

Consolidated Financial Statements of the

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2018

HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2018

Contents	Page
Management's Responsibility for the Consolidated Financial Statements	1
Independent 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	7-28
Schedule of Remuneration of Members of Council and Chief Administrative Officer	29
Consolidated Schedules of Long-term Debt	30-31
Consolidated Schedules of Segment Disclosure	32-33

HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2018

Management's Responsibility for the Consolidated Financial Statements

The management of the Halifax Regional Municipality (the "Municipality") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying financial statements.

The consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA"). A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements.

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 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 and Finance Standing 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 Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Jacques Dubé
Chief Administrative Officer



Jerry Blackwood, CPA, CGA
A/Director, Chief Financial Officer
Finance and Asset Management



KPMG LLP
Purdy's Wharf Tower One
Suite 1500, 1959 Upper Water Street
Halifax NS B3J 3N2

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

INDEPENDENT AUDITORS' REPORT

To 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, 2018 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 including the schedule of remuneration of members of council and chief administrative officer and consolidated schedules of long-term debt and segment disclosure.

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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2018, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants
July 31, 2018
Halifax, Canada

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017
(In thousands of dollars)

	2018	2017
Financial assets		
Cash and short-term deposits (note 2)	\$ 187,292	\$ 235,331
Taxes receivable (note 3)	31,116	29,768
Accounts receivable (note 4)	53,669	36,964
Loans, deposits and advances	690	563
Land held for resale	54,541	51,819
Investments (note 5)	75,802	65,006
Investment in the Halifax Regional Water Commission (note 6)	167,662	147,629
	<u>570,772</u>	<u>567,080</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 7)	106,900	106,767
Deferred revenue	59,001	62,667
Employee future benefits (note 9)	58,204	55,503
Solid waste management facilities liabilities (note 10)	3,184	11,159
Long-term debt (note 11)	180,062	196,587
	<u>407,351</u>	<u>432,683</u>
Net financial assets	<u>163,421</u>	<u>134,397</u>
Non-financial assets		
Tangible capital assets (note 14)	1,864,541	1,810,563
Inventory and prepaid expenses	12,300	13,235
	<u>1,876,841</u>	<u>1,823,798</u>
Accumulated surplus (note 15)	<u>\$ 2,040,262</u>	<u>\$ 1,958,195</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, 2018, with comparative information for 2017
(In thousands of dollars)

	Budget	2018	2017
Revenue			
Taxation	\$ 731,185	\$ 736,207	\$ 710,941
Taxation from other governments	39,649	38,569	38,336
User fees and charges	107,584	113,648	112,698
Government grants	73,306	74,824	43,953
Development levies	2,584	4,039	2,461
Investment income (note 5)	3,860	4,670	3,519
Penalties, fines and interest	14,730	11,647	12,319
Land sales, contributions and other revenue	26,445	27,243	35,444
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss) (note 6)	21,800	21,783	23,216
Grant in lieu of tax from the Halifax Regional Water Commission (note 6)	4,827	4,774	4,578
Total revenue	1,025,970	1,037,404	987,465
Expenses			
General government services	121,448	110,887	96,940
Protective services	217,254	220,608	212,419
Transportation services	271,372	271,770	272,703
Environmental services	42,888	41,076	41,279
Recreation and cultural services	136,188	131,611	127,550
Planning and development services	29,450	26,249	25,062
Educational services	151,454	151,386	148,281
Total expenses	970,054	953,587	924,234
Annual surplus	55,916	83,817	63,231
Accumulated surplus, beginning of year	1,958,195	1,958,195	1,894,221
Remeasurement gain (loss) from investment in Halifax Regional Water Commission (note 6)	-	(1,750)	743
Accumulated surplus, end of year	\$ 2,014,111	\$ 2,040,262	\$ 1,958,195

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, 2018, with comparative information for 2017
(In thousands of dollars)

	Budget	2018	2017
Annual surplus	\$ 55,916	\$ 83,817	\$ 63,231
Acquisition of tangible capital assets and contributed tangible capital assets	(181,203)	(191,834)	(150,457)
Amortization of tangible capital assets	137,664	137,664	129,072
Loss (gain) on disposal of tangible capital assets	-	106	(105)
Proceeds on disposal of tangible capital assets	-	86	787
	12,377	29,839	42,528
Acquisition of inventories of supplies and prepaid expenses	-	(37,176)	(34,573)
Consumption of inventories of supplies and use of prepaid expenses	-	38,111	33,585
Remeasurement gain (loss) from investment in Halifax Regional Water Commission (note 6)	-	(1,750)	743
	-	(815)	(245)
Net change in net financial assets	12,377	29,024	42,283
Net financial assets, beginning of year	134,397	134,397	92,114
Net financial assets, end of year	\$ 146,774	\$ 163,421	\$ 134,397

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, 2018, with comparative information for 2017
(In thousands of dollars)

	2018	2017
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 83,817	\$ 63,231
Items not involving cash:		
Amortization of tangible capital assets	137,664	129,072
Loss (gain) on disposal of tangible capital assets	106	(105)
Contributed tangible capital assets	(15,949)	(14,093)
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss)	(21,783)	(23,216)
	183,855	154,889
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	(1,348)	4,006
Decrease (increase) in accounts receivable	(16,705)	8,278
Decrease (increase) in loans, deposits and advances	(127)	82
Increase in land held for resale	(2,722)	(2,215)
Decrease (increase) in inventory and prepaid expenses	935	(988)
Increase (decrease) in accounts payable and accrued liabilities	133	(5,312)
Increase (decrease) in deferred revenue	(3,666)	5,141
Increase in employee future benefits	2,701	1,608
Decrease in solid waste management facilities liabilities	(7,975)	(824)
Net change in cash from operating activities	155,081	164,665
Capital activities		
Proceeds on disposal of tangible capital assets	86	787
Acquisition of tangible capital assets	(175,885)	(136,364)
Net change in cash from capital activities	(175,799)	(135,577)
Investing activities		
Increase in investments	(10,796)	(9,437)
Net change in cash from investing activities	(10,796)	(9,437)
Financing activities		
Long-term debt issued	19,351	19,500
Long-term debt redeemed	(42,442)	(43,810)
Net debt recovered from the Halifax Regional Water Commission	6,566	6,696
Net change in cash from financing activities	(16,525)	(17,614)
Net change in cash and short-term deposits	(48,039)	2,037
Cash and short-term deposits, beginning of year	235,331	233,294
Cash and short-term deposits, end of year	\$ 187,292	\$ 235,331

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

(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.

(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 and Events East Group (Halifax Convention Centre Corporation), a corporation jointly owned and controlled between the Province of Nova Scotia and the Municipality, which is accounted for at 50% based on the proportionate consolidation basis of accounting. The entities included are as follows:

Recreation facilities:

- BMO Centre
- Canada Games Centre
- Centennial Pool Association
- Community Builders Inc. (Cole Harbour Place)
- Dartmouth 4-Pad
- Dartmouth Sportsplex Community Association
- Eastern Shore Recreation Commission
- Halifax Forum Community Association
- Scotiabank 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
- Events East Group (Halifax Convention Centre Corporation)
- 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, 2018
(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 a corporate body without share capital and is accounted for using the modified equity basis of accounting; consistent with public sector accounting standards, as recommended by PSAB for an investment in a government business enterprise. Under the modified equity basis of accounting, the HRWC's accounting principles are not adjusted to conform to those of the Municipality and inter-organizational transactions and balances are not eliminated.

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

(d) Basis of accounting:

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

(e) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability, contaminated sites liability and in performing actuarial valuations of employee future benefits. These estimates and assumptions are based on the Municipality's best judgement and may differ significantly from actual results.

(f) Taxation and related revenues:

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

(g) User fees and charges:

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

(h) Government transfers:

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

(i) Short-term deposits and investments:

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued):

(j) Land held for resale:

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

(k) Contaminated sites:

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

(l) Deferred revenue:

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

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

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

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

(n) Solid waste management facilities liabilities:

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

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

(o) Non-financial assets:

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

i) Tangible capital assets

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

1. Significant accounting policies (continued):

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

Asset	Useful Life – Years
Land improvements	
Bridges, docks, seawalls, and wharves	50
Sports fields and skateparks	25
Playground and other land improvements	15
Trails	10
Buildings and building improvements	
Structure and electrical	40
Mechanical, roof, exterior architecture, and site work	20
Interior architecture	15
Vehicles	5 - 15
Machinery and equipment	4 - 10
Dams	40
Roads and infrastructure	
Road beds	40
Road surfaces	5 - 20
Infrastructure	20 - 30
Bridges	75
Ferries	2 - 30

The useful life for landfill cells, which are included in land improvements, is based upon the capacity of each cell.

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

For assets with a useful life of 5 years or less, amortization will commence in the year the asset is available for use, and be recorded at 50% of the annual charge in the first and last years of the asset's useful life. For assets with a useful life greater than 5 years, amortization will commence in the year following the year the asset is put into use.

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

ii) Contributions of tangible capital assets

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

iii) Natural resources

Natural resources that have not been purchased are not recognized as assets.

iv) Works of art and cultural and historic assets

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

v) Interest capitalization

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

1. Significant accounting policies (continued):

- 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.
- (p) **Inventories of supplies:**
Inventories of supplies held for consumption are recorded at the lower of cost or replacement cost.
- (q) **Expenses:**
Expenses are recognized in the year the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.
- (r) **School boards:**
The assets, liabilities, taxation and other revenues and expenses with respect to the operations of the school boards are not reflected in the consolidated financial statements as they are provincial government entities.
- (s) **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.
- (t) **Funds and reserves:**
Certain amounts, as approved by Council, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

2. Cash and short-term deposits:

	2018	2017
Halifax Regional Municipality	\$ 178,356	\$ 228,366
Recreation facilities, commissions, cultural and other facilities and the Halifax Regional Library	8,936	6,965
Total	\$ 187,292	\$ 235,331

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:

	2018	2017
Taxes receivable	\$ 34,829	\$ 34,704
Allowance	(3,713)	(4,936)
Total	\$ 31,116	\$ 29,768

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

4. Accounts receivable:

	2018	2017
Federal government	\$ 32,023	\$ 24,284
Provincial government	9,298	7,935
Other receivables	23,888	18,970
Allowance	(11,540)	(14,225)
Total	\$ 53,669	\$ 36,964

5. Investments:

Money market instruments include Provincial treasury bills 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, 2018.

Bonds of Provincial governments and their guarantees have a maturity range from June 15, 2018 to December 18, 2018. The weighted average yield on market value of these bonds is 2.20% at March 31, 2018 (2017 - 0.81%).

	Cost	2018 Market value	Cost	2017 Market value
Money market instruments	\$ 65,782	\$ 66,056	\$ 52,989	\$ 53,001
Bonds of Provincial governments and their guarantees	10,020	10,050	12,017	12,214
Total	\$ 75,802	\$ 76,106	\$ 65,006	\$ 65,215

The investment income earned on money market instruments is \$4,429 (2017 - \$3,266) and on bonds of Federal and Provincial governments and their guarantees is \$241 (2017 - \$253).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

6. Investment in the Halifax Regional Water Commission:

The HRWC is a government business enterprise of the Municipality and is responsible for the supply of municipal water, wastewater and stormwater services to residents of the Municipality. HRWC reports under International Financial Reporting Standards ("IFRS").

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

	2018	2017
Financial position		
Current assets	\$ 93,333	\$ 90,706
Capital assets	1,242,055	1,186,221
Total assets	1,335,388	1,276,927
Current liabilities	63,989	54,721
Long-term liabilities	1,103,737	1,074,577
Total liabilities	1,167,726	1,129,298
Net assets	\$ 167,662	\$ 147,629
Results of operations		
Revenues	\$ 138,145	\$ 137,997
Operating expenses	(124,815)	(122,173)
Financing expenses	(8,086)	(8,674)
Other income	21,505	20,836
Regulatory deferral account amortization	(192)	(192)
Net income before grant in lieu of tax	26,557	27,794
Grant in lieu of tax	(4,774)	(4,578)
Increase in investment before remeasurement gain (loss)	21,783	23,216
Investment, beginning of year	147,629	123,670
Change in investment through remeasurement gain (loss)	(1,750)	743
Investment, end of year	\$ 167,662	\$ 147,629

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

	2018	2017
Revenues		
Grant in lieu of tax	\$ 4,774	\$ 4,578
Expenses		
Stormwater charge	\$ 3,847	\$ 3,881
Fire protection charge	7,243	7,181

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, 2018
(In thousands of dollars)

7. Accounts payable and accrued liabilities:

	2018	2017
Trade accounts payable	\$ 44,483	\$ 38,827
Federal government	9,256	4,612
Provincial government	10,677	5,615
Salaries and wages payable	5,828	16
Accrued liabilities	34,709	55,527
Accrued interest	1,947	2,170
Total	\$ 106,900	\$ 106,767

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

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

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

The Municipality contributed to the HRM Plan an amount of \$35,516 for the year ending March 31, 2018 (2017 - \$31,615). Since January 1, 2016, the Municipality and the members are each contributing 12.21% 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, 2016. The next actuarial valuation, at December 31, 2017, is to be filed by September 30, 2018. The interest rate used in the last filed valuation was 6.40% per year. The following estimates as at December 31, 2017 are based on the actuarial valuation as at December 31, 2016 extrapolated to December 31, 2017 and is based on a best estimate discount rate assumption of 6.40% per annum (2016 - 7.25%).

	2018 Extrapolated	2017 Extrapolated
Actuarial value of plan assets	\$ 1,765,561	\$ 1,621,183
Estimated present value of accrued pension benefits	(1,880,173)	(1,607,539)
Estimated funding surplus (deficit)	\$ (114,612)	\$ 13,644

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(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 unused sick leave benefits was conducted as at March 31, 2018. The last actuarial valuation of the police health trust benefits was conducted as at March 31, 2017. For all other benefits, actuarial valuations were conducted as at March 31, 2016. 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:

	2018	2017
Accrued benefit obligation, beginning of year	\$ 64,613	\$ 62,219
Current period benefit cost	5,098	4,543
Benefit payments	(5,299)	(5,802)
Interest cost	1,683	1,780
Actuarial loss (gain)	(6,235)	1,873
Accrued benefit obligation, end of year	\$ 59,860	\$ 64,613
Main assumptions used for fiscal year-end disclosure		
Discount rate	2.51%	2.51%
Salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation		
Discount rate	2.84%	2.89%
Salary increase	3% plus merit	3% plus merit

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(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, 2018 is estimated to include the following components:

	2018	2017
Accrued benefit obligation		
Retiring allowances	\$ 32,815	\$ 32,456
Sick leave	14,571	18,308
HRM pension contributions for employees on long-term disability	4,771	5,230
Police Health Trust	2,318	2,148
Other	5,385	6,471
	59,860	64,613
Unamortized actuarial loss	(1,656)	(9,110)
Benefit liability	\$ 58,204	\$ 55,503

The unamortized actuarial losses will be amortized over the EARSL of the related employee groups starting in the next fiscal year. EARSL is determined separately for each benefit program.

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

	2018	2017
Current period benefit cost	\$ 5,098	\$ 4,543
Amortization of actuarial loss	1,219	1,088
Other employee benefit expense	6,317	5,631
Other employee benefit interest expense	1,683	1,780
Total expense related to other employee benefit plans	\$ 8,000	\$ 7,411

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

10. Solid waste management facilities liabilities:

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

The estimated liability for the care of the landfill sites is the present value of future cash flows associated with post closure costs discounted using a long-term borrowing rate of 2.84% (2017 - 2.16%) and a forecasted inflation rate of 2.16% (2017 - 2.05%).

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 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 continuous monitoring of the site is anticipated to be ongoing.

Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 18 years, until the fiscal year ended March 31, 2036.

The site's design consists of nine cell phases with an expected total capacity of 5,158,956 tonnes (2017 - 5,200,000 tonnes).

Post closure care activities for this site, include perpetual care and will involve the management and monitoring of groundwater, gas and leachate levels, operating and monitoring the leachate treatment plant when necessary, removal of buildings, site cleanup and general site maintenance.

The liability was adjusted for capacity used of 100% for the closed cells. The Municipality has signed a long-term contract with a third party to operate the Otter Lake Landfill. Under the terms of the operating agreement, the third party is responsible for the capital cost to close Cell 7. The long-term post closure costs remain a liability of the Municipality.

Mengoni Landfill:

The Mengoni Landfill site closed during the year ended March 31, 2008. A closure plan and an environmental audit were completed in 2008. Post closure care activities for this site include perpetual care that is expected to occur until 2029 and will involve the management and monitoring of groundwater, gas and leachate levels, operating and monitoring the leachate treatment plant when necessary, removal of buildings, site cleanup and general site maintenance.

A reserve has been established to fund the post closure care activities for the landfill sites described above.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

10. Solid waste management facilities liabilities (continued):

	Sackville	Otter Lake	Mengoni	2018 Total
Estimated present value of closure and post closure costs	\$ 19,196	\$ 36,046	\$ 2,494	\$ 57,736
Less: expenses incurred	18,028	34,195	2,329	54,552
	1,168	1,851	165	3,184
Reserve fund				8,583
Excess of available reserves over liability				\$ (5,399)

	Sackville	Otter Lake	Mengoni	2017 Total
Estimated present value of closure and post closure costs	\$ 19,255	\$ 36,391	\$ 2,492	\$ 58,138
Less: expenses incurred	17,982	26,686	2,311	46,979
	1,273	9,705	181	11,159
Reserve fund				15,960
Excess of available reserves over liability				\$ (4,801)

11. Long-term debt:

The schedules of long-term debt attached to the consolidated financial statements detail the various terms and conditions related to the long-term debt (see pages 30 and 31).

Principal payments required in each of the next five years and thereafter on debt held as at March 31, 2018 are as follows:

2019	\$ 34,968
2020	29,829
2021	31,691
2022	19,721
2023	17,295
Thereafter	46,558
	\$ 180,062

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

12. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2018 are \$7,409 (2017 - \$7,169).

13. Commitments:

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

2019	\$	6,281
2020		5,096
2021		4,224
2022		2,146
2023		1,883
Total	\$	19,630

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

2019	\$	6,623
2020		5,326
2021		4,495
2022		4,322
2023		3,537
Total	\$	24,303

(c) The Municipality has entered into several long-term contracts for waste resources operations with aggregate annual payments of approximately \$41,455 (2017 - \$38,253) for each of the next five years.

(d) The Province of Nova Scotia has a 25 year lease agreement with Argyle Developments Inc. and others for a design construction agreement for the new Halifax Convention Centre (HCC). The Municipality is not a party to that lease but, under a separate agreement with the Province of Nova Scotia, has agreed to share 50% of the "Annual Base Rent". The Annual Base Rent covers the long-term financing for the facility and is \$10,760 per year. The Municipality's share is \$5,380. The Municipality has also agreed to share in 50% of the facility maintenance costs, property tax, operating costs, lifecycle costs and the annual operating deficit.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

14. Tangible capital assets:

Cost	Balance at March 31, 2017	Additions (Net of Transfers)	Disposals	Balance at March 31, 2018
Land	\$ 280,069	\$ 5,941	\$ (22)	\$ 285,988
Land improvements	257,943	9,635	-	267,578
Buildings	553,779	53,001	-	606,780
Vehicles	233,627	28,170	(1,377)	260,420
Machinery and equipment	95,208	13,964	(5,251)	103,921
Roads and infrastructure	1,907,547	77,771	(6,335)	1,978,983
Dams	480	-	-	480
Ferries	32,643	6,566	-	39,209
Leasehold improvements	3,030	-	-	3,030
Assets under construction	46,802	(3,214)	-	43,588
Total	\$ 3,411,128	\$ 191,834	\$ (12,985)	\$ 3,589,977

Accumulated amortization	Balance at March 31, 2017	Disposals	Amortization Expense	Balance at March 31, 2018
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	191,486	-	4,569	196,055
Buildings	246,805	-	20,409	267,214
Vehicles	144,239	(1,207)	14,165	157,197
Machinery and equipment	35,095	(5,251)	17,782	47,626
Roads and infrastructure	965,096	(6,335)	79,116	1,037,877
Dams	480	-	-	480
Ferries	15,911	-	1,451	17,362
Leasehold improvements	1,453	-	172	1,625
Assets under construction	-	-	-	-
Total	\$ 1,600,565	\$ (12,793)	\$ 137,664	\$ 1,725,436

	Net book value March 31, 2017	Net book value March 31, 2018
Land	\$ 280,069	\$ 285,988
Land improvements	66,457	71,523
Buildings	306,974	339,566
Vehicles	89,388	103,223
Machinery and equipment	60,113	56,295
Roads and infrastructure	942,451	941,106
Dams	-	-
Ferries	16,732	21,847
Leasehold improvements	1,577	1,405
Assets under construction	46,802	43,588
Total	\$ 1,810,563	\$ 1,864,541

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

14. Tangible capital assets:

Cost	Balance at March 31, 2016	Additions (Net of Transfers)	Disposals	Balance at March 31, 2017
Land	\$ 281,152	\$ (870)	\$ (213)	\$ 280,069
Land improvements	250,289	7,654	-	257,943
Buildings	542,103	11,676	-	553,779
Vehicles	214,587	20,294	(1,254)	233,627
Machinery and equipment	136,113	26,235	(67,140)	95,208
Roads and infrastructure	1,857,543	68,968	(18,964)	1,907,547
Dams	480	-	-	480
Ferries	32,171	6,288	(5,816)	32,643
Leasehold improvements	3,030	-	-	3,030
Assets under construction	36,705	10,212	(115)	46,802
Total	\$ 3,354,173	\$ 150,457	\$ (93,502)	\$ 3,411,128

Accumulated amortization	Balance at March 31, 2016	Disposals	Amortization Expense	Balance at March 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	187,380	-	4,106	191,486
Buildings	227,066	-	19,739	246,805
Vehicles	130,434	(900)	14,705	144,239
Machinery and equipment	88,123	(67,140)	14,112	35,095
Roads and infrastructure	908,901	(18,964)	75,159	965,096
Dams	468	-	12	480
Ferries	20,660	(5,816)	1,067	15,911
Leasehold improvements	1,281	-	172	1,453
Assets under construction	-	-	-	-
Total	\$ 1,564,313	\$ (92,820)	\$ 129,072	\$ 1,600,565

	Net book value March 31, 2016	Net book value March 31, 2017
Land	\$ 281,152	\$ 280,069
Land improvements	62,909	66,457
Buildings	315,037	306,974
Vehicles	84,153	89,388
Machinery and equipment	47,990	60,113
Roads and infrastructure	948,642	942,451
Dams	12	-
Ferries	11,511	16,732
Leasehold improvements	1,749	1,577
Assets under construction	36,705	46,802
Total	\$ 1,789,860	\$ 1,810,563

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

(In thousands of dollars)

14. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$43,588 (2017 - \$46,802) 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 \$15,949 (2017 - \$14,093) and is comprised of roads and infrastructure in the amount of \$15,931 (2017 - \$13,775), and land and land improvements having a value of \$18 (2017 - \$318).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and cultural and historical assets:

The Municipality manages and controls various works of art and non-operational cultural and historical assets including buildings, artifacts, paintings and sculptures located at Municipal sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Impairment of tangible capital assets:

The impairment of tangible capital assets during the year was \$nil (2017 - \$115).

(f) Roads and infrastructure:

Roads and infrastructure have a net book value of \$941,106 (2017 - \$942,451) and are comprised of: road beds - \$271,049 (2017 - \$277,376), road surfaces - \$287,615 (2017 - \$299,667), infrastructure - \$368,459 (2017 - \$351,122) and bridges - \$13,983 (2017 - \$14,286).

(g) Buildings:

Buildings have a net book value of \$339,566 (2017 - \$306,974) and are comprised of: structure and electrical - \$120,320 (2017 - \$106,069), mechanical, roof, exterior architecture, and site work - \$172,315 (2017 - \$156,606), and interior architecture - \$46,931 (2017 - \$44,299).

(h) Land improvements:

Land improvements have a net book value of \$71,523 (2017 - \$66,457) and are comprised of: bridges, docks, seawalls, and wharves - \$18,081 (2017 - \$17,157), sports fields and skateparks - \$22,359 (2017 - \$21,558), playground and other land improvements - \$26,161 (2017 - \$22,399), and trails - \$4,922 (2017 - \$5,343).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

15. Accumulated surplus:

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

	2018	2017
Surplus		
Invested in tangible capital assets	\$ 1,684,479	\$ 1,613,976
Other	9,124	21,626
Equity in Halifax Regional Water Commission (note 6)	167,662	147,629
Funded by reserves		
Landfill closure costs	(3,184)	(11,159)
Unfunded		
Employee future benefits, accrued interest and other	(17,364)	(17,160)
Total surplus	1,840,717	1,754,912
Risk reserves set aside by Council		
Insurance and risk	4,089	4,034
Police officer on the job injury	2,102	1,950
Operating stabilization	8,875	8,988
General contingency	12,233	2,463
Total risk reserves set aside by Council	27,299	17,435
Obligation reserves set aside by Council		
Landfill closure and post closure costs	8,583	15,960
Municipal election	1,073	646
Convention centre	7,633	4,198
Capital fund	14,756	12,335
Fleet vehicles and equipment	2,375	2,217
Central Library recapitalization	3,382	2,491
Building recapitalization and replacement	4,196	3,952
Multi-District facilities	7,252	3,728
Transit capital	4,858	9,376
Solid waste facilities	14,724	13,573
Total obligation reserves set aside by Council	68,832	68,476
Opportunity reserves set aside by Council		
Strategic capital	20,738	48,520
Parkland development	3,805	4,960
Business/Industrial parks expansion	33,571	31,422
Community and events	4,825	2,772
Gas tax	9,077	12,694
Debt principal and interest repayment	31,398	17,004
Total opportunity reserves set aside by Council	103,414	117,372
Total accumulated surplus	\$ 2,040,262	\$ 1,958,195

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

(In thousands of dollars)

16. Contingent liabilities:

- (a) As of March 31, 2018, there are a number of legal claims against the Municipality and its consolidated entities in varying amounts and for which provisions have been made in these consolidated financial statements, as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Municipality with respect to these claims, but management believes that any such amounts would not have a material impact on the financial position of the Municipality with the exception of the following:
 - i) The Municipality has been named as a defendant in a legal action claiming damages in the amount of \$120,000,000. As this proceeding is at an early stage, it is not possible at this time for management to determine the likelihood of loss, or the timing of resolution of the matter. Accordingly, no provision for losses has been reflected in the accounts of the Municipality for this matter.
- (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 proceedings.
- (c) In September 2014, Council approved a blanket guarantee for HRWC debt subject to HRWC maintaining a debt service ratio of 35% or less. The debt service ratio is currently 21.5% at March 31, 2018 (2017 - 21.6%). As at March 31, 2018, total outstanding debt is \$214,413 (2017 - \$226,002), with maturity dates ranging from 2017 to 2026. The Municipality is responsible for outstanding debt of \$45,500 (2017 - \$52,066) 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 and accounts payable and accrued liabilities approximate their carrying value due to their short-term nature and are measured at cost or amortized cost in the statement of financial position.

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.
- (b) Credit risk:

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

(In thousands of dollars)

18. Amounts contributed for provincially mandated services:

	Budget	2018	2017
School boards	\$ 151,454	\$ 151,386	\$ 148,281
Assessment services	6,893	6,893	6,903
Social housing	3,525	3,518	3,425
Correctional services	6,685	6,685	6,647
Total	\$ 168,557	\$ 168,482	\$ 165,256

(a) School boards:

The Municipality is required to provide a mandatory contribution in the amount of \$135,490 (2017 - \$131,935) and supplementary contributions of \$15,896 (2017 - \$16,346) 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:

The Municipality is 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, 2018
(In thousands of dollars)

19. Budget data:

The budget data presented in these consolidated financial statements is based upon the fiscal 2017/18 operating and capital budgets approved by Council on April 11, 2017, plus the budgeted figures of the recreation, cultural and other facilities, and commissions included in the consolidated financial statements, to the extent that they could be reasonably determined. Council approved budgets are prepared on a modified cash basis which differs from budget amounts reported on the Consolidated Statement of Operations and Change in Net Financial Assets which are prepared in accordance with Canadian Public Sector Accounting Standards.

The accounting standards in Handbook Section PSAS 3150 Tangible Capital Assets have not been adopted for budget preparation purposes. The fiscal 2017/18 Council approved budget has been modified to reflect these adjustments.

The chart below reconciles the approved budgets to the budget figures reported in these consolidated financial statements.

	2018	2017
Revenue		
Operating budget	\$ 895,735	\$ 872,838
Capital budget	187,269	197,934
	<u>1,083,004</u>	<u>1,070,772</u>
Less:		
Miscellaneous capital funding	(5,000)	(669)
Principal and interest recovery from Halifax Regional Water Commission	(9,164)	(9,622)
Tax concessions	(5,995)	(5,655)
Transfers from reserves to capital	(49,800)	(72,040)
Transfers from operating to capital	(36,900)	(42,690)
Long-term debt issued	(32,765)	(50,085)
	<u>(139,624)</u>	<u>(180,761)</u>
Add:		
Revenues from agencies, boards and commissions	28,344	30,900
Restricted area rate surpluses	3,331	2,312
Proceeds from sale of assets deposited to reserves	8,005	13,850
Interest on reserves	2,120	1,618
Development levies in reserves	1,250	1,450
Other reserve revenue	2,409	2,372
Tangible capital asset related adjustments	15,331	10,863
Increase in investment of the Halifax Regional Water Commission before remeasurement gain (loss)	21,800	23,200
	<u>82,590</u>	<u>86,565</u>
Total revenue	\$ 1,025,970	\$ 976,576

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

19. Budget data (continued):

	2018	2017
Expenses		
Operating budget	\$ 895,735	\$ 872,838
Less:		
Tax concessions	(5,995)	(5,655)
Transfers from operating to capital	(36,900)	(42,690)
Transfers from operating to reserves	(25,008)	(22,066)
Change in solid waste management facilities liabilities	(7,975)	(824)
Principal and interest payments made on behalf of Halifax Regional Water Commission	(9,164)	(9,622)
Long-term debt redeemed	(35,792)	(37,244)
	(120,834)	(118,101)
Add:		
Expenses from agencies, boards and commissions	31,590	30,953
Cost of lots sold in business parks	1,338	2,891
Application of restricted area rate surpluses	3,331	2,312
Tangible capital assets adjustments including amortization	158,894	148,315
	195,153	184,471
Total expenses	970,054	939,208
Annual surplus	\$ 55,916	\$ 37,368

20. Segmented information:

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

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

The major segments are as follows:

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018
(In thousands of dollars)

20. 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 32 and 33).

HALIFAX REGIONAL MUNICIPALITY

Schedule of Remuneration of Members of Council and Chief Administrative Officer

Year ended March 31, 2018

(In thousands of dollars)

	2018	2017
Council members:		
M. Savage, Mayor	\$ 177	\$ 178
S. Adams	86	84
S. Austin	86	36
L. Blackburn	86	36
S. Cleary	86	36
S. Craig	91	87
B. Dalrymple	-	48
D. Hendsbee	86	84
B. Johns	-	48
B. Karsten	86	84
T. Mancini	86	84
W. Mason	89	84
G. McCluskey	-	48
L. Mosher	-	48
L. Nicoll	86	84
T. Outhit	86	84
R. Rankin	-	48
L. Smith	86	36
S. Streach	86	36
R. Walker	86	84
J. Watts	-	48
M. Whitman	86	89
R. Zurawski	86	36
Chief Administrative Officer:		
J. Dubé	272	150
J. Traves (Acting)	-	86

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

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Long-term Debt

Year ended March 31, 2018
(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31, 2017	Issued	Redeemed	Balance March 31, 2018
Municipal Finance Corporation:							
24-HBR-1	20	2.84/5.94	2024	\$ 44,000	\$ -	\$ 5,500	\$ 38,500
05-B-1	15	3.63/4.83	2020	10,885	-	1,209	9,676
07-A-1	10	4.45/4.63	2017	1,957	-	1,957	-
07-B-1	10	4.65/5.01	2017	880	-	880	-
08-A-1	10	3.75/4.884	2018	5,300	-	2,650	2,650
08-B-1	10	3.1/5.095	2018	4,948	-	2,474	2,474
09-A-1	15	1.0/5.644	2024	21,786	-	4,396	17,390
09-B-1	10	0.97/4.329	2019	1,950	-	650	1,300
10-A-1	10	1.51/4.5	2020	8,160	-	2,040	6,120
10-B-1	10	1.55/3.87	2020	10,690	-	2,672	8,018
11-A-1	10	1.63/4.221	2021	6,625	-	1,325	5,300
11-B-1	10	1.219/3.645	2021	5,507	-	1,101	4,406
12-A-1	10	1.636/3.48	2022	8,880	-	1,480	7,400
12-B-1	10	1.51/3.16	2022	5,760	-	960	4,800
13-A-1	10	1.33/2.979	2023	16,520	-	2,360	14,160
13-B-1	10	1.285/3.614	2023	2,569	-	367	2,202
14-A-1	10	1.245/3.347	2024	17,500	-	2,187	15,313
14-B-1	10	1.20/3.19	2024	16,224	-	2,028	14,196
15-A-1	10	1.011/2.786	2025	24,300	-	2,700	21,600
15-B-1	10	1.040/2.894	2025	9,119	-	1,013	8,106
16-A-1	10	1.150/2.925	2026	19,500	-	1,950	17,550
17-A-1	10	1.20/2.653	2027	-	8,241	-	8,241
17-B-1	10	1.734/3.073	2027	-	11,110	-	11,110
				243,060	19,351	41,899	220,512
Federation of Canadian Municipalities:							
FCM	20	2.0	2032	3,200	-	200	3,000
GMIF12028	10	1.75	2025	2,287	-	254	2,033
Misc.:							
5% stock Permanent		5.0	-	2	-	-	2
Sackville Landfill Trust:							
Acadia School	20	7.0	2018	104	-	89	15
				248,653	19,351	42,442	225,562
Less: Long-term debt recoverable from the Halifax Regional Water Commission:							
14-B-1	10	1.20/3.19	2024	(8,000)	-	(1,000)	(7,000)
24-HBR-1	20	2.84/5.94	2024	(44,000)	-	(5,500)	(38,500)
Other debt	1 to 4	2.55/6.875	2015/2017	(66)	-	(66)	-
				(52,066)	-	(6,566)	(45,500)
Long-term debt				\$ 196,587	\$ 19,351	\$ 35,876	\$ 180,062

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Long-term Debt

Year ended March 31, 2018
(In thousands of dollars)

	Term (years)	Interest rate - %	Matures	Balance March 31, 2016	Issued	Redeemed	Balance March 31, 2017
Municipal Finance Corporation:							
24-HBR-1	20	2.84/5.94	2024	\$ 49,500	\$ -	\$ 5,500	\$ 44,000
05-B-1	15	3.63/4.83	2020	12,095	-	1,210	10,885
06-A-1	10	4.29/4.88	2016	2,309	-	2,309	-
06-B-1	10	4.1/4.41	2016	1,015	-	1,015	-
07-A-1	10	4.45/4.63	2017	3,913	-	1,956	1,957
07-B-1	10	4.65/5.01	2017	1,760	-	880	880
08-A-1	10	3.75/4.884	2018	7,950	-	2,650	5,300
08-B-1	10	3.1/5.095	2018	7,421	-	2,473	4,948
09-A-1	15	1.0/5.644	2024	26,181	-	4,395	21,786
09-B-1	10	0.97/4.329	2019	2,600	-	650	1,950
10-A-1	10	1.51/4.5	2020	10,200	-	2,040	8,160
10-B-1	10	1.55/3.87	2020	13,363	-	2,673	10,690
11-A-1	10	1.63/4.221	2021	7,950	-	1,325	6,625
11-B-1	10	1.219/3.645	2021	6,609	-	1,102	5,507
12-A-1	10	1.636/3.48	2022	10,360	-	1,480	8,880
12-B-1	10	1.51/3.16	2022	6,720	-	960	5,760
13-A-1	10	1.33/2.979	2023	18,880	-	2,360	16,520
13-B-1	10	1.285/3.614	2023	2,936	-	367	2,569
14-A-1	10	1.245/3.347	2024	19,688	-	2,188	17,500
14-B-1	10	1.20/3.19	2024	18,252	-	2,028	16,224
15-A-1	10	1.011/2.786	2025	27,000	-	2,700	24,300
15-B-1	10	1.040/2.894	2025	10,132	-	1,013	9,119
16-A-1	10	1.150/2.925	2026	-	19,500	-	19,500
				266,834	19,500	43,274	243,060
Federation of Canadian Municipalities:							
FCM	20	2.0	2032	3,400	-	200	3,200
GMIF12028	10	1.75	2025	2,541	-	254	2,287
Misc.:							
5% stock Permanent		5.0	-	2	-	-	2
Sackville Landfill Trust:							
Acadia School	20	7.0	2018	186	-	82	104
				272,963	19,500	43,810	248,653
Less: Long-term debt recoverable from the Halifax Regional							
Water Commission:							
14-B-1	10	1.20/3.19	2024	(9,000)	-	(1,000)	(8,000)
24-HBR-1	20	2.84/5.94	2024	(49,500)	-	(5,500)	(44,000)
Other debt	1 to 4	2.55/6.875	2015/2017	(262)	-	(196)	(66)
				(58,762)	-	(6,696)	(52,066)
Long-term debt				\$ 214,201	\$ 19,500	\$ 37,114	\$ 196,587

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2018
(In thousands of dollars)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	2018 Total
Revenue								
Taxation	\$ 497,883	\$ 6,685	\$ 80,253	\$ -	\$ -	\$ -	\$ 151,386	\$ 736,207
Taxation from other governments	38,569	-	-	-	-	-	-	38,569
User fees and charges	7,314	13,037	39,432	5,196	42,419	6,250	-	113,648
Government grants	3,629	3,800	56,338	3,747	7,310	-	-	74,824
Development levies	-	-	1,334	982	1,723	-	-	4,039
Investment income	4,670	-	-	-	-	-	-	4,670
Penalties, fines and interest	5,859	5,503	-	-	285	-	-	11,647
Land sales, contributions and other revenue	6,194	102	14,912	-	975	5,060	-	27,243
Increase in investment in the Halifax Regional Water Commission before remeasurement								
Water Commission before remeasurement	21,783	-	-	-	-	-	-	21,783
Grant in lieu of tax from the Halifax Regional Water Commission	4,774	-	-	-	-	-	-	4,774
Total revenue	590,675	29,127	192,269	9,925	52,712	11,310	151,386	1,037,404
Expenses								
Salaries, wages and benefits	46,909	155,656	98,190	2,367	61,839	11,887	-	376,848
Interest on long-term debt	819	283	2,945	229	1,432	38	-	5,746
Materials, goods, supplies and utilities	14,938	6,083	21,625	84	12,823	260	-	55,813
Contracted services	9,995	30,006	33,297	35,381	13,109	1,285	-	123,073
Other operating expenses	5,998	17,620	16,642	343	27,191	3,570	-	71,364
External transfers and grants	11,477	6,881	4,104	-	65	9,166	151,386	183,079
Amortization	20,751	4,079	94,967	2,672	15,152	43	-	137,664
Total expenses	110,887	220,608	271,770	41,076	131,611	26,249	151,386	953,587
Annual surplus (deficit)	\$ 479,788	\$ (191,481)	\$ (79,501)	\$ (31,151)	\$ (78,899)	\$ (14,939)	\$ -	\$ 83,817

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2018
(In thousands of dollars)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	2017 Total
Revenue								
Taxation	\$ 476,954	\$ 6,647	\$ 79,059	\$ -	\$ -	\$ -	\$ 148,281	\$ 710,941
Taxation from other governments	38,336	-	-	-	-	-	-	38,336
User fees and charges	7,737	11,539	39,054	5,407	44,204	4,757	-	112,698
Government grants	3,886	3,800	27,208	2,163	6,896	-	-	43,953
Development levies	-	-	771	878	812	-	-	2,461
Investment income	3,519	-	-	-	-	-	-	3,519
Penalties, fines and interest	5,604	6,352	-	-	363	-	-	12,319
Land sales, contributions and other revenue	8,123	72	13,753	(256)	1,103	12,649	-	35,444
Increase in investment in the Halifax Regional Water Commission before remeasurement gain	23,216	-	-	-	-	-	-	23,216
Grant in lieu of tax from the Halifax Regional Water Commission	4,578	-	-	-	-	-	-	4,578
Total revenue	571,953	28,410	159,845	8,192	53,378	17,406	148,281	987,465
Expenses								
Salaries, wages and benefits	49,576	148,741	95,819	2,238	57,288	11,471	-	365,133
Interest on long-term debt	904	351	3,410	329	1,582	41	-	6,617
Materials, goods, supplies and utilities	14,342	6,014	21,918	74	13,514	231	-	56,093
Contracted services	11,860	29,959	40,444	35,427	11,770	2,065	-	131,525
Other operating expenses	(7,709)	16,059	16,281	783	24,337	5,007	-	54,758
External transfers and grants	11,058	6,792	4,118	-	4,583	6,204	148,281	181,036
Amortization	16,909	4,503	90,713	2,428	14,476	43	-	129,072
Total expenses	96,940	212,419	272,703	41,279	127,550	25,062	148,281	924,234
Annual surplus (deficit)	\$ 475,013	\$ (184,009)	\$ (112,858)	\$ (33,087)	\$ (74,172)	\$ (7,656)	\$ -	\$ 63,231