

The background features a large, stylized graphic of a white arrow pointing to the right, set against a dark blue background. The arrow is composed of several overlapping geometric shapes in various shades of blue and white, creating a sense of depth and movement.

HALIFAX

**Audited
Consolidated
Financial
Statements
March 31, 2019**

Governance and Responsibilities

- HRM Management is responsible for preparing the financial statements and presenting them to the Audit Committee (the “Committee”).
- The Committee’s 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.
- KPMG, our External Auditor, provides an Opinion on the Financial Statements. On March 27, 2019, they provided their Audit Planning Report containing their approach and methodology, risks and confirmation of their independence.
- It is recommended that the Committee discuss issues with KPMG without Management present, as per Section 19(2)(c) of the Halifax Regional Municipality Charter, by moving in-camera.
- After these discussions, the Committee will vote on the motion in the Report.

Consolidated Entities

Recreation facilities:

- BMO Centre
- Canada Games Centre
- HRM Centennial Arena Commission
- Centennial Pool Association
- Community Builders Inc. (Cole Harbour Place)
- Eastern Shore Recreation Commission
- Halifax Forum Community Association
- RBC Centre (formerly Dartmouth 4-Pad)
- Sackville Sports Stadium
- Scotiabank Centre
- St. Margaret's Community Centre Association
- Zatzman Sportsplex (formerly Dartmouth Sportsplex Community Association)

Commissions, cultural and other facilities:

- Alderney Landing Association
- MetroPark Parkade Facility
- Events East Group (Halifax Convention Centre Corporation)
- Business Commissions and Associations
 - Downtown Dartmouth Business Commission
 - Downtown Halifax Business Commission
 - Main Street Dartmouth and Area Business Improvement Association
 - 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

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Consolidated Financial Statements – Highlights

- Will receive an unqualified Audit Report.
- No audit adjustments or management letter points.
- Prepared in accordance with GAAP and PSAS.
- Prepared on a timely basis.

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Financial Statement – Walk Through

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Statement of Financial Position

- Statement of financial position highlights four key figures that describe the financial position of the Municipality at the financial statement date:
 - The cash resources of the Municipality.
 - The net financial asset position of the Municipality which is calculated as the difference between its liabilities and financial assets:
 - Net financial assets can provide financial resources to finance future operations.
 - The non-financial assets of the Municipality (tangible capital assets and inventory and prepaid expenses) are normally for use in the provision of services.
 - The accumulated surplus of the Municipality.

Cash and Investments

	2019	2018	Change
Cash	\$ 315,624	\$ 187,292	\$ 128,332
Investments	\$ 83	\$ 75,802	\$ (75,719)
Total	\$ 315,707	\$ 263,094	\$ 52,613

- Cash increased as operating activities provided \$173.7M and proceeds from the sale of assets of \$1.7M, offset by the purchase of tangible capital assets of \$118.9M.
- Investments were of a shorter maturity so classified as cash on the financial statements and increased cash by \$75.7M.
- Debt financing, new debt less debt repayments, resulted in a \$3.9M decrease in cash.
- See Notes 1(i), 2, 5, and Statement of Cash Flows for additional details.

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Taxes Receivable

	2019	2018	Change
Taxes receivable	\$ 24,495	\$ 31,116	(\$ 6,621)

- Property taxes receivable and interest accrued on overdue accounts decreased \$6.1M primarily due to increase in customers setting up pre-authorized tax payments.
- Deed transfer tax receivable decreased by \$0.9M due to decrease in deed transfer tax revenue earned in March 2019.
- The allowance for uncollectible accounts decreased by \$0.4M.
- See notes 1(f) and 3 for additional information.

Accounts Receivable

	2019	2018	Change
Accounts receivable	\$ 46,021	\$ 53,669	(\$ 7,648)

- Claims receivable for cost sharing through Public Transit Infrastructure Fund decreased by \$5.2M due to fewer new buses purchased under program.
- Decrease of \$11.3M mainly due to settlement of Halifax Port Authority PILT, which is offset by a decrease in allowance of \$10.9M.
- Decrease of \$1.2M mainly due to lower costs sharing claims outstanding for Fall River Water Servicing.
- Other miscellaneous items reduced receivables by \$0.8M.
- See Note 4 for additional information.

Loans, Deposits and Advances

	2019	2018	Change
Loans, deposits and advances	\$ 436	\$ 490	(\$ 54)

- Payroll advances and receivables decreased as employees have retired.

Land Held for Resale

	2019	2018	Change
Land held for resale	\$ 57,316	\$ 54,541	\$ 2,775

- Increase due to:
 - Property declared surplus to municipal purposes increased by \$2.4M.
 - Lots held for resale in Business Parks increased by \$0.4M.
- See Note 1(j) for additional information.

Investment in HRWC

	2019	2018	Change
Investment in HRWC	\$ 183,796	\$ 167,662	\$ 16,134

- In the current fiscal year, HRWC completed several large projects. As a result, at March 31, 2019, capital assets increased by \$39.4M primarily due to the completion of the Aerotech Wastewater Treatment Facility, Fall River Water Servicing project and the Mainline Lining Program.
- This is partially offset by an increase in liabilities of \$22.8M mainly due to increases in deferred contributed capital of \$24.8M, an increase in deferred pension liability of \$2.3M, an increase of \$1.7M in current liabilities and increase of miscellaneous liabilities \$1.0M. These are offset by a decrease in debt of \$8.2M.
- Assets and liabilities are to decrease by \$1.2M due to a correction made for a prior year reclassification.
- Current assets decreased by \$0.5M.
- See Notes 1(c) and 6 for additional information.

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Accounts Payable and Accrued Liabilities

	2019	2018	Change
Accounts payable and accrued liabilities	\$ 107,522	\$ 106,700	\$ 822

- Trade accounts increase of \$2.8M related to capital items such as Halifax Transit CCTV upgrades, Mobile Command Unit, Police and Fire equipment. Offset by decrease of \$3.2M due to completion of Zatzman Sportsplex and ferry replacement.
- Decrease of \$2.4M related to Barrington St. Heritage Incentive Program, and payments made in relation to Police, Fire, and Transit contract settlements.
- Other miscellaneous items increased payables by \$3.6M.
- See Note 7 for additional information.

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Deferred Revenue

	2019	2018	Change
Deferred revenue	\$ 69,655	\$ 59,001	\$ 10,654

- Increase in prepayment of taxes of \$9.6 is related to increase in pre-authorized tax payments.
- Other miscellaneous items increased deferred revenue by \$1.1M
- See Note 1(I) for additional information.

Employee Future Benefits

	2019	2018	Change
Employee future benefits	\$ 60,753	\$ 58,204	\$ 2,549

- The increase is primarily due to increases in the liabilities for retiring allowance of \$1.5M and accumulated employee sick leave benefits of \$1.2M.
- Liability for Pension Plan is not reflected in these financial statements as it is considered a multi-employer plan.
- Other miscellaneous items decreased employee future benefits by \$0.1M.
- See Notes 1(m), 8 and 9 for additional information.

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Solid Waste Management Facilities Liabilities

	2019	2018	Change
Solid waste liabilities	\$ 3,495	\$ 3,184	\$ 311

- The present value of the closure and post closure costs increased by \$0.4M and is offset by an increase in expenses incurred of \$0.1M.
- The Municipality has reserves of \$8.7M to cover these liabilities, approximately \$5.2M more than the present value of closure and post closure costs.
- See Notes 1(n) and 10 for additional information.

Long-term Debt

	2019	2018	Change
Long-term debt	\$ 176,115	\$ 180,062	(\$ 3,947)

- HRM has issued \$31.0M in new debt and redeemed \$34.9M.
- The average interest rate on debt acquired in 2018/19 was 3.23% and the average interest rate on debt retired was 4.74%.
- See Note 11 and Schedules of Long-term Debt for additional information.

Tangible Capital Assets

	2019	2018	Change
Tangible capital assets	\$ 1,851,554	\$ 1,864,541	(\$ 12,987)

- We have added \$129.6M of new assets in the year.
 - Land and land improvements \$11.6M (\$1.6M was contributed).
 - Buildings \$38.6M and leasehold improvements \$0.1M mostly related to Zatzman Sportsplex.
 - Vehicles \$21.8M mostly related to purchase of new buses.
 - Machinery and equipment \$15.5M.
 - Roads and infrastructure \$51.3M (\$9.0M was contributed).
 - Ferries \$6.1M.
 - Offset by a decrease of \$15.4M in assets under construction.
- Assets with a NBV of \$0.7M were disposed of.
- Recorded \$141.9M in amortization expenses.
- See Notes 1(o) and 14 for additional information.

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Inventory and Prepaid Expenses

	2019	2018	Change
Inventory and prepaid expenses	\$ 13,905	\$ 12,300	\$ 1,605

- Increase in prepaids of \$2.1 primarily due to first quarter installment payment for Property Valuation Services being made in March 2019.
- Other miscellaneous items decreased inventory and prepaids by \$0.5M.
- See Note 1(p) for additional information.

Accumulated Surplus

	2019	2018	Change
Accumulated surplus	\$ 2,075,690	\$ 2,040,262	\$ 35,428

- The details of the Accumulated Surplus including the amounts invested in tangible capital assets and HRWC and allocated to Reserves are disclosed in Note 15.

Statement of Operations

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

Revenue - Taxation

	2019 Budget	2019	2018	Change
Taxation	\$ 752,269	\$ 763,023	\$ 736,207	\$ 26,816

- Increase in Residential taxes of \$9.3M is due to assessment growth of 2.8% and an increase in tax rate.
- Increase in Commercial taxes of \$6.0M due to commercial assessment growth of 1.3% and an increase in tax rate.
- An increase in Mandatory Education of \$4.8M to recover full contribution required by the Province.
- Increase in deed transfer tax of \$4.1M due to increased sales activity in real estate market. Number of sales are up by 365 compared to 2017/18.
- Other miscellaneous items increased revenue by \$2.6M.
- See Note1(f) for additional information.

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Revenue – Taxation from Other Governments

	2019 Budget	2019	2018	Change
Taxation from other governments	\$ 39,858	\$ 38,782	\$ 38,569	\$ 213

- No significant change, slight increases/decreases due to changes in assessed value of various properties.

Revenue – User Fees and Charges

	2019 Budget	2019	2018	Change
User fees and charges	\$ 115,095	\$ 121,260	\$ 113,648	\$ 7,612

- Increase of \$6.9 primarily related to Halifax Convention Centre being fully operational in 2018/19.
- Increase in transit fares of \$1.0M as a result of increased ridership.
- Increase of \$1.0M in building permits mainly due to increase in commercial construction in 2018/19.
- Increase in marketing levy of \$0.6M due to increased occupancy.
- Decrease in revenue from sale of recyclables of \$0.6M.
- Decrease of \$0.8M mainly in relation to GIS support services no longer required by Halifax Water.
- Other miscellaneous items decreased revenue by \$0.5M.
- See Note 1(g) for additional information.

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Revenue – Government Grants

	2019 Budget	2019	2018	Change
Government grants	\$ 53,817	\$ 54,827	\$ 74,824	(\$ 19,997)

- Decrease in infrastructure grants of \$21.2M primarily due to lower Public Transit Infrastructure Funding.
- Increase in gas tax funding received in 2018/19 of \$0.7M
- Other miscellaneous items increased revenue by \$0.5M.

Revenue – Development Levies

	2019 Budget	2019	2018	Change
Development levies	\$ 1,640	\$ 2,419	\$ 4,039	(\$ 1,620)

- Capital cost contributions (CCCs) related to Bedford West and Bedford South decreased by \$1.0M due to less development.
- Decrease in parkland subdivision development fees \$0.9M.
- Increase in solid waste CCC's of \$0.3M.

Revenue – Investment Income

	2019 Budget	2019	2018	Change
Investment income	\$ 4,847	\$ 7,660	\$ 4,670	\$ 2,990

- Interest income came in over the prior year due to an increase in interest rates.
- For example: annual money market rate of return:
 - 2019 – 2.09%
 - 2018 – 1.31%
- See Note 5 for additional information.

Revenue – Penalties, Fines and Interest

	2019 Budget	2019	2018	Change
Penalties, fines, and interest	\$ 12,898	\$ 11,647	\$ 11,647	\$ 0

- Increase of \$0.2M due to increase in tickets issued.
- Offset by \$0.2M decrease in interest earned on overdue taxes.
- HRM's interest rate charged on overdue tax accounts remains unchanged at 15%.

Revenue – Land Sales, Contributions and Other Revenue

	2019 Budget	2019	2018	Change
Land sales, contributions and other revenue	\$ 21,913	\$ 22,891	\$ 27,243	(\$ 4,352)

- Increase in sales of business park lots \$4.0M. There were fewer lots sold in 2018/19, but average sales price was more than previous year.
- Decrease in contributed assets, primarily roads and infrastructure received through the development process \$5.2M.
- Decrease in sales of other assets, such as land, \$2.4M.
- Other miscellaneous items decreased revenue by \$0.8M

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Revenue – Increase in Investment in HRWC

	2019 Budget	2019	2018	Change
Increase in investment in the HRWC	\$ 12,400	\$ 12,401	\$ 21,783	(\$ 9,382)

- Operating revenue remained relatively unchanged due to no rate changes in 2018/19.
- Increase in operating expenses mainly due to increase in depreciation of \$2.4M, water transmission and distribution \$1.4M, water supply and treatment \$1.1M, increase in administration and pension \$1.4M, information and engineering services \$0.9M, wastewater collection \$0.5M and other miscellaneous expenses \$0.3M.
- Financing expenses decreased by \$0.5M due to decrease in interest expense on long-term debt.
- Other income decreased by \$1.7M mainly related to provincial funding for Halifax Harbour Solutions project in prior year.
- Grant in lieu of tax increased by \$0.2M.
- See Note 6 for additional information.

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Revenue – Grant In Lieu of Tax HRWC

	2019 Budget	2019	2018	Change
Grant in lieu of tax	\$ 5,142	\$ 4,999	\$ 4,774	\$ 225

- Current agreement between HRM and HRWC runs until March 31, 2020.
- Grant in Lieu of Tax is calculated at 1.56% of the prior year undepreciated asset base paid for by rate payers.
- See Note 6 for additional information.

Expenses – General Government Services

	2019 Budget	2019	2018	Change
General government services	\$ 122,829	\$ 114,710	\$ 110,887	\$ 3,823

- Increase of \$4.2M related to salaries, wages and benefits due to increases in collective agreements and other salary increases.
- Increase of \$1.0M related to computer equipment expenses.
- Increase of \$1.0M due to building operating costs.
- Decrease of \$0.8M in relation to Barrington Street Heritage Grants as requirements for grant not yet met.
- Reduction in amount estimated for Metro Housing of \$0.4M.
- Other miscellaneous items decreased expenses by \$1.2M.
- See Note 20 and Consolidated Schedule of Segment Disclosure for additional information.

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Expenses – Protective Services

	2019 Budget	2019	2018	Change
Protective services	\$ 229,578	\$ 228,862	\$ 220,608	\$ 8,254

- Increase mainly due to \$6.8 increase in salaries, wages and benefits as a result of increases in collective agreement and other salary increases.
- Increase of \$1.0M related to fire equipment purchases.
- Other miscellaneous items increased expenses by \$0.5M.
- See Note 20 and Consolidated Schedule of Segment Disclosure for additional information.

Expenses – Transportation Services

	2019 Budget	2019	2018	Change
Transportation services	\$ 283,275	\$ 280,756	\$ 271,770	\$ 8,986

- Increase of \$5.1M in public transit is a result of increases in cost of diesel and natural gas, tire replacements, collective agreements and other salary adjustments and settlement costs.
- Increase of \$3.2M mainly related to increase in wastewater treatment projects being cost shared.
- Amortization increased by \$1.3M mainly due to additional road assets being amortized in the current year.
- Other miscellaneous items decreased expenses by \$0.6M.
- See Note 20 and Consolidated Schedule of Segment Disclosure for additional information.

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Expenses – Environmental Services

	2019 Budget	2019	2018	Change
Environmental services	\$ 54,257	\$ 53,529	\$ 41,076	\$ 12,453

- Change in landfill accrual of \$8.3 is due to expenses incurred in 2017/18 to cap and close Otter Lake Landfill Cell 6.
- Increase of \$3.5M related to expenses incurred for Fall River Water Servicing project. See note in transportation expenses.
- Increase of \$1.4M primarily related to increase contract costs at the Burnside Compost Facility.
- Other miscellaneous items decreased expenses by \$0.7M.
- See Note 20 and Consolidated Schedule of Segment Disclosure for additional information.

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Expenses – Recreation and Cultural Services

	2019 Budget	2019	2018	Change
Recreation and cultural services	\$ 142,657	\$ 142,247	\$ 131,611	\$ 10,636

- Increase related to costs of facilities \$9.5M, mainly due to RBC Centre and Halifax Convention Centre being fully operational in 2018/19.
- Increase in amortization of \$2.4M.
- Decrease of \$1.2M related primarily to repairs done to recreation centres, playgrounds and parks, and drainage work being completed in 2017/18.
- Other miscellaneous items decreased expenses by \$0.1M.
- See Note 20 and Consolidated Schedule of Segment Disclosure for additional information.

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Expenses – Planning and Development Services

	2019 Budget	2019	2018	Change
Planning and development services	\$ 32,258	\$ 32,349	\$ 26,249	\$ 6,100

- Increase primarily related to first year of lease payments for Halifax Convention Centre of \$5.4M.
- Other miscellaneous items increased expenses by \$0.7M.
- See Note 20 and Consolidated Schedule of Segment Disclosure for additional information.

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Expenses – Educational Services

	2019 Budget	2019	2018	Change
Educational services	\$ 155,771	\$ 155,761	\$ 151,386	\$ 4,375

- An increase in Mandatory Education of \$4.8M for contribution required by the Province.
- Decrease in Supplementary Education contributions of \$0.4M due to agreement with Halifax Regional Centre for Education.
- See Note 20 and Consolidated Schedule of Segment Disclosure for additional information.

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**Audited General
Rate Surplus
March 31, 2019**

General Rate Surplus

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)
	(26,057)	(17,260)
General rate surplus	-	-

- Council will be asked to approve the additional transfers referenced above.
- The details to support the General Rate Surplus are contained in the Fourth Quarter Report.

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**Miscellaneous
Trust Funds
March 31, 2019**

Summary of Assets

	2019	2018	Change
Cash	\$7,429,389	\$7,387,679	\$41,710
Accounts receivable	\$0	\$15,371	(\$15,371)
Due from Halifax Regional Municipality	\$109	\$0	\$109
Investments	\$6,410	\$6,410	\$0
Total assets	\$7,435,908	\$7,409,460	\$26,448

- Cash increased primarily due to tax sale revenue and interest received.
- Accounts receivable was reduced by Acadia School Loan principal receipts.

Summary of Liabilities and Funds Equity

	2019	2018	Change
Funds Equity	\$7,435,908	\$7,409,460	\$26,448
Total liabilities and equity	\$7,435,908	\$7,409,460	\$26,448

- Fund equity balances are detailed in Schedule.

Income and Expenditures

	2019	2018	Change
Income	\$453,194	\$916,628	(\$463,434)
Expenditures	\$426,746	\$676,576	(\$249,830)
Excess of Income over Expenditures	\$26,448	\$240,052	(\$213,604)

- Income decreased primarily due to lower tax sales in 2018/19.
- Expenditures decreased primarily due to lower tax sale refunds.

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