



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 4
Audit Committee
June 26, 2019

TO: Chair and Members of Audit Committee

Original Signed

SUBMITTED BY:

Jane Fraser, Director, Finance, Asset Management & ICT/CFO

Original Signed

Denise Schofield, Acting Chief Administrative Officer

DATE: June 11, 2019

SUBJECT: Year End Financial Statements

ORIGIN

Required by Legislation.

LEGISLATIVE AUTHORITY

HRM Charter, section 48(2) outlines the responsibilities of the Audit Committee which include:

- 48(2)(a) – a detailed review of the financial statements of the Municipality with the Auditor;
- 48(2)(b) – an evaluation of internal controls systems and any management letter with the Auditor; and,
- 48(2)(c) – a review of the conduct and adequacy of the audit.

In addition, HRM Charter, section 46 outlines the appointment and requirements of the Municipal Auditor and the need to file the Auditor's report with Council and the Minister by September 30th in each year.

Audit Committee Terms of Reference states that the Committee is responsible for: reviewing, in detail, the financial statements of the Municipality with the External Auditors, evaluating internal control systems and management letters with the External Auditors, and, review with management and the External Auditor and recommend to Regional Council for approval, the annual audited financial statements.

The Audit Committee, under its Terms of Reference shall “review the qualification, independence, quality of service and performance of the External Auditors annually and recommend to the Council the appointment or discharge of the External Auditors”.

HRM Charter, section 120(6) – The Municipality may maintain other reserve funds for such purposes as the Council may determine; Reserve Administrative Order 2014-015 (5) The Audit & Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.

RECOMMENDATION ON PAGE 2

The attachments included are necessary for the Audit Committee and the Municipal Auditor to satisfy their responsibilities and requirements.

RECOMMENDATION

It is recommended that the Audit Committee recommend that Halifax Regional Council approve:

1. The Consolidated Financial Statements of the Halifax Regional Municipality for the year ended March 31, 2019;
2. The Statement of General Rate Surplus of the Halifax Regional Municipality for the year ended March 31, 2019;
3. Transfers of \$26,056,556, as outlined below, to reduce the general rate surplus to zero:
 - a. Municipal Elections Reserve, Q511 \$ 700,000
 - b. Parkland Development Reserve, Q611 \$ 2,000,000
 - c. Capital Fund Reserve, Q526 \$ 6,000,000
 - d. General Contingency Reserve, Q421 \$17,356,556
4. Approve an unbudgeted withdrawal from the Halifax Convention Centre Reserve, Q521, in the amount of \$3,617,394 to cover the balance of property taxes owed, net of taxes received;
5. Approve an unbudgeted withdrawal from the General Contingency Reserve, Q421, in the amount of \$238,200 to cover the costs of adding sideguards to the solid waste fleet;
6. The financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the year ended March 31, 2019; and,
7. The appointment of KPMG to be the External Auditors for the fiscal year ended March 31, 2020.

BACKGROUND

The Statement of General Rate Surplus outlines the total 2018/19 surplus of \$26.1M and the planned transfers of the surplus to various reserves to bring our general rate surplus to zero.

The Municipal Election Reserve, Q511 is used to fund elections. The reserve requires additional funds to cover the anticipated costs of the election and estimated funds that may be required for special elections. A contribution of \$700k to the reserve from the 2018/19 operating surplus is being requested to be contributed to the reserve to cover anticipated shortfall.

The Parkland Development Reserve, Q611 is used to purchase parkland or capital park improvements. Due to large withdrawals in 2018/19 and 2019/20 for land purchases, we are recommending a contribution to the reserve, in the amount of \$2.0M from the 2018/19 operating surplus to purchase parkland as it becomes available.

The Capital Fund Reserve, Q526 is governed by the Halifax Charter and is used to fund capital projects. As planning for future capital budgets continue, there is a shortfall in funding. By contributing funds to the reserve from the 2018/19 operating surplus, this will allow funding for projects. It is recommended to contribute \$6.0M from the 2018/19 operating surplus to fund the reserve for future capital budgets.

Per the Provincial Financial Accounting and Reporting Manual, the surplus of a municipality is to be placed into a reserve. The General Contingency Reserve, Q421, receives any year-end surplus, and can then be used to fund operating costs, offset deficits, or fund new operating initiatives and/or capital expenditures. Due to anticipated 2018/19 year-end surplus during the budget process, \$11.6M has been approved by council to fund 2019/20 capital projects from this reserve. Additionally, we are recommending that an unbudgeted withdrawal of \$238.2k from the General Contingency Reserve in 2019/20 to cover the estimated cost of side guards for the solid waste fleet as this was not completed in fiscal year 2018/19.

The Halifax Convention Centre Reserve, Q521, is used to fund payments related to the Halifax Convention Centre, including lease payments and the Municipality's share of the operating expenses of Events East. The property taxes for the Halifax Convention Centre were greater than planned, and an unbudgeted withdrawal is required to fund the payment of the amounts owing to the Province. It is recommended that \$3.6M be withdrawn from the reserve to cover this payment.

Appointment of External Auditors

Under the terms of reference of the Audit Committee, the Committee is required to "review the qualifications, independence, quality of service and performance of the External Auditors annually and recommend to the Council the appointment or discharge of the External Auditors".

KPMG LLP was the successful proponent to the RFP for External Audit Services in 2018. The proposal covered the fiscal years from 2017/18 to 2021/22. KPMG has completed the audit of the 2018/19 Consolidated Financial Statements, Miscellaneous Trust Funds, and General Rate Surplus in accordance with the requirements of the RFP.

DISCUSSION

A detailed presentation explaining the results shown in the Consolidated Financial Statements, General Rate Surplus and the Miscellaneous Trusts Financial Statements will be provided at the meeting.

FINANCIAL IMPLICATIONS

At March 31, 2019, HRM had a General Rate surplus of \$26.1M. Recommended transfers into reserves total \$21.3M, including \$11.6M for the 2019/20 Capital Budget, \$6.0M additional contribution to the Capital Fund Reserve, \$2.0M for Parkland acquisitions, and various other transfers. This has resulted in a final General Rate surplus of \$4.8M.

RISK CONSIDERATION

N/A

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

1. Audit Committee may not choose to approve the proposed recommendations. This is not the recommended option.
2. Audit Committee may approve the proposed recommendations subject to requested modifications. This is not the recommended option.

ATTACHMENTS

- Attachment 1 Consolidated Financial Statements of the Halifax Regional Municipality for the Year ended March 31, 2019.
 - Attachment 2 General Rate Surplus of the Halifax Regional Municipality for the Year ended March 31, 2019.
 - Attachment 3 Financial Statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the Year ended March 31, 2019.
 - Attachment 4 HRM Audit Findings Report – KPMG
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A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Louis de Montbrun, Manager, Financial Reporting, 902.476.0585
 Dave Harley, Senior Financial Consultant, 902.490.4260

Consolidated Financial Statements of the

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2019

HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2019

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HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2019

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 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 the 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

Jane Fraser, MPA, CPA, CGA
Chief Financial Officer, Director
Finance, Asset Management and
Information and Communication
Technology

Independent Auditors' Report

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

As at March 31, 2019, with comparative information for 2018

(In thousands of dollars)

	2019	2018
Financial assets		
Cash and short-term deposits (note 2)	\$ 315,624	\$ 187,292
Taxes receivable (note 3)	24,495	31,116
Accounts receivable (note 4)	46,021	53,669
Loans, deposits and advances	436	490
Land held for resale	57,316	54,541
Investments (note 5)	83	75,802
Investment in the Halifax Regional Water Commission (note 6)	183,796	167,662
	<u>627,771</u>	<u>570,572</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 7)	107,522	106,700
Deferred revenue	69,655	59,001
Employee future benefits (notes 8 and 9)	60,753	58,204
Solid waste management facilities liabilities (note 10)	3,495	3,184
Long-term debt (note 11)	176,115	180,062
	<u>417,540</u>	<u>407,151</u>
Net financial assets	210,231	163,421
Non-financial assets		
Tangible capital assets (note 14)	1,851,554	1,864,541
Inventory and prepaid expenses	13,905	12,300
	<u>1,865,459</u>	<u>1,876,841</u>
Accumulated surplus (note 15)	<u>\$ 2,075,690</u>	<u>\$ 2,040,262</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, 2019, with comparative information for 2018
(In thousands of dollars)

	Budget	2019	2018
Revenue			
Taxation	\$ 752,269	\$ 763,023	\$ 736,207
Taxation from other governments	39,858	38,782	38,569
User fees and charges	115,095	121,260	113,648
Government grants	53,817	54,827	74,824
Development levies	1,640	2,419	4,039
Investment income (note 5)	4,847	7,660	4,670
Penalties, fines and interest	12,898	11,647	11,647
Land sales, contributions and other revenue	21,913	22,891	27,243
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss) (note 6)	12,400	12,401	21,783
Grant in lieu of tax from the Halifax Regional Water Commission (note 6)	5,142	4,999	4,774
Total revenue	1,019,879	1,039,909	1,037,404
Expenses			
General government services	122,829	114,710	110,887
Protective services	229,578	228,862	220,608
Transportation services	283,275	280,756	271,770
Environmental services	54,257	53,529	41,076
Recreation and cultural services	142,657	142,247	131,611
Planning and development services	32,258	32,349	26,249
Educational services	155,771	155,761	151,386
Total expenses	1,020,625	1,008,214	953,587
Annual surplus (deficit)	(746)	31,695	83,817
Accumulated surplus, beginning of year	2,040,262	2,040,262	1,958,195
Remeasurement gain (loss) from investment in Halifax Regional Water Commission (note 6)	-	3,733	(1,750)
Accumulated surplus, end of year	\$ 2,039,516	\$ 2,075,690	\$ 2,040,262

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, 2019, with comparative information for 2018
(In thousands of dollars)

	Budget	2019	2018
Annual surplus (deficit)	\$ (746)	\$ 31,695	\$ 83,817
Acquisition of tangible capital assets and contributed tangible capital assets	(116,485)	(129,553)	(191,834)
Amortization of tangible capital assets	141,855	141,855	137,664
Loss (gain) on disposal of tangible capital assets	-	(1,014)	106
Proceeds on disposal of tangible capital assets	-	1,699	86
	24,624	44,682	29,839
Acquisition of inventories of supplies and prepaid expenses	-	(33,791)	(37,176)
Consumption of inventories of supplies and use of prepaid expenses	-	32,186	38,111
Remeasurement gain (loss) from investment in Halifax Regional Water Commission (note 6)	-	3,733	(1,750)
	-	2,128	(815)
Net change in net financial assets	24,624	46,810	29,024
Net financial assets, beginning of year	163,421	163,421	134,397
Net financial assets, end of year	\$ 188,045	\$ 210,231	\$ 163,421

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, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 31,695	\$ 83,817
Items not involving cash:		
Amortization of tangible capital assets	141,855	137,664
Loss (gain) on disposal of tangible capital assets	(1,014)	106
Contributed tangible capital assets	(10,682)	(15,949)
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss)	(12,401)	(21,783)
	149,453	183,855
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	6,621	(1,348)
Decrease (increase) in accounts receivable	7,648	(16,705)
Decrease in loans, deposits and advances	54	73
Increase in land held for resale	(2,775)	(2,722)
Decrease (increase) in inventory and prepaid expenses	(1,605)	935
Increase (decrease) in accounts payable and accrued liabilities	822	(67)
Increase (decrease) in deferred revenue	10,654	(3,666)
Increase in employee future benefits	2,549	2,701
Increase (decrease) in solid waste management facilities liabilities	311	(7,975)
Net change in cash from operating activities	173,732	155,081
Capital activities		
Proceeds on disposal of tangible capital assets	1,699	86
Acquisition of tangible capital assets	(118,871)	(175,885)
Net change in cash from capital activities	(117,172)	(175,799)
Investing activities		
Decrease (increase) in investments	75,719	(10,796)
Net change in cash from investing activities	75,719	(10,796)
Financing activities		
Long-term debt issued	31,021	19,351
Long-term debt redeemed	(41,468)	(42,442)
Long-term debt recovered from the Halifax Regional Water Commission	6,500	6,566
Net change in cash from financing activities	(3,947)	(16,525)
Net change in cash and short-term deposits	128,332	(48,039)
Cash and short-term deposits, beginning of year	187,292	235,331
Cash and short-term deposits, end of year	\$ 315,624	\$ 187,292

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

(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:

The 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)
- Zatzman Sportsplex (Formerly Dartmouth Sportsplex Community Association)
- Eastern Shore Recreation Commission
- Halifax Forum Community Association
- Halifax Regional Municipality Centennial Arena Commission
- RBC Centre (Formerly Dartmouth 4-Pad)
- Scotiabank Centre
- 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, 2019

(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 Public Sector Accounting Board ("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. 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, 2019

(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 municipalities current cost of borrowing. Any gains or losses from changes in assumptions or experience are amortized over the estimated average remaining service life ("EARSL") 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, 2019

(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	
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 Centre for Education 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 Centre for Education.

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, 2019

(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) Regional Centres for Education:
The assets, liabilities, taxation and other revenues and expenses with respect to the operations of the Halifax Regional Centre for Education and the Conseil scolaire acadien provincial 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:

	2019	2018
Halifax Regional Municipality	\$ 302,422	\$ 178,356
Recreation facilities, commissions, cultural and other facilities and the Halifax Regional Library	13,202	8,936
Total	\$ 315,624	\$ 187,292

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:

	2019	2018
Taxes receivable	\$ 27,841	\$ 34,829
Allowance	(3,346)	(3,713)
Total	\$ 24,495	\$ 31,116

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

(In thousands of dollars)

4. Accounts receivable:

	2019	2018
Federal government	\$ 12,926	\$ 32,023
Provincial government	8,591	9,298
Other receivables	25,138	23,888
Allowance	(634)	(11,540)
Total	\$ 46,021	\$ 53,669

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, 2019.

Bonds of Provincial governments and their guarantees matured on December 18, 2018. HRM is not holding investment bonds as of March 31, 2019. The weighted average yield on market value of these bonds was 1.90% at time of maturity (2018 - 2.20%).

	2019 Cost	2019 Market value	2018 Cost	2018 Market value
Money market instruments	\$ 83	\$ 83	\$ 65,782	\$ 66,056
Bonds of Provincial governments and their guarantees	-	-	10,020	10,050
Total	\$ 83	\$ 83	\$ 75,802	\$ 76,106

The investment income earned on money market instruments is \$7,595 (2018 - \$4,429) and on bonds of Provincial governments and their guarantees is \$65 (2018 - \$241).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019
(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:

	2019	2018
Financial position		
Current assets	\$ 94,101	\$ 94,562
Capital assets	1,281,468	1,242,055
Total assets	1,375,569	1,336,617
Current liabilities	66,907	65,218
Long-term liabilities	1,124,866	1,103,737
Total liabilities	1,191,773	1,168,955
Net assets	\$ 183,796	\$ 167,662
Results of operations		
Revenues	\$ 138,201	\$ 138,145
Operating expenses	(132,790)	(124,815)
Financing expenses	(7,629)	(8,086)
Other income	19,810	21,505
Regulatory deferral account amortization	(192)	(192)
Net income before grant in lieu of tax	17,400	26,557
Grant in lieu of tax	(4,999)	(4,774)
Increase in investment before remeasurement gain (loss)	12,401	21,783
Investment, beginning of year	167,662	147,629
Change in investment through remeasurement gain (loss)	3,733	(1,750)
Investment, end of year	\$ 183,796	\$ 167,662

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

	2019	2018
Revenues		
Grant in lieu of tax	\$ 4,999	\$ 4,774
Expenses		
Stormwater charge	\$ 3,835	\$ 3,847
Fire protection charge	\$ 7,074	\$ 7,243

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, 2019
(In thousands of dollars)

7. Accounts payable and accrued liabilities:

	2019	2018
Trade accounts payable	\$ 44,546	\$ 44,483
Federal government	9,138	9,256
Provincial government	9,705	10,677
Salaries and wages payable	7,192	5,828
Accrued liabilities	35,051	34,509
Accrued interest	1,890	1,947
Total	\$ 107,522	\$ 106,700

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 twelve employers participating in the HRM Plan including the Halifax Regional Centre for Education 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 \$35,360 for the period ending March 31, 2019 (2018 - \$35,516). 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, 2017. The next actuarial valuation, at December 31, 2018, is to be filed by September 30, 2019. The interest rate used in the last filed valuation was 6.40% per year. The following estimates as at December 31, 2018 are based on the actuarial valuation as at December 31, 2016 extrapolated to December 31, 2018 and is based on a best estimate discount rate assumption of 6.20% per annum (2017 - 6.40%).

	2019 Extrapolated	2018
Actuarial value of plan assets	\$ 1,892,417	\$ 1,765,561
Estimated present value of accrued pension benefits	(2,038,381)	(1,880,173)
Estimated funding deficit	\$ (145,964)	\$ (114,612)

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019
(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:	6.2% 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)

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 the Municipality's 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. The last actuarial valuation of the retirement allowance programs was conducted as at March 31, 2019. For all other benefits, actuarial valuations were conducted as at March 31, 2017. 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:

		2019		2018
Accrued benefit obligation, beginning of year	\$	59,860	\$	64,613
Current period benefit cost		5,538		5,098
Benefit payments		(5,382)		(5,299)
Interest cost		1,781		1,683
Actuarial loss (gain)		3,835		(6,235)
Accrued benefit obligation, end of year	\$	65,632	\$	59,860

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

(In thousands of dollars)

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

	2019	2018
Main assumptions used for fiscal year-end disclosure		
Discount rate	3.31%	2.84%
Salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation		
Discount rate	2.84%	2.51%
Salary increase	3% plus merit	3% plus merit

These other employee benefit plans require no contributions from employees. The benefit liability as at March 31, 2019 is estimated to include the following components:

	2019	2018
Accrued benefit obligation		
Retiring allowances	\$ 32,735	\$ 32,815
Sick leave	19,798	14,571
HRM pension contributions for employees on long-term disability	5,838	4,771
Police Health Trust	2,376	2,318
Other	4,885	5,385
	65,632	59,860
Unamortized actuarial loss	(4,879)	(1,656)
Benefit liability	\$ 60,753	\$ 58,204

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:

	2019	2018
Current period benefit cost	\$ 5,538	\$ 5,098
Amortization of actuarial loss	612	1,219
Other employee benefit expense	6,150	6,317
Other employee benefit interest expense	1,781	1,683
Total expense related to other employee benefit plans	\$ 7,931	\$ 8,000

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019
(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 3.31% (2018 - 2.84%) and a forecasted inflation rate of 1.51% (2018 - 2.16%).

Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to accept waste for another 17 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 (2018 - 5,158,956 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.

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.

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, 2019

(In thousands of dollars)

10. Solid waste management facilities liabilities (continued):

	Sackville	Otter Lake	Mengoni	2019 Total
Estimated present value of closure and post closure costs	\$ 19,345	\$ 36,230	\$ 2,542	\$ 58,117
Less: expenses incurred	18,079	34,195	2,348	54,622
	1,266	2,035	194	3,495
Reserve fund				8,687
Excess of available reserve over liability				\$ (5,192)

	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 reserve over liability				\$ (5,399)

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, 2019 are as follows:

2019/20	\$ 32,931
2020/21	34,793
2021/22	22,824
2022/23	20,397
2023/24	17,957
Thereafter	47,213
Total	\$ 176,115

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019
(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, 2019 are \$7,436 (2018 - \$7,409).

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:

2019/20	\$	6,678
2020/21		5,479
2021/22		3,356
2022/23		3,012
2023/24		2,784
Total	\$	21,309

(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:

2019/20	\$	5,397
2020/21		4,565
2021/22		4,363
2022/23		3,537
2023/24		2,226
Total	\$	20,088

(c) The Municipality has entered into several long-term contracts for waste resources operations with aggregate annual payments of approximately \$38,292 (2018 - \$37,688) for each of the next five years.

(d) Effective March 1, 2018, 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 before taxes 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, 2019

(In thousands of dollars)

14. Tangible capital assets:

Cost	Balance at March 31, 2018	Additions (Net of transfers)	Disposals	Balance at March 31, 2019
Land	\$ 285,988	\$ 1,280	\$ (6)	\$ 287,262
Land improvements	267,578	10,301	-	277,879
Buildings	606,780	38,601	(902)	644,479
Vehicles	260,420	21,754	(3,372)	278,802
Machinery and equipment	103,921	15,527	(11,543)	107,905
Roads and infrastructure	1,978,983	51,292	-	2,030,275
Dams	480	-	-	480
Ferries	39,209	6,141	(7,599)	37,751
Leasehold improvements	3,030	67	-	3,097
Assets under construction	43,588	(15,410)	-	28,178
Total	\$ 3,589,977	\$ 129,553	\$ (23,422)	\$ 3,696,108

Accumulated amortization	Balance at March 31, 2018	Disposals	Amortization expense	Balance at March 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	196,055	-	5,077	201,132
Buildings	267,214	(678)	22,600	289,136
Vehicles	157,197	(3,180)	16,254	170,271
Machinery and equipment	47,626	(11,543)	18,642	54,725
Roads and infrastructure	1,037,877	-	78,155	1,116,032
Dams	480	-	-	480
Ferries	17,362	(7,336)	955	10,981
Leasehold improvements	1,625	-	172	1,797
Assets under construction	-	-	-	-
Total	\$ 1,725,436	\$ (22,737)	\$ 141,855	\$ 1,844,554

	Net book value March 31, 2018	Net book value March 31, 2019
Land	\$ 285,988	\$ 287,262
Land improvements	71,523	76,747
Buildings	339,566	355,343
Vehicles	103,223	108,531
Machinery and equipment	56,295	53,180
Roads and infrastructure	941,106	914,243
Dams	-	-
Ferries	21,847	26,770
Leasehold improvements	1,405	1,300
Assets under construction	43,588	28,178
Total	\$ 1,864,541	\$ 1,851,554

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

(In thousands of dollars)

14. Tangible capital assets (continued):

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, 2019
(In thousands of dollars)

14. Tangible capital assets (continued):

- (a) Assets under construction:
Assets under construction having a value of \$28,178 (2018 - \$43,588) 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 \$10,682 (2018 - \$15,949) and is comprised of roads and infrastructure in the amount of \$9,038 (2018 - \$15,931), land and land improvements having a value of \$1,644 (2018 - \$18).
- (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 (2018 - \$nil).
- (f) Roads and infrastructure:
Roads and infrastructure have a net book value of \$914,243 (2018 - \$941,106) and are comprised of: road beds - \$262,450 (2018 - \$271,049), road surfaces - \$268,597 (2018 - \$287,615), infrastructure - \$369,009 (2018 - \$368,459) and bridges - \$14,187 (2018 - \$13,983).
- (g) Buildings:
Buildings have a net book value of \$355,343 (2018 - \$339,566) and are comprised of: structure and electrical - \$123,430 (2018 - \$120,320), mechanical, roof, exterior architecture, and site work - \$178,938 (2018 - \$172,315), and interior architecture - \$52,975 (2018 - \$46,931).
- (h) Land Improvements:
Land improvements have a net book value of \$76,747 (2018 - \$71,523) and are comprised of: bridges, docks, seawalls, and wharves - \$18,661 (2018 - \$18,081), sports fields and skateparks - \$23,215 (2018 - \$22,359), playground and other land improvements - \$29,321 (2018 - \$26,161), and trails - \$5,550 (2018 - \$4,922).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019
(In thousands of dollars)

15. Accumulated surplus:

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

	2019	2018
Surplus		
Invested in tangible capital assets	\$ 1,675,439	\$ 1,684,479
Other	(1,818)	9,124
Equity in Halifax Regional Water Commission (note 6)	183,796	167,662
Funded by reserves		
Landfill closure costs (note 10)	(3,495)	(3,184)
Unfunded		
Employee future benefits, accrued interest and other	(18,410)	(17,364)
Total surplus	1,835,512	1,840,717
Risk reserves set aside by Council		
Insurance and risk	4,172	4,089
Police officer on the job injury	2,170	2,102
Operating stabilization	8,819	8,875
General contingency	29,087	12,233
Total risk reserves set aside by Council	44,248	27,299
Obligation reserves set aside by Council		
Landfill closure and post closure costs (note 10)	8,687	8,583
Municipal election	2,214	1,073
Convention centre	3,811	7,633
Capital fund	21,604	14,756
Fleet vehicles and equipment	1,956	2,375
Central Library recapitalization	4,327	3,382
Building recapitalization and replacement	4,258	4,196
Multi-District facilities	6,100	7,252
Transit capital	4,334	4,858
Solid waste facilities	16,270	14,724
Total obligation reserves set aside by Council	73,561	68,832
Opportunity reserves set aside by Council		
Strategic capital	15,663	20,738
Parkland development	4,405	3,805
Business/Industrial parks expansion	41,487	33,571
Community and events	4,431	4,825
Gas tax	9,549	9,077
Debt principal and interest repayment	46,834	31,398
Total opportunity reserves set aside by Council	122,369	103,414
Total accumulated surplus	\$ 2,075,690	\$ 2,040,262

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019
(In thousands of dollars)

16. Contingent liabilities:

- (a) As of March 31, 2019, 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 \$180,000. 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 20.8% at March 31, 2019 (2018 - 21.5%). As at March 31, 2019, total outstanding debt is \$208,283 (2018 - \$214,413), with maturity dates ranging from 2019 to 2028. The Municipality is responsible for outstanding debt of \$39,000 (2018 - \$45,500) 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.

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, 2019
(In thousands of dollars)

18. Amounts contributed for provincially mandated services:

	Budget	2019	2018
Education services	\$ 155,771	\$ 155,761	\$ 151,386
Assessment services	7,087	7,111	6,893
Social housing	3,560	3,129	3,518
Correctional services	6,752	6,704	6,685
Total	\$ 173,170	\$ 172,705	\$ 168,482

(a) Education services

The Municipality is required to provide a mandatory contribution in the amount of \$140,326 (2018 - \$135,490) and supplementary contributions of \$15,435 (2018 - \$15,896) for the Halifax Regional Centre for Education 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, 2019
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19. Budget data:

The budget data presented in these consolidated financial statements is based upon the fiscal 2018/19 operating and capital budgets approved by Council on April 24, 2018, 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 2018/19 Council approved budgets have been modified to reflect these adjustments.

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

	2019	2018
Revenue		
Operating budget	\$ 918,853	\$ 895,735
Capital budget	128,584	187,269
	<u>1,047,437</u>	<u>1,083,004</u>
Less:		
Miscellaneous capital funding	(2,000)	(5,000)
Principal and interest recovery from Halifax Regional Water Commission	(8,776)	(9,164)
Tax concessions	(6,635)	(5,995)
Transfers from reserves to capital	(47,924)	(75,100)
Transfers from operating to capital	(36,200)	(36,900)
Long-term debt issued	(29,800)	(32,765)
	<u>(131,335)</u>	<u>(164,924)</u>
Add:		
Revenues from agencies, boards and commissions	35,199	28,344
Restricted area rate surpluses	1,863	3,331
Proceeds from sale of assets	9,583	8,005
Reserve revenue - Gas Tax	26,500	25,300
Interest on reserves	2,847	2,120
Development levies in reserves	1,640	1,250
Other reserve revenue	1,998	2,409
Tangible capital asset related adjustments	11,747	15,331
Increase in investment of the Halifax Regional Water Commission before remeasurement gain (loss)	12,400	21,800
	<u>103,777</u>	<u>107,890</u>
Total revenue	<u>\$ 1,019,879</u>	<u>\$ 1,025,970</u>

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

(In thousands of dollars)

19. Budget data (continued):

	2019	2018
Expenses		
Operating budget	\$ 918,853	\$ 895,735
Less:		
Tax concessions	(6,635)	(5,995)
Transfers from operating to capital	(36,200)	(36,900)
Net transfers from operating to reserves	(16,933)	(25,008)
Change in solid waste management facilities liabilities	311	(7,975)
Principal and interest payments made on behalf of Halifax Regional Water Commission	(8,776)	(9,164)
Long-term debt redeemed	(34,883)	(35,792)
	(103,116)	(120,834)
Add:		
Expenses from agencies, boards and commissions	35,840	31,590
Cost of lots sold in business parks	1,214	1,338
Application of restricted area rate surpluses	1,863	3,331
Tangible capital assets adjustments including amortization	165,971	158,894
	204,888	195,153
Total expenses	1,020,625	970,054
Annual surplus (deficit)	\$ (746)	\$ 55,916

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, 2019
(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 and solid waste landfill closure and post closure costs allocated to the current year. Water supply and distribution and wastewater treatment costs are not included in this line, except for costs funded by agreements between the Municipality and other governments. Water supply and distribution and wastewater treatment costs are accounted for by the HRWC. The investment in the HRWC is consolidated on the modified equity basis of accounting, as discussed in note 1.

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 for the Halifax Regional Centre for Education and Conseil scolaire acadien provincial.

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 and Expenses for Reportable Individuals

Year ended March 31, 2019

(In thousands of dollars)

Council members:	Remuneration	Expenses	Total
M. Savage, Mayor	\$ 180	\$ 13	\$ 193
S. Adams	87	8	95
S. Austin	87	1	88
L. Blackburn	87	8	95
S. Cleary	87	2	89
S. Craig	87	3	90
D. Hendsbee	87	10	97
B. Karsten	87	11	98
T. Mancini	91	6	97
W. Mason	93	2	95
L. Nicoll	87	8	95
T. Outhit	87	2	89
L. Smith	87	-	87
S. Streach	87	14	101
R. Walker	87	8	95
M. Whitman	87	6	93
R. Zurawski	87	8	95
Chief Administrative Officer:			
J. Dubé	279	9	288

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

Expenses include travel and travel related accommodations, incidentals and transportation and meals, professional development and training expenses.

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Long-term Debt

Year ended March 31, 2019
(In thousands of dollars)

	Term (years)	Interest rate - %	Maturity year	Balance March 31, 2018	Issued	Redeemed	Balance March 31, 2019
Municipal Finance Corporation:							
24-HBR-1	20	2.84/5.94	2024	\$ 38,500	\$ -	\$ 5,500	\$ 33,000
05-B-1	15	3.63/4.83	2020	9,676	-	1,209	8,467
08-A-1	10	3.75/4.884	2018	2,650	-	2,650	-
08-B-1	10	3.1/5.095	2018	2,474	-	2,474	-
09-A-1	15	1.0/5.644	2024	17,390	-	4,395	12,995
09-B-1	10	0.97/4.329	2019	1,300	-	650	650
10-A-1	10	1.51/4.5	2020	6,120	-	2,040	4,080
10-B-1	10	1.55/3.87	2020	8,018	-	2,673	5,345
11-A-1	10	1.63/4.221	2021	5,300	-	1,325	3,975
11-B-1	10	1.219/3.645	2021	4,406	-	1,102	3,304
12-A-1	10	1.636/3.48	2022	7,400	-	1,480	5,920
12-B-1	10	1.51/3.16	2022	4,800	-	960	3,840
13-A-1	10	1.33/2.979	2023	14,160	-	2,360	11,800
13-B-1	10	1.285/3.614	2023	2,202	-	367	1,835
14-A-1	10	1.245/3.347	2024	15,313	-	2,188	13,125
14-B-1	10	1.20/3.19	2024	14,196	-	2,028	12,168
15-A-1	10	1.011/2.786	2025	21,600	-	2,700	18,900
15-B-1	10	1.040/2.894	2025	8,106	-	1,013	7,093
16-A-1	10	1.150/2.925	2026	17,550	-	1,950	15,600
17-A-1	10	1.20/2.653	2027	8,241	-	824	7,417
17-B-1	10	1.734/3.073	2027	11,110	-	1,111	9,999
18-A-1	10	2.06/3.2995	2028	-	19,567	-	19,567
18-B-1	10	2.49/3.389	2028	-	11,454	-	11,454
				220,512	31,021	40,999	210,534
Federation of Canadian Municipalities:							
FCM	20	2.0	2032	3,000	-	200	2,800
GMIF12028	10	1.75	2025	2,033	-	254	1,779
Misc.:							
5% stock Permanent		5.0	-	2	-	-	2
Sackville Landfill Trust:							
Acadia School	20	7.0	2018	15	-	15	-
				225,562	31,021	41,468	215,115
Less: Long-term debt recoverable from the Halifax Regional							
Water Commission:							
14-B-1	10	1.20/3.19	2024	(7,000)	-	(1,000)	(6,000)
24-HBR-1	20	2.84/5.94	2024	(38,500)	-	(5,500)	(33,000)
				(45,500)	-	(6,500)	(39,000)
Long-term debt				\$ 180,062	\$ 31,021	\$ 34,968	\$ 176,115

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Long-term Debt

Year ended March 31, 2019
(In thousands of dollars)

	Term (years)	Interest rate - %	Maturity year	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 Segment Disclosure

Year ended March 31, 2019
(in thousands of dollars)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	2019 Total
Revenue								
Taxation	\$ 519,743	\$ 6,704	\$ 80,815	\$ -	\$ -	\$ -	\$ 155,761	\$ 763,023
Taxation from other governments	38,782	-	-	-	-	-	-	38,782
User fees and charges	7,366	13,851	40,551	4,833	48,940	5,719	-	121,260
Government grants	4,347	3,800	36,473	3,578	6,629	-	-	54,827
Development levies	-	-	290	1,277	852	-	-	2,419
Investment income (note 5)	7,660	-	-	-	-	-	-	7,660
Penalties, fines and interest	5,973	5,425	-	-	249	-	-	11,647
Land sales, contributions and other revenue	4,492	-	8,639	-	778	8,982	-	22,891
Increase in investment in the Halifax Regional Water Commission before remeasurement	-	-	-	-	-	-	-	-
Water Commission before remeasurement gain (loss) (note 6)	12,401	-	-	-	-	-	-	12,401
Grant in lieu of tax from the Halifax Regional Water Commission (note 6)	4,999	-	-	-	-	-	-	4,999
Total revenue	605,763	29,780	166,768	9,688	57,448	14,701	155,761	1,039,909
Expenses								
Salaries, wages and benefits	51,039	162,366	100,848	2,477	63,049	12,504	-	392,283
Interest on long-term debt	1,123	225	2,630	136	1,262	32	-	5,408
Materials, goods, supplies and utilities	15,580	7,421	24,692	72	17,024	422	-	65,211
Contracted services	10,518	30,112	33,850	47,551	10,788	965	-	133,784
Other operating expenses	4,932	17,602	18,199	618	32,063	2,950	-	76,364
External transfers and grants	10,667	6,845	4,193	-	427	15,416	155,761	193,309
Amortization of tangible capital assets	20,851	4,291	96,344	2,675	17,634	60	-	141,855
Total expenses	114,710	228,862	280,756	53,529	142,247	32,349	155,761	1,008,214
Annual surplus (deficit)	\$ 491,053	\$ (199,082)	\$ (113,988)	\$ (43,841)	\$ (84,799)	\$ (17,648)	\$ -	\$ 31,695

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2019
(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 (note 5)	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
gain (loss) (note 6)								
Water Commission (note 6)	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 of tangible capital assets	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

Statement of General Rate Surplus of the

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2019

INSERT AUDITORS' REPORT HERE

HALIFAX REGIONAL MUNICIPALITY

Statement of General Rate Surplus

For the year ended March 31, 2019, with comparative information for 2018

(In thousands of dollars)

	2019	2018
General rate surplus, before transfers	\$ 26,057	\$ 17,260
Transfers to reserves:		
Contribution to Police Officer On the Job Injury reserve	-	(100)
Contribution to Municipal Election reserve	(700)	-
Contribution to Parkland Development reserve	(2,000)	-
Contribution to Capital Fund reserve	(6,000)	(5,370)
Contribution to Convention Centre reserve	-	(2,000)
Contribution to General Contingency reserve	(17,357)	(9,790)
	<u>(26,057)</u>	<u>(17,260)</u>
General rate surplus	-	-

The accompanying notes are an integral part of the statement.

HALIFAX REGIONAL MUNICIPALITY

Notes to Statement of General Rate Surplus

Year ended March 31, 2019

(In thousands of dollars)

1. Basis of accounting:

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

This statement is the net actual result of revenue and expenses of the Municipality's Operating Fund, to the extent that those revenues and expenses are included in the calculation of the Municipality's estimate of required sums as determined under Section 93 of the Halifax Regional Municipality Charter, the basis for the general tax rate. As per FRAM Section 3(1)(a)(iv)D Operating Reserve Fund, if the Municipality's operating fund statement of operations results in a surplus, the surplus shall be transferred to the operating reserve.

2. Significant accounting policies:

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

- a) Interest expense is recorded on a cash basis;
- b) Debt principal repayments are deducted as an expense;
- c) Inter-fund transfers are included in the financial results of the Operating Fund;
- d) Transfers from the Operating Fund to purchase or construct tangible capital assets are deducted as an expense; and,
- e) Amortization of tangible capital assets, changes in the value of the liability for employee sick leave and the liability for contaminated sites no longer in active or productive use are not included in the determination of the general rate surplus.

Financial Statements of the

HALIFAX REGIONAL MUNICIPALITY
MISCELLANEOUS TRUST FUNDS

Year ended March 31, 2019

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Statement of Financial Position

March 31, 2019, with comparative figures for 2018

	2019	2018
Assets		
Cash	\$ 7,429,389	\$ 7,387,679
Accounts receivable (note 2)	-	15,371
Due from Halifax Regional Municipality	109	-
Investments (note 3)	6,410	6,410
	\$ 7,435,908	\$ 7,409,460
Liabilities and Funds Equity		
Funds equity (schedule)	7,435,908	7,409,460
	\$ 7,435,908	\$ 7,409,460

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

Approved on behalf of the Halifax Regional Municipality

Mayor, Mike Savage

Municipal Clerk, Kevin Arjoon

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Statement of Income and Expenditures and Funds Equity

For the year ended March 31, 2019, with comparative figures for 2018

	2019	2018
Income		
Investment income	\$ 165,281	\$ 114,508
Capital contributions received during the year	8,818	16,451
Tax sales	279,095	785,669
	<hr/> 453,194	<hr/> 916,628
Expenditures		
Transfer to Halifax Regional Municipality	140,702	102,889
Net transactions with Trustors	286,044	573,687
	<hr/> 426,746	<hr/> 676,576
Excess of income over expenditures	26,448	240,052
Funds equity, beginning of the year	7,409,460	7,169,408
Funds equity, end of the year	<hr/> \$ 7,435,908	<hr/> \$ 7,409,460

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

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Statement of Cash Flow

For the year ended March 31, 2019, with comparative figures for 2018

	2019	2018
Excess of income over expenditures	\$ 26,448	\$ 240,052
Decrease in accounts receivable	15,371	88,567
Increase in due from Halifax Regional Municipality	(109)	-
Increase in cash	41,710	328,619
Cash, beginning of the year	7,387,679	7,059,060
Cash, end of the year	\$ 7,429,389	\$ 7,387,679

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

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Notes to Financial Statements

Year End March 31, 2019

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

1. Significant accounting policies:

(a) Basics of accounting:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Revenue recognition:

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

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

Capital contribution related to various services fees are recognized as revenue in the period received.

(c) Use of estimates:

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

2. Accounts receivable:

The accounts receivable balance, NIL (March 31, 2018 - \$15,371) was due from an entity controlled by the Halifax Regional Municipality. During the year, the entity made principal payments of \$15,371 (March 31, 2018 - \$88,567) and interest payments of \$135 (March 31, 2018 - \$4,469).

3. Investments:

	2019	2018
Shares, cost	\$ 6,410	\$ 6,410
Shares, market value	\$ 403,160	\$ 392,394

The market value shown for investments represents the estimated value of the shares as at March 31, 2019. Shares are valued at the year end quoted market prices.

HALIFAX REGIONAL MUNICIPALITY

MISCELLANEOUS TRUST FUNDS

Schedule of Funds Equity

Year ended March 31, 2019

	Balance March 31, 2018	Income	Transfer to Halifax Regional Municipality	Expenditures of Trustors	Capital Contributions	Balance March 31, 2019
J.L. Dillman Park Maintenance	\$ 166,875	\$ 3,506	\$ -	\$ -	\$ -	\$ 170,381
Tax sales	2,985,111	337,488	(58,393)	(220,444)	-	3,043,762
J.D. Shatford Memorial	60,000	1,249	(1,249)	-	-	60,000
Sackville Landfill	850,863	16,940	(135)	(65,500)	-	802,168
Camphill Cemetery Trust	140,620	2,944	(2,944)	-	1,800	142,420
Camphill Cemetery Perpetual Care	566,179	11,782	(11,782)	-	-	566,179
Camphill Cemetery Fence	12,063	251	(251)	-	-	12,063
Fairview Cemetery Trust	2,363,288	64,669	(64,669)	-	6,518	2,369,806
Fairview Cemetery Maintenance	45,000	936	(936)	-	-	45,000
Titanic Trust	167,811	3,534	-	-	500	171,845
Commons Commutation	16,491	343	(343)	-	-	16,491
Harbour Championship	9,866	204	-	(100)	-	9,970
Other	25,293	530	-	-	-	25,823
	\$ 7,409,460	\$ 444,376	\$ (140,702)	\$ (286,044)	\$ 8,818	\$ 7,435,908

Halifax Regional Municipality

Audit Findings Report
for the year ended
March 31, 2019

KPMG LLP

Prepared June 14, 2019

kpmg.ca/audit



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The contacts at KPMG in connection with this report are:

Carey Blair
Lead Audit Engagement Partner
Tel:902.492.6029
cblair@kpmg.ca

Laura Noye
Audit Senior Manager
Tel:902.492.6047
lnoye@kpmg.ca

Executive summary



Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements as at and for the year ended March 31, 2019

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee.



Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.



Finalizing the Audit

As of June 14, 2019, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our quality review procedures
- Completing our procedures over the component audit of the Halifax Regional Water Commission
- Completing our discussions with the Audit Committee
- Obtaining management's representation letter
- Obtaining evidence of the Council's approval of the financial statements

We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

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





Executive summary



Audit risks and results

We discussed with you at the start of the audit a number of significant and other financial reporting risks:

- Fraud risk from management override of controls
- Taxation Revenues
- Capital Assets
- Change in investment in the Halifax Regional Water Commission
- User fees and charges
- Payroll expenditures
- Routine expenses
- Treasury
- These risks have been addressed in our audit

See pages 4 and Appendix 6.



Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.



Executive summary



Adjustments and differences

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.



Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting ("ICFR").



Independence

We have included a copy of our annual independence letter, which notes that we are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada



Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks	Why is it significant?
Risk of management override of controls. Applies to all in-scope components.	Presumed risk of fraud in Canadian auditing standards. Risk of fraud.
Our response and significant findings	

- A listing of all journal entries was obtained from management. This listing was reconciled for completeness using the opening and ending account balances. High risk criteria were used to select a sample of journal entries to be reviewed for potential errors.
- No errors were identified



Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Taxation Revenues HRM	Significant to the statement of operations. Risk of error.
Capital assets HRM	Significant to the statement of financial position. Risk of error.
Changes in investment in Halifax Regional Water Commission Halifax Regional Water Commission	Significant to the statement of financial position. Risk of error.

Our response and significant findings

- Confirmed property tax valuations and reconciled to the records of the HRM. Completed a substantive analytic procedure predicting the property tax revenue based on the confirmed values and approved property tax rates.
- For a sample of capital asset transactions, obtained evidence of the existence and accuracy of the amount recorded. Reviewed repair and maintenance expenses to identify any capital assets that may have been expensed in error confirming completeness.
- Corresponded with the component auditor of the Halifax Regional Water Commission providing direction in their audit of transactions that give rise to a change in investment in Halifax Regional Water Commission.
- Will complete a review of the audit procedures performed by the component auditor of the Halifax Regional Water Commission.
- No errors were identified and KPMG will provide an update if the review of the component auditors procedures results in any findings.

Audit risks and results

Other area of focus

Why are we focusing here?

User fees and charges	Significant to the statement of operations.
HRM and various recreational facilities	Risk of error.
Payroll expenditures	Significant to the statement of operations.
HRM, Halifax Regional Library and various recreational facilities	Risk of error.
Routine expenditures	Significant to the statement of financial position.
HRM	Risk of error.
Treasury	Significant to the statement of operations
HRM	Risk of error.

Our response and significant findings

- Completed substantive analytic procedures over user fees and charges.
- Tested the design, implementation and operating effectiveness of controls over payroll processes including hiring, termination, periodic wage increase and periodic payroll processing.
- Obtained information outlining the levels of employment and completed testing to ensure the accuracy of information. Completed substantive analytic procedures to predict payroll and related benefit expenditures.
- Completed substantive analytic procedures related to routine expenditures.
- Confirmed cash and long-term debt balances and agreed the amounts to the records of the HRM.
- No errors were identified.

Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.



Areas of the audit where Technology and D&A routines were used

Tool

Our results and insights

Data & Analytics Routines

Used D&A routine to analyze property valuation and summarized information used in substantive analytic procedures.

Used D&A routines to identify journal entries with high risk criteria as determined in the assessment of management override.





Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Company's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements

Adequate

Application of accounting pronouncements issued but not yet effective

No concerns at this time regarding future implementation. Standard related to Asset Retirement Obligations and Financial Instruments are effective for the year beginning April 1, 2021



Adjustments and differences



Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.





Appendices



Appendix 1: Required communications



Appendix 2: Audit Quality and Risk Management

Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



Auditors' report

The conclusion of our audit is set out in our draft auditors' report as attached



Management representation letter

In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.



Annual independence letter

In accordance with professional standards, we have attached our annual independence letter.



Appendix 2: Audit Quality and Risk Management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality Report](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



We do not offer services that would impair our independence.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.



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KPMG LLP
1959 Upper Water Street
Suite 1500
Purdy's Wharf Tower 1
Halifax NS B3J 3N2
Tel 902-492-6000
Fax 902-429-1307
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of the Halifax Regional Municipality

Opinion

We have audited the consolidated financial statements of Halifax Regional Municipality (the Entity), which comprise:

- The consolidated statement of financial position as at end of March 31, 2019
- the consolidated statement of operations and accumulated surplus and net financial assets for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at end of March 31, 2019, and its results of operations, changes in net financial assets and its cash flows year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are/is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Canada

July •, 2019



KPMG LLP
1959 Upper Water Street
Suite 1500
Purdy's Wharf Tower 1
Halifax NS B3J 3N2
Tel 902-492-6000
Fax 902-429-1307
www.kpmg.ca

Audit Committee
Halifax Regional Municipality
PO Box 1749
1505 Barrington Street
Halifax, NS B3J 3A5

July •, 2019

Ladies and Gentlemen

Professional standards specify that we communicate to you in writing all relationships between the Entity and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

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

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client

PROVISION OF SERVICES

In addition to our audit services we have been engaged and delivered for the following services from April 1, 2018 to the date of this letter:

- Current state and priorities review for HRM Transit Facility
- Facilitate development of organization strategy and administrative priority scorecards
- Review of human resource policies and programs
- Departmental review of communications function
- Review service fee review for Parks and Recreation department
- 5S review of horticulture department



— Jurisdictional review of childcare service delivery

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. We have not provided any prohibited services. We have applied the following safeguards regarding threats to independence created by the services listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity that, in our professional judgement, may reasonably be thought to bear on our independence.

CONFIRMATION OF INDEPENDENCE

We confirm that, as of the date of this letter, we are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

OTHER MATTERS

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

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

Yours very truly,

KPMG LLP
Purdy's Wharf Tower One
1959 Upper water Street, Suite 1500
Halifax, Nova Scotia
Canada

July •, 2019

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Halifax Regional Municipality ("the Entity") as at and for the period ended March 31, 2019.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

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

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated February 6, 2018 including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.

- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

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

Subsequent events:

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

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Going Concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements

Non-SEC registrants or non-reporting issuers:

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

Assets & Liabilities – general:

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

Contractual agreements:

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

Environmental matters:

- 15) The entity has appropriately recognized, measured and disclosed environmental matters in the financial statements, included estimated closure costs related to landfills.

- 16) Employee Future Benefits:
- 17) The employee future benefit costs, assets, and obligations, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 18) The employee future benefit costs, assets and obligations have been determined accounted for and disclosed in accordance with PSAS 3250 and 3255. In particular:
 - a) each actuarial assumption used reflects management's best estimate solely with respect to that individual assumption, determined on a basis that the plan will continue to be in effect in the absence of evidence to the contrary;
 - b) the set of actuarial assumptions for each plan are individually consistent;
 - c) the discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

Experts/Specialists:

- 19) The information provided by us to Eckler and Robertson Eadie & Associates and used in the work and findings of the experts are complete and accurate. We agree with the findings of the experts in evaluating the employee future benefits disclosure and have adequately considered the qualifications of the experts in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matter that have had an impact on the independence and objectivity of the experts.

Contingent liabilities:

- 20) The Entity is subject to a number of legal matter including lawsuits and complaints that could result in a future settlement. We have provided you with a complete listing of all identified matters with an estimated or potential settlement of greater than \$100,000 if the Entity is considered at fault or decides to settle the matter. All material matters, individually and in aggregate, have been considered under the accounting framework and where significant have been measured and/or disclosed in the financial statements.

Yours very truly,

Jacques Dube, Chief Administrative Office

Jane Fraser, Director of Finance and Asset Management/CFO

cc: Audit Committee

Attachment I – Definitions

Materiality

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

Fraud & error

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

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

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

Related parties

In accordance with Canadian public sector accounting standards (PSAB) related party is defined as:

- When one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with Canadian public sector accounting standards (PSAB) a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.