

Consolidated Financial Statements of the

HALIFAX REGIONAL MUNICIPALITY

Year ended March 31, 2023

HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2023

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HALIFAX REGIONAL MUNICIPALITY

Consolidated Financial Statements

Year ended March 31, 2023

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.

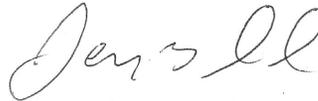
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded and reliable financial information is available on a timely basis for preparation of the consolidated financial 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.



Cathie O'Toole, MBA, FCPA, ICD.D
Chief Administrative Officer



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



KPMG LLP
Purdy's Wharf Tower One
1959 Upper Water Street, Suite 1000
Halifax Nova Scotia B3J 3N2
Canada
Telephone (902) 492-6000
Fax (902) 429-1307

INDEPENDENT AUDITOR'S 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 March 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains and losses
- 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 consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2023, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditor's 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 auditor's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Halifax, Canada

September 12, 2023

HALIFAX REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

As at March 31, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022
Financial assets		
Cash and cash equivalents (note 3)	\$ 531,229	\$ 263,758
Taxes receivable (note 4)	23,815	28,818
Accounts receivable (note 5)	79,171	65,761
Loans, deposits and advances	337	380
Land held for resale	55,056	39,398
Investments (note 6)	175,197	316,724
Investment in the Halifax Regional Water Commission (note 7)	296,323	249,372
	<u>1,161,128</u>	<u>964,211</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 8)	276,512	155,622
Deferred revenue	43,533	81,624
Employee future benefits (notes 9 and 10)	70,274	71,917
Solid waste facilities management liabilities	-	3,343
Asset retirement obligations (note 11)	18,912	-
Long-term debt (note 12)	198,262	187,869
	<u>607,493</u>	<u>500,375</u>
Net financial assets	553,635	463,836
Non-financial assets		
Tangible capital assets (note 15)	2,033,615	1,877,303
Inventory and prepaid expenses	17,891	14,880
	<u>2,051,506</u>	<u>1,892,183</u>
Accumulated surplus consisting of:		
Individual Surpluses and reserves	2,553,490	2,356,019
Remeasurement Gains	51,651	-
Accumulated surplus (note 16)	<u>\$ 2,605,141</u>	<u>\$ 2,356,019</u>

Commitments and contingent liabilities (notes 14 and 17)

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, 2023, with comparative information for 2022
(In thousands of dollars)

	Budget	2023	2022
Revenue			
Taxation	\$ 917,575	\$ 909,735	\$ 869,158
Taxation from other governments	42,481	43,350	40,208
User fees and charges	134,709	138,962	100,977
Government grants	99,722	109,686	86,014
Development levies	1,550	1,737	1,838
Investment income (note 6)	6,197	19,661	4,737
Penalties, fines and interest	13,265	12,283	4,386
Land sales, contributions and other revenue	140,396	141,412	25,975
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss) (note 7)	6,525	6,525	4,687
Grant in lieu of tax from the Halifax Regional Water Commission (note 7)	6,803	6,524	6,466
Total revenue	1,369,223	1,389,875	1,144,446
Expenses			
General government services	162,827	146,986	129,097
Protective services	255,409	270,084	267,206
Transportation services	324,501	333,893	308,112
Environmental services	50,447	51,411	50,121
Recreation and cultural services	159,012	165,912	132,929
Planning and development services	46,961	37,769	38,850
Educational services	175,124	175,124	168,680
Total expenses	1,174,281	1,181,179	1,094,995
Annual surplus	194,942	208,696	49,451
Accumulated individual surpluses and reserves, beginning of year	2,356,019	2,356,019	2,265,661
Remeasurement gain from investment in Halifax Regional Water Commission (note 7)	-	-	40,907
Adjustment for accumulated remeasurement gain on the Halifax Regional Water Commission at April 1, 2022 (note 2)		(11,225)	-
Accumulated individual surpluses and reserves, end of year	\$ 2,550,961	\$ 2,553,490	\$ 2,356,019

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, 2023, with comparative information for 2022
(In thousands of dollars)

	Budget	2023	2022
Annual surplus	\$ 194,942	\$ 208,696	\$ 49,451
Acquisition of tangible capital assets and contributed tangible capital assets	(344,961)	(303,303)	(176,261)
Amortization of tangible capital assets	-	146,991	140,393
Loss on disposal of tangible capital assets	-	-	152
Proceeds on disposal of tangible capital assets	-	-	69
	(150,019)	52,384	13,804
Acquisition of inventories of supplies and prepaid expenses	-	(35,936)	(27,782)
Consumption of inventories of supplies and use of prepaid expenses	-	32,925	26,295
Remeasurement gain (loss) from investment in Halifax Regional Water Commission (note 7)	-	40,426	40,907
	-	37,415	39,420
Net change in net financial assets	(150,019)	89,799	53,224
Net financial assets, beginning of year	463,836	463,836	410,612
Net financial assets, end of year	\$ 313,817	\$ 553,635	\$ 463,836

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022
Accumulated remeasurement gains and (losses), beginning of year	\$ -	\$ -
Adjustment for accumulated remeasurement gains on Halifax Regional Water Commission at April 1, 2022	11,225	-
Change in investment of Halifax Regional Water Commission through remeasurement gain (Note 7)	40,426	-
Net remeasurement gains for the year	51,651	-
Accumulated remeasurement gains, end of year	\$ 51,651	\$ -

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, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 208,696	\$ 49,451
Items not involving cash:		
Amortization of tangible capital assets	146,991	140,393
Loss on disposal of tangible capital assets	-	152
Contributed tangible capital assets	(132,589)	(4,135)
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss)	(6,525)	(4,687)
	216,573	181,174
Change in non-cash assets and liabilities:		
Decrease in taxes receivable	5,003	785
Increase in accounts receivable	(13,410)	(13,332)
Decrease (increase) in loans, deposits and advances	43	(25)
Decrease (increase) in land held for resale	(15,658)	1,839
Increase in inventory and prepaid expenses	(3,011)	(1,487)
Increase in accounts payable and accrued liabilities	120,890	27,905
Increase (decrease) in deferred revenue	(38,091)	9,859
Increase (decrease) in employee future benefits	(1,643)	3,568
Decrease in solid waste management facilities liabilities	(3,343)	(1,196)
Increase in asset retirement obligation liabilities	18,912	-
Net change in cash from operating activities	286,265	209,090
Capital activities		
Proceeds on disposal of tangible capital assets	-	69
Acquisition of tangible capital assets	(170,714)	(172,126)
Net change in cash from capital activities	(170,714)	(172,057)
Investing activities		
Decrease (increase) in investments	141,527	(241,789)
Net change in cash from investing activities	141,527	(241,789)
Financing activities		
Long-term debt issued	41,590	79,550
Long-term debt redeemed	(37,697)	(32,167)
Long-term debt recovered from the Halifax Regional Water Commission	6,500	6,500
Net change in cash from financing activities	10,393	53,883
Net change in cash and cash equivalents	267,471	(150,873)
Cash and cash equivalents, beginning of year	263,758	414,631
Cash and cash equivalents, end of year	\$ 531,229	\$ 263,758

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(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:

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

Commissions, cultural and other facilities:

- Alderney Landing Facility 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
- Porters Lake 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, 2023
(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 and balances are not eliminated.

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

Effective April 1, 2022 the Municipality adopted PS 1201 resulting in the Municipality reporting the HRWC's comprehensive income in the statement of remeasurement gains. In the prior period these adjustments were reported as a direct change in the accumulated surplus.

(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, asset retirement obligations including 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.

The Municipality's implementation of PS 3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

(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, corrections and housing. 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.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

1. Significant accounting policies (continued):

- (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
- (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.
- (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) Asset retirement obligation:
Effective April 1, 2022 the asset retirement obligation is recognized when, as at the financial reporting date, the criteria are met. The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. An additional liability for the removal of asbestos in several buildings owned by the Municipality, underground storage tanks and lease obligations has also been recognized based on estimated future expenses on closure of the site and post-closure care, removal costs for underground storage tanks and restoration of the land to its original state in the case of lease obligations.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

1. Significant accounting policies (continued):

(n) Asset retirement obligation (continued):

The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized over their remaining useful lives as outlined in note 1(o)(i).

Prior to April 1, 2022 the Municipality accrues landfill closure and post closure care requirements that include final covering and landscaping of the landfill, pumping of groundwater 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.

(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:

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

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

1. Significant accounting policies (continued):

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

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

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.

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.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

1. Significant accounting policies (continued):

- (t) Individual 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.
- (p) Financial Instruments:
Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost unless management has elected to carry the instruments at fair value. All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement

2. Change in accounting policy:

On April 1 2022, the Municipality adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the prospective basis at the date of adoption. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. The prior years comparatives have not been restated.

Landfills:

The Municipality removed the landfill liability that had been recognized to date of \$3,343 and recognized an asset retirement obligation upon adoption of PS 3280 on April 1, 2022, using the prospective method. The liability represents the required closure and post-closure care for the landfill sites owned by the Municipality.

Buildings with asbestos

The Municipality recognized an asset retirement obligation relating to several buildings owned by the Municipality that contain asbestos. The buildings were purchased or renovated before 1990. 15% of the total square footage of buildings is believed to contain asbestos.

Underground Storage Tanks:

The Municipality recognized an asset retirement obligation relating to three underground storage tanks owned by the Municipality. The liability was measured based on removal costs incurred from the removal of underground storage tanks.

Leases:

The Municipality recognized an asset retirement obligation relating to leases where the Municipality has surrender obligations. The liability was measured based costs of restoring the assets to their original state at the end of the lease term.

On April 1 2022, the Municipality adopted other Public Accounting Standards, PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, and PS 3450 Financial Instruments. These standards have no significant impact on the presentation of the financial statements.

These standards required the adoption of a statement of remeasurement gains. A cumulative adjustment was made on April 1, 2022 to reflect all amounts required to be classified as remeasurement gains or losses. On adoption of PS 3450 the Municipality elected to account for embedded derivatives prospectively. The prior years comparative information has not been restated.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

3. Cash and cash equivalents:

	2023	2022
Halifax Regional Municipality	\$ 515,599	\$ 250,010
Recreation facilities, commissions, cultural and other facilities and the Halifax Regional Library	15,630	13,748
Total	\$ 531,229	\$ 263,758

Cash and cash equivalents includes cash on hand, deposits held at bank, redeemable investments and other short-term highly-liquid investments with maturities of three months or less.

4. Taxes receivable:

	2023	2022
Taxes receivable	\$ 26,849	\$ 31,702
Allowance	(3,034)	(2,884)
Total	\$ 23,815	\$ 28,818

5. Accounts receivable:

	2023	2022
Federal government	\$ 28,735	\$ 12,679
Provincial government	6,864	6,155
Other receivables	43,725	47,257
Allowance	(153)	(330)
Total	\$ 79,171	\$ 65,761

6. 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 term to maturity of more than 90 days.

Bonds of Provincial governments and their guarantees have a maturity range from June 2, 2023 to June 2, 2024. The weighted average yield on market value of these bonds is 1.18% at March 31, 2023 (2022 - 1.18%).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

6. Investments (continued):

	2023 Cost	2023 Market value	2022 Cost	2022 Market value
Money market instruments	\$ 15,494	\$ 16,100	\$ 153,196	\$ 153,369
Bonds of Provincial governments and their guarantees	\$ 159,703	\$ 156,380	\$ 163,528	\$ 160,571
Total	\$ 175,197	\$ 172,480	\$ 316,724	\$ 313,940

The investment income earned on money market instruments is \$17,742 (2022 - \$3,964) and on bonds of Provincial governments and their guarantees is \$1,919 (2021 - \$773).

7. 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

	2023	2022
Financial position		
Current assets	\$ 97,771	\$ 105,625
Capital assets	1,406,320	1,351,606
Total assets	1,504,091	1,457,231
Current liabilities	107,779	94,022
Long-term liabilities	1,099,989	1,113,837
Total liabilities	1,207,768	1,207,859
Net assets	\$ 296,323	\$ 249,372
Results of operations		
Revenues	\$ 155,089	\$ 150,502
Operating expenses	(154,733)	(151,549)
Financing expenses	(7,078)	(7,087)
Other income	19,963	19,479
Regulatory deferral account amortization	(192)	(192)
Net income before grant in lieu of tax	13,049	11,153
Grant in lieu of tax	(6,524)	(6,466)
Increase in investment before remeasurement gain (loss)	6,525	4,687
Investment, beginning of year	249,372	203,778
Change in investment through remeasurement gain (loss)	40,426	40,907
Investment, end of year	\$ 296,323	\$ 249,372

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

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

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

	2023	2022
Revenues		
Grant in lieu of tax	\$ 6,524	\$ 6,466
Expenses		
Stormwater charge	\$ 4,091	\$ 3,835
Fire protection charge	\$ 10,588	\$ 7,685

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.

8. Accounts payable and accrued liabilities:

	2023	2022
Trade accounts payable	\$ 57,937	\$ 54,439
Federal government	10,966	12,640
Provincial government	13,976	13,993
Salaries and wages payable	42,970	10,884
Accrued liabilities	148,798	62,150
Accrued interest	1,865	1,516
Total	\$ 276,512	\$ 155,622

9. 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 ten 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 \$41,269 for the period ending March 31, 2023 (2022- \$39,635). 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.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

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

The last actuarial valuation filed with regulators was at December 31, 2021. The next actuarial valuation of the HRM Plan will be required as at a date not later than December 31, 2024, with the option of filing the actuarial valuation on an annual basis, in accordance with the minimum requirements of the Nova Scotia Pension Benefits Act. The interest rate used in the last filed valuation was 6.45% per year. The following estimates as at December 31, 2022 are based on the actuarial valuation as at December 31, 2021 extrapolated to December 31, 2022 and are based on a discount rate assumption of 6.45% per annum (2022 - 6.45%).

	2023 Extrapolated	2022 Extrapolated
Actuarial value of plan assets	\$ 2,514,385	\$ 2,357,583
Estimated present value of accrued pension benefits	(2,479,357)	(2,408,931)
Estimated funding surplus (deficit)	\$ 35,028	\$ (51,348)

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

Asset rate of return: 6.45% per year

Salary increase: 2.75% per year plus merit and promotional increases

Retirement age: 40% of employees will retire on their earliest unreduced retirement date from the HRMPP (or in one year from the valuation date if they are immediately eligible). The remainder will retire on their normal retirement date.

10. 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.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

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

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, 2021. The last actuarial valuation of the police health trust benefits was conducted as at March 31, 2023. The last actuarial valuation of the retirement allowance programs was conducted as at March 31, 2022. For all other benefits, actuarial valuations were conducted as at March 31, 2023. 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:

	2023	2022
Accrued benefit obligation, beginning of year	\$ 81,560	\$ 84,610
Current period benefit cost	7,924	8,794
Benefit payments	(10,306)	(9,867)
Interest cost	2,134	2,239
Actuarial gain	(12,502)	(4,216)
Past service cost gain	(3,206)	-
Accrued benefit obligation, end of year	\$ 65,604	\$ 81,560

	2023	2022
Main assumptions used for fiscal year-end disclosure		
Discount rate	4.90%	2.53%
Salary increase	3% plus merit	3% plus merit
Main assumptions used for expense calculation		
Discount rate	4.90%	2.53%
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, 2023 is estimated to include the following components:

	2023	2022
Accrued benefit obligation		
Retiring allowances	\$ 28,388	\$ 35,755
Sick leave	26,825	31,923
HRM pension contributions for employees on long-term disability	5,299	7,326
Police Health Trust	2,044	2,694
Other	3,048	3,862
	65,604	81,560
Unamortized actuarial gain (loss)	4,670	(9,643)
Benefit liability	\$ 70,274	\$ 71,917

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

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

The unamortized actuarial gain 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:

	2023	2022
Current period benefit cost	\$ 7,924	\$ 8,794
Amortization of actuarial loss	1,811	2,403
Past service cost gain	(3,206)	-
Other employee benefit expense	6,529	11,197
Other employee benefit interest expense	2,134	2,239
Total expense related to other employee benefit plans	\$ 8,663	\$ 13,436

11. Asset retirement obligation:

The estimated liability is the present value of future cash flows associated with asset retirement costs discounted using a long-term borrowing rate of 4.27% (2022 - 2.07%) and a forecasted inflation rate of 4.30% (2022 - 6.66%). The Municipality's Asset retirement obligation consists of several obligations as follows:

a) Landfill obligation:

The Nova Scotia Environment Act (the "Environment 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 Municipality has three landfill sites, one is operational and two are closed. The liability for the closure of operational sites and post-closure care has been recognized under PS 3280 - Asset Retirement Obligation. Post-closure care activities 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 costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites.

Otter Lake Landfill:

The Otter Lake Landfill site opened during the year ended March 31, 1999 and is expected to operate until 2050.

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 8. The long-term post-closure costs remain a liability of the Municipality. Post-closure costs are expected to incur until 2090.

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.

The continuous monitoring of the site is anticipated to be ongoing. Post-closure cost will continue until 2047.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

11. Asset retirement obligation (continued):

Mengoni Landfill:

The Mengoni Landfill site closed during the year ended March 31, 2008. A closure plan and an environmental audit were completed in 2008.

Post-closure care activities for this site is expected to occur until 2040.

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

a) Landfill obligation (continued):

	Sackville	Otter Lake	Mengoni	March 31, 2023 Total
Gross undiscounted costs	\$ 22,158	82,613	772	\$ 105,543
Estimated present value of closure and post closure costs	9,146	4,738	384	14,268
Accretion expense	779	406	31	1,216
Less: expenses incurred	(61)	-	(21)	(82)
	9,864	5,144	394	15,402
Reserve fund				8,946
Excess of liability over available reserve				\$ 6,456

b) Asbestos obligation:

The Municipality owns and operates several buildings that are known to have asbestos, which represents a health hazard if disturbed during renovations or upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 - Asset retirement obligations, the Municipality recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at April 1, 2022. 15% of buildings square footage is estimated as containing asbestos. The liability was measured based on 15% of the square footage and the remediation costs incurred for the removal of asbestos from similar buildings. The buildings have a reassessed expected useful life of up to 30 years.

c) Lease obligations:

The Municipality's leases have surrender requirements which include removal of leasehold improvements, demising partitions and finishes, demolishing building, removal of hazardous substances and returning premises to a habitable state. Basis of estimate is estimated costs for restoring assets (land, buildings) to original state at the end of the lease term, which is varied dependant on the lease.

d) Underground storage tanks:

The Municipality has three underground storage tanks, the cost of removal for these tanks has been recognized under PS 3280 - Asset Retirement Obligation. Basis of estimate is costs incurred to remove UST's in the past. The useful lives for two of the tanks is 7 years and 5 years for the third tank.

The transition and recognition of asset retirement obligations involved an accompanying increase to the Buildings, Underground Storage Tanks, Lease Obligations and Landfill capital assets (see note below).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

11. Asset retirement obligation (continued):

Asset Retirement Obligation	Landfills Pre/post Closure	Other	Total
Undiscounted expenditures	\$ 105,543	3,915	109,458
Opening balance, April 01, 2022	-	-	-
Adjustment to recognize asset retirement obligation on adoption (note 2)	14,268	3,233	17,501
Accretion expense	1,216	277	1,493
Less: expenses incurred	(82)		(82)
Closing balance, March 31, 2023	15,402	3,510	18,912

12. 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 page 32 and 33). Principal payments required in each of the next five years and thereafter on debt held as at March 31, 2023 are as follows:

2023/24	\$ 32,915
2024/25	34,488
2025/26	26,113
2026/27	22,145
2027/28	20,195
Thereafter	62,406
Total	198,262

13. Miscellaneous Trust Funds:

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2023 are \$8,217 (2022 - \$7,901).

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

14. 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:

2023/24	\$	8,182
2024/25		7,495
2025/26		7,214
2026/27		7,059
2027/28		5,438
Total	\$	35,388

- (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:

2023/24	\$	29,184
2024/25		25,347
2025/26		22,619
2026/27		3,911
2027/28		2,208
Total	\$	83,270

- (c) The Municipality has entered into several long-term contracts for waste resources operations with aggregate annual payments of approximately \$50,962 (2022 - \$45,496) 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, 2023
(In thousands of dollars)

15. Tangible capital assets:

Cost	Balance at March 31, 2022	Additions (Net of transfers)	Disposals	Balance at March 31, 2023
Land	\$ 297,664	\$ 4,050	\$ -	\$ 301,714
Land improvements	304,795	34,534	-	339,329
Buildings	706,710	44,226	-	750,936
Vehicles	281,192	48,235	-	329,427
Machinery and equipment	159,379	20,438	(64,805)	115,012
Roads and infrastructure	2,200,541	181,371	-	2,381,912
Dams	480	-	-	480
Ferries	39,788	579	-	40,367
Leasehold improvements	3,291	2,064	-	5,355
Assets under construction	101,605	(32,194)	-	69,411
Total	\$ 4,095,445	\$ 303,303	\$ (64,805)	\$ 4,333,943

Accumulated amortization	Balance at March 31, 2022	Disposals	Amortization expense	Balance at March 31, 2023
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	218,287	-	6,836	225,123
Buildings	360,855	-	24,860	385,715
Vehicles	175,235	-	17,102	192,337
Machinery and equipment	101,622	(64,805)	21,334	58,151
Roads and infrastructure	1,344,992	-	74,401	1,419,393
Dams	480	-	-	480
Ferries	14,336	-	1,435	15,771
Leasehold improvements	2,335	-	1,023	3,358
Assets under construction	-	-	-	-
Total	\$ 2,218,142	\$ (64,805)	\$ 146,991	\$ 2,300,328

	Net book value March 31, 2022	Net book value March 31, 2023
Land	\$ 297,664	\$ 301,714
Land improvements	86,508	114,206
Buildings	345,855	365,221
Vehicles	105,957	137,090
Machinery and equipment	57,757	56,861
Roads and infrastructure	855,549	962,519
Dams	-	-
Ferries	25,452	24,596
Leasehold improvements	956	1,997
Assets under construction	101,605	69,411
Total	\$ 1,877,303	\$ 2,033,615

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

15. Tangible capital assets (continued):

Cost	Balance at March 31, 2021	Additions (Net of transfers)	Disposals	Balance at March 31, 2022
Land	\$ 297,034	\$ 630	\$ -	\$ 297,664
Land improvements	290,644	14,151	-	304,795
Buildings	680,547	26,630	(467)	706,710
Vehicles	261,246	20,744	(798)	281,192
Machinery and equipment	133,027	26,352	-	159,379
Roads and infrastructure	2,138,196	62,345	-	2,200,541
Dams	480	-	-	480
Ferries	37,934	1,854	-	39,788
Leasehold improvements	3,291	-	-	3,291
Assets under construction	78,050	23,555	-	101,605
Total	\$ 3,920,449	\$ 176,261	\$ (1,265)	\$ 4,095,445

Accumulated amortization	Balance at March 31, 2021	Disposals	Amortization expense	Balance at March 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	212,481	-	5,806	218,287
Buildings	336,916	(260)	24,199	360,855
Vehicles	159,805	(784)	16,214	175,235
Machinery and equipment	82,717	-	18,905	101,622
Roads and infrastructure	1,271,047	-	73,945	1,344,992
Dams	480	-	-	480
Ferries	13,194	-	1,142	14,336
Leasehold improvements	2,153	-	182	2,335
Assets under construction	-	-	-	-
Total	\$ 2,078,793	\$ (1,044)	\$ 140,393	\$ 2,218,142

	Net book value March 31, 2021	Net book value March 31, 2022
Land	\$ 297,034	\$ 297,664
Land improvements	78,163	86,508
Buildings	343,631	345,855
Vehicles	101,441	105,957
Machinery and equipment	50,310	57,757
Roads and infrastructure	867,149	855,549
Dams	-	-
Ferries	24,740	25,452
Leasehold improvements	1,138	956
Assets under construction	78,050	101,605
Total	\$ 1,841,656	\$ 1,877,303

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

15. Tangible capital assets (continued):

- (a) Assets under construction:
Assets under construction having a value of \$69,411 (2022 - \$101,605) 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 \$132,589 (2022 - \$4,135) and is comprised of roads and infrastructure in the amount of \$131,551 (2022 - \$3,987), land and land improvements having a value of \$1,038 (2022 - \$148).
- (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 (2022 - \$nil).
- (f) Roads and infrastructure:
Roads and infrastructure have a net book value of \$962,519 (2022 - \$855,549) and are comprised of: road beds - \$279,502 (2022 - \$229,942), road surfaces - \$283,758 (2022 - \$221,809), infrastructure - \$377,473 (2022 - \$384,013) and bridges - \$21,786 (2022 - \$19,785).
- (g) Buildings:
Buildings have a net book value of \$365,221 (2022 - \$345,855) and are comprised of: structure and electrical - \$137,025 (2022 - \$127,824), mechanical, roof, exterior architecture, and site work - \$174,246 (2022 - \$166,653), and interior architecture - \$53,950 (2022 - \$51,378).
- (h) Land Improvements:
Land improvements have a net book value of \$114,206 (2022 - \$86,508) and are comprised of: bridges, docks, seawalls, and wharves - \$35,579 (2022 - \$23,273), sports fields and skateparks - \$13,955 (2022 - \$13,937), playground and other land improvements - \$62,860 (2022 - \$47,932), and trails - \$1,812 (2022 - \$1,366).
- (i) Adoption of PS 3280 asset retirement obligation:
Additions and amortization expense include costs related to the adoption of PS 3280 asset retirement obligation. Additions: Land improvements \$14,186, buildings \$1,681, and leasehold improvements \$1,552. Amortization expense: Land improvements \$471, buildings \$191, and leasehold improvements \$841.

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

16. Accumulated surplus:

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

	2023	2022
Surplus		
Invested in tangible capital assets	\$ 1,835,353	\$ 1,689,434
Other	69,563	(20,087)
Equity in Halifax Regional Water Commission (note 7)	244,672	249,372
Funded by reserves		
Landfill closure costs	-	(3,343)
Asset retirement obligations - landfill closure costs (note 11)	(14,186)	-
Unfunded		
Asset retirement obligations - asbestos, lease and underground storage tanks	(4,726)	-
Employee future benefits, accrued interest and other	(21,036)	(20,119)
Total surplus	2,109,640	1,895,257
Risk reserves set aside by Council		
Risk & resilience	10,211	9,929
Total risk reserves set aside by Council	10,211	9,929
Obligation reserves set aside by Council		
Landfill closure and post closure costs (note 11)	8,946	8,782
Municipal election	2,992	2,293
Convention centre	4,777	2,822
Community and events	3,853	3,519
Business/Industrial parks expansion	67,696	74,272
Central Library recapitalization	8,486	7,294
Multi-District facilities	10,513	10,490
Solid waste facilities	20,348	16,542
Master plan	2,369	2,303
Total obligation reserves set aside by Council	129,980	128,317
Opportunity reserves set aside by Council		
Strategic initiative capital	161,757	135,611
Strategic initiative Operating	4,470	23,054
Options	19,185	41,880
Capital fund	86,989	78,619
Parkland development	10,171	8,125
Gas tax	15,174	31,921
Density Bonusing	5,913	3,306
Total opportunity reserves set aside by Council	303,659	322,516
Total individual surpluses and reserves	2,553,490	2,356,019
Accumulated remeasurement gains	51,651	-
Total accumulated surplus	\$ 2,605,141	\$ 2,356,019

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
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17. Contingent liabilities:

- (a) As of March 31, 2023, there are a number of legal claims against the Municipality and its consolidated entities in varying amounts and for which provisions have been made in these consolidated financial statements, as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Municipality with respect to these claims, but management believes that any such amounts would not have a material impact on the financial position of the Municipality with the exception of the following:
 - i) The Municipality has been named as a defendant in a legal action claiming damages in the amount of \$120,000. 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 18.94% at March 31, 2023 (2022 - 18.98%). As at March 31, 2023, total outstanding debt is \$219,373 (2022 - \$225,033), with maturity dates ranging from 2023 to 2033. The Municipality is responsible for outstanding debt of \$13,000 (2022 - \$19,500) recoverable from the HRWC.

18. 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 6.

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, 2023
(In thousands of dollars)

19. Amounts contributed for provincially mandated services:

	Budget	2023	2022
Education services	\$ 175,124	\$ 175,124	\$ 168,680
Assessment services	7,324	7,268	7,289
Social housing	4,400	5,140	4,262
Correctional services	6,837	6,850	6,801
Total	\$ 193,685	\$ 194,382	\$ 187,032

(a) Education services

The Municipality is required to provide a mandatory contribution in the amount of \$161,103 (2022 - \$154,790) and supplementary contributions of \$14,021 (2022 - \$13,890) 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, 2023
(In thousands of dollars)

20. Budget data:

The budget data presented in these consolidated financial statements is based upon the fiscal 2022/23 operating and capital budgets approved by Council on April 12, 2022, 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 2022/23 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.

	2023	2022
Revenue		
Operating budget	\$ 1,105,900	\$ 1,006,800
Capital budget	318,981	177,913
	1,424,881	1,184,713
Less:		
Principal and interest recovery from Halifax Regional Water Commission	(7,412)	(7,754)
Tax concessions	(9,890)	(10,981)
Transfers from reserves to capital	(78,319)	(86,624)
Transfers from operating to capital	(65,920)	(52,576)
Long-term debt issued	(91,553)	(53,413)
	(253,094)	(211,348)
Add:		
Revenues from agencies, boards and commissions	41,088	20,045
Restricted area rate surpluses	2,634	2,085
Proceeds from sale of assets	11,111	20,591
Reserve revenue - Gas Tax	26,265	51,813
Interest on reserves	4,232	4,909
Development levies in reserves	1,550	750
Other reserve revenue	2,579	1,402
Tangible capital asset related adjustments	101,452	26,058
Increase in investment of the Halifax Regional Water Commission before remeasurement gain (loss)	6,525	4,687
	197,436	132,340
Total revenue	\$ 1,369,223	\$ 1,105,705

HALIFAX REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023
(In thousands of dollars)

20. Budget data (continued):

	2023	2022
Expenses		
Operating budget	\$ 1,105,900	\$ 1,006,800
Less:		
Tax concessions	(9,890)	(10,981)
Transfers from operating to capital	(65,920)	(52,576)
Net transfers from operating to reserves	(21,167)	3,872
Change in solid waste management facilities liabilities	-	(1,197)
Principal and interest payments made on behalf of Halifax Regional Water Commission	(7,412)	(7,754)
Long-term debt redeemed	(32,707)	(33,859)
	(137,096)	(102,495)
Add:		
Expenses from agencies, boards and commissions	44,614	13,688
Cost of lots sold in business parks	2,927	4,898
Application of restricted area rate surpluses	2,634	2,085
Tangible capital assets adjustments including amortization	155,302	162,437
	205,477	183,108
Total expenses	1,174,281	1,087,413
Annual surplus	\$ 194,942	\$ 18,292

21. 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, 2023
(In thousands of dollars)

21. 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 34 and 35).

HALIFAX REGIONAL MUNICIPALITY

Schedule of Remuneration and Expenses for Reportable Individuals

Year ended March 31, 2023

(In thousands of dollars)

Council members:	Remuneration	Expenses	Total
M. Savage, Mayor	\$ 193	\$ 15	\$ 208
S. Austin	97	4	101
L. Blackburn	94	5	99
S. Cleary	94	-	94
P. Cuttell	94	5	99
C. Deagle-Gammon	94	6	100
D. Hendsbee	94	9	103
B. Kent	94	4	98
P. Lovelace	100	12	112
T. Mancini	94	3	97
W. Mason	94	1	95
K. Morse	94	-	94
T. Outhit	94	-	94
T. Purdy	94	3	97
P. Russell	94	6	100
L. Smith	94	4	98
I. Stoddard	94	4	98
Chief Administrative Officer:			
C. O'Toole	75	-	75
J. Dubé	257	7	264

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, 2023
(In thousands of dollars)

	Term (years)	Interest rate - %	Maturity year	Balance March 31, 2022	Issued	Redeemed	Balance March 31, 2023
Municipal Finance Corporation:							
24-HBR-1	20	2.84/5.94	2024	\$ 16,500	\$ -	\$ 5,500	\$ 11,000
09-A-1	15	1.0/5.644	2024	6,880	-	860	6,020
12-A-1	10	1.636/3.48	2022	1,480	-	1,480	-
12-B-1	10	1.51/3.16	2022	960	-	960	-
13-A-1	10	1.33/2.979	2023	4,720	-	2,360	2,360
13-B-1	10	1.285/3.614	2023	734	-	367	367
14-A-1	10	1.245/3.347	2024	6,561	-	2,189	4,372
14-B-1	10	1.20/3.19	2024	6,084	-	2,028	4,056
15-A-1	10	1.011/2.786	2025	10,800	-	2,700	8,100
15-B-1	10	1.040/2.894	2025	4,054	-	1,013	3,041
16-A-1	10	1.150/2.925	2026	9,750	-	1,950	7,800
17-A-1	10	1.20/2.653	2027	4,945	-	824	4,121
17-B-1	10	1.734/3.073	2027	6,666	-	1,111	5,555
18-A-1	10	2.06/3.2995	2028	13,696	-	1,957	11,739
18-B-1	10	2.49/3.389	2028	8,019	-	1,145	6,874
19-B-1	10	2.015/2.561	2029	22,751	-	2,844	19,907
20-B-1	10	0.400/2.376	2031	79,550	-	7,955	71,595
22-A-1	10	2.575/3.782	2032	-	41,590	-	41,590
				204,150	41,590	37,243	208,497
Federation of Canadian Municipalities:							
GMIF10309	20	2.0	2032	2,200	-	200	2,000
GMIF12028	10	1.75	2025	1,017	-	254	763
Misc.:							
5% stock Permanent		5.0	-	2	-	-	2
				207,369	41,590	37,697	211,262
Less: Long-term debt recoverable from the Halifax Regional Water Commission:							
14-B-1	10	1.20/3.19	2024	(3,000)	-	(1,000)	(2,000)
24-HBR-1	20	2.84/5.94	2024	(16,500)	-	(5,500)	(11,000)
				(19,500)	-	(6,500)	(13,000)
Long-term debt				\$ 187,869	\$ 41,590	\$ 31,197	\$ 198,262

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Long-term Debt

Year ended March 31, 2023
(In thousands of dollars)

	Term (years)	Interest rate - %	Maturity year	Balance March 31, 2021	Issued	Redeemed	Balance March 31, 2022
Municipal Finance Corporation:							
24-HBR-1	20	2.84/5.94	2024	\$ 22,000	\$ -	\$ 5,500	\$ 16,500
09-A-1	15	1.0/5.644	2024	7,740	-	860	6,880
11-A-1	10	1.63/4.221	2021	1,325	-	1,325	-
11-B-1	10	1.219/3.645	2021	1,101	-	1,101	-
12-A-1	10	1.636/3.48	2022	2,960	-	1,480	1,480
12-B-1	10	1.51/3.16	2022	1,920	-	960	960
13-A-1	10	1.33/2.979	2023	7,080	-	2,360	4,720
13-B-1	10	1.285/3.614	2023	1,101	-	367	734
14-A-1	10	1.245/3.347	2024	8,749	-	2,188	6,561
14-B-1	10	1.20/3.19	2024	8,112	-	2,028	6,084
15-A-1	10	1.011/2.786	2025	13,500	-	2,700	10,800
15-B-1	10	1.040/2.894	2025	5,067	-	1,013	4,054
16-A-1	10	1.150/2.925	2026	11,700	-	1,950	9,750
17-A-1	10	1.20/2.653	2027	5,769	-	824	4,945
17-B-1	10	1.734/3.073	2027	7,777	-	1,111	6,666
18-A-1	10	2.06/3.2995	2028	15,653	-	1,957	13,696
18-B-1	10	2.49/3.389	2028	9,164	-	1,145	8,019
19-B-1	10	2.015/2.561	2029	25,595	-	2,844	22,751
20-B-1	10	0.400/2.376	2031	-	79,550	-	79,550
				156,313	79,550	31,713	204,150
Federation of Canadian Municipalities:							
GMIF10309	20	2.0	2032	2,400	-	200	2,200
GMIF12028	10	1.75	2025	1,271	-	254	1,017
Misc.:							
5% stock Permanent		5.0	-	2	-	-	2
				159,986	79,550	32,167	207,369
Less: Long-term debt recoverable from the Halifax Regional Water Commission:							
14-B-1	10	1.20/3.19	2024	(4,000)	-	(1,000)	(3,000)
24-HBR-1	20	2.84/5.94	2024	(22,000)	-	(5,500)	(16,500)
				(26,000)	-	(6,500)	(19,500)
Long-term debt				\$ 133,986	\$ 79,550	\$ 25,667	\$ 187,869

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2023
(In thousands of dollars)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	2023 Total
Revenue								
Taxation	\$ 670,877	\$ 6,850	\$ 56,884	\$ -	\$ -	\$ -	\$ 175,124	909,735
Taxation from other governments	43,350	-	-	-	-	-	-	43,350
User fees and charges	11,930	19,004	35,284	5,388	60,884	6,472	-	138,962
Government grants	3,948	4,032	74,750	3,605	19,951	3,400	-	109,686
Development levies	-	-	-	1,737	-	-	-	1,737
Investment income (note 6)	19,661	-	-	-	-	-	-	19,661
Penalties, fines and interest	4,761	7,515	-	-	7	-	-	12,283
Land sales, contributions and other revenue	1,350	-	128,454	2	950	10,656	-	141,412
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss) (note 7)	6,525	-	-	-	-	-	-	6,525
Grant in lieu of tax from the Halifax Regional Water Commission (note 7)	6,524	-	-	-	-	-	-	6,524
Total revenue	768,926	37,401	295,372	10,732	81,792	20,528	175,124	1,389,875
Expenses								
Salaries, wages and benefits	66,120	190,518	125,499	2,905	71,788	16,093	-	472,923
Interest on long-term debt	281	358	3,394	-	1,076	0	-	5,109
Materials, goods, supplies and utilities	19,028	7,391	34,836	41	20,614	732	-	82,642
Contracted services	16,213	37,443	47,136	46,596	14,506	1,637	-	163,531
Other operating expenses	4,735	21,411	25,066	509	26,861	3,207	-	81,789
External transfers and grants	21,320	7,017	609	-	8,214	15,910	175,124	228,194
Amortization of tangible capital assets	19,289	5,946	97,353	1,360	22,853	190	-	146,991
Total expenses	146,986	270,084	333,893	51,411	165,912	37,769	175,124	1,181,179
Annual surplus (deficit)	\$ 621,940	\$ (232,683)	\$ (38,521)	\$ (40,679)	\$ (84,120)	\$ (17,241)	\$ -	\$ 208,696

HALIFAX REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2023
(In thousands of dollars)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	2022 Total
Revenue								
Taxation	\$ 641,029	\$ 6,801	52,648	-	-	-	168,680	\$ 869,158
Taxation from other governments	40,208	-	-	-	-	-	-	40,208
User fees and charges	15,242	19,114	26,904	5,881	29,949	3,887	-	100,977
Government grants	3,699	3,790	54,786	3,471	6,761	13,507	-	86,014
Development levies	-	-	-	1,838	-	-	-	1,838
Investment income (note 6)	4,737	-	-	-	-	-	-	4,737
Penalties, fines and interest	4,380	-	-	-	6	-	-	4,386
Land sales, contributions and other revenue	1,509	56	3,243	-	890	20,277	-	25,975
Increase in investment in the Halifax Regional Water Commission before remeasurement gain (loss) (note 7)	4,687	-	-	-	-	-	-	4,687
Grant in lieu of tax from the Halifax Regional Water Commission (note 7)	6,466	-	-	-	-	-	-	6,466
Total revenue	721,957	29,761	137,581	11,190	37,606	37,671	168,680	1,144,446
Expenses								
Salaries, wages and benefits	52,747	191,046	119,004	3,038	64,153	14,662	-	444,650
Interest on long-term debt	305	190	2,818	-	1,017	-	-	4,330
Materials, goods, supplies and utilities	16,584	6,271	25,939	77	19,477	647	-	68,995
Contracted services	19,964	40,021	40,612	44,718	11,541	1,081	-	157,937
Other operating expenses	- 660	17,207	22,656	715	5,853	7,142	-	52,913
External transfers and grants	25,975	6,967	484	-	8,517	15,154	168,680	225,777
Amortization of tangible capital assets	14,182	5,504	96,599	1,573	22,371	164	-	140,393
Total expenses	129,097	267,206	308,112	50,121	132,929	38,850	168,680	1,094,995
Annual surplus (deficit)	\$ 592,860	\$ (237,445)	\$ (170,531)	\$ (38,931)	\$ (95,323)	\$ (1,179)	\$ -	\$ 49,451