-
Central Library capital replacement	12,422	-
BMO Centre	336	83
Total capital reserves set aside by Council	93,751	51,536
General fleet	1,477	1,142
Police vehicles	450	351
Fire and emergency service vehicles and equipment	959	799
Fuel system	30	29
Total equipment reserves set aside by Council	2,916	2,321
Total capital and equipment reserves set aside by Council	96,667	53,857
Total accumulated surplus	\$ 2,425,881	\$ 2,346,629

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

16. Contingent liabilities:

- (a) As of March 31, 2012, 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, 2012, this outstanding debt was \$44.3 million (2011 - \$48.6 million), with maturity dates ranging from 2012 to 2022. In addition, the Municipality is responsible for outstanding debt of \$87.1 million (2011 - \$94.5 million) recoverable from the HRWC.

17. 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, accounts payable and accrued liabilities and accrued interest on long-term debt 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 5.

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, 2012

(In thousands of dollars)

17. Financial instruments (continued):

(b) Credit risk:

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

18. Amounts received for provincially mandated services:

	Budget (Unaudited)	2012	2011
School boards	\$ 118,365	\$ 118,366	\$ 116,010
Assessment services	6,762	6,693	6,724
Social housing	2,400	2,220	1,215
Correctional services	4,874	4,796	6,296
Total	\$ 132,401	\$ 132,075	\$ 130,245

(a) School boards:

The Municipality is required to provide a mandatory contribution in the amount of \$99.8 million (2011 - \$97.0 million) and supplementary contributions of \$18.6 million (2011 - \$19.0 million) to the Halifax Regional School Board and the Conseil scolaire acadien provincial.

(b) Assessment services:

The Municipality is required to pay a share of the cost of operating the Property Evaluation 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.

(c) Social housing:

The Municipality is required to pay a share of the costs of the operations of the Metropolitan Regional Housing Authority.

(d) Correctional services:

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

19. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011/2012 operating and project budgets approved by Council on April 28, 2011, 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.

The Municipality adopted the new PSAB Tangible Capital Asset accounting standards beginning March 31, 2009. These new standards have not been adopted for budget preparation purposes. The 2011/2012 Council approved budget has been modified to reflect these adjustments.

	2012	2011
	(Unaudited)	(Unaudited)
Revenue		
Operating budget	\$ 758,701	\$ 726,574
Project budget	144,774	157,251
Less: Mandatory provincial payments	(132,401)	(130,201)
	771,074	753,624
Less:		
Miscellaneous capital funding	(3,690)	(1,300)
Principal and interest recovery from Halifax Regional Water Commission	(1,017)	(1,336)
Tax concessions	(5,232)	(4,881)
Transfers from reserves to capital	(36,148)	(29,034)
Transfers operating to capital	(40,354)	(32,099)
Proceeds on debt issue	(30,361)	(30,345)
	(116,802)	(98,995)
Add:		
Revenues from agencies, boards and commissions	29,000	28,137
Interest on reserves	1,475	971
Tangible capital assets related adjustments	31,850	30,551
Equity in earnings of the Halifax Regional Water Commission	15,800	34,300
	78,125	93,959
Total revenue	\$ 732,397	\$ 748,588

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2012

(In thousands of dollars)

19. Budget data (continued):

	2012	2011
	(Unaudited)	(Unaudited)
Expenses		
Operating budget	\$ 758,701	\$ 726,574
Less: Mandatory provincial payments	(132,401)	(130,201)
	626,300	596,373
Less:		
Tax concessions	(5,232)	(4,881)
Transfers operating to capital	(40,354)	(32,099)
Transfers operating to reserves	(26,385)	(26,946)
Expenses from agencies, boards and commissions	28,000	27,350
Debt principal payments	(39,159)	(37,394)
	(83,130)	(73,970)
Add:		
Tangible capital assets adjustments including amortization	142,650	123,355
	142,650	123,355
Total expenses	685,820	645,758
Annual surplus	\$ 46,577	\$ 102,830

20. Classification of expenses by object:

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

	Budget	2012	2011
	(Unaudited)		
Salaries, wages and benefits	\$ 314,104	\$ 317,795	\$ 301,344
Interest on long-term debt	9,853	10,548	10,820
Materials, goods, supplies and utilities	38,859	41,131	43,241
Contracted services	130,840	140,122	124,800
Other	78,780	72,888	66,209
External transfers	6,803	6,090	6,414
Amortization	106,581	106,581	98,280
Total	\$ 685,820	\$ 695,155	\$ 651,108

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, 2012

(In thousands of dollars)

Council members:

P. Kelly, Mayor	\$	145
S. Adams		72
J. Barkhouse		72
J. Blumenthal		74
B. Dalrymple		72
R. Harvey		72
D. Hendsbee		72
D. Hum		72
B. Johns		72
B. Karsten		75
P. Lund		72
G. McCluskey		74
L. Mosher		72
L. Nicoll		72
T. Outhit		72
R. Rankin		72
D. Sloane		72
J. Smith		77
S. Streach		72
S. Uteck		72
R. Walker		72
J. Watts		72
M. Wile		74
D. Fisher		72

Chief Administrative Officer:

Richard Butts		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, 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