

Financial Information of

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Mayor and the Councillors of the Halifax Regional Municipality

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

Management's Responsibility for the Financial Information

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

Auditor's Responsibility

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

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

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

Opinion

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

Basis of Accounting and Restriction on Use

The financial reporting provisions in Section 451 of the Municipal Government Act of Nova Scotia requires the financial information to be prepared in a manner prescribed by the Minister. These reporting provisions differ from the basis of accounting prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants ("PSAB"). These differences are disclosed in Note 1 to the financial information. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Mayor and Councillors of the Halifax Regional Municipality.

Chartered Accountants
July 5, 2011
Halifax, Canada

HALIFAX REGIONAL MUNICIPALITY

General Rate Surplus

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

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Financial Information

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

1. Significant accounting policies:

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

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

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