

HALIFAX

**Audited
Consolidated
Financial
Statements
March 31, 2023**

Audit Committee
08/16/2023

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 23, 2023, 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.

Financial Position

- Financial Statements reflect a point in time.
- Financial position continues to be fairly strong, but not without risk going forward.
- Asset renewal needs continue; Capital from Operating has been deferred over past budgets.
- Significant unfunded liabilities and financial pressures exist and will need to be addressed.

Consolidated Entities

Recreation Facilities:

- Halifax 4-Pad
- 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
- Sackville Sports Stadium
- Scotiabank Centre
- St. Margaret's Community Centre Association
- Zatzman Sportsplex

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

HALIFAX

Consolidated Financial Statements – Highlights

- Expect to receive an unqualified Audit Report
- Prepared in accordance with GAAP and PSAS

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.

Statement of Financial Position (in 000's)

	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 (note 16)	<u>\$ 2,605,141</u>	<u>\$ 2,356,019</u>



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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.

Statement of Operations (in 000's)

	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



Statement of Operations (in 000's)

	Budget	2023	2022
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	259,012	165,912	132,929
Planning and development services	46,961	37,769	38,850
Educational services	175,124	175,124	168,680
Total expenses	1,274,281	1,181,179	1,094,995

Statement of Operations (in 000's)

	Budget	2023	2022
Annual surplus	194,942	208,696	49,451
Accumulated surplus, beginning of year	2,356,019	2,356,019	2,265,661
Remeasurement gain (loss) from investment in Halifax Regional Water Commission (note 7)	-	40,426	40,907
Accumulated surplus, end of year	\$ 2,550,961	\$ 2,605,141	\$ 2,356,019

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**Audited General
Rate Surplus
March 31, 2023**

General Rate Surplus (in 000's)

Statement of General Rate Surplus

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

	2023	2022
General rate surplus, before transfers	\$ 3,079	\$ 29,348
Transfers to reserves:		
Contribution to Capital Fund reserve	-	(1,761)
Contribution to Multi-District Facilities reserve	-	(1,000)
Contribution to Options reserve	(3,079)	(26,587)
	(3,079)	(29,348)
General rate surplus	-	-

- Council will be asked to approve the additional transfers referenced above.

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**Miscellaneous
Trust Funds
March 31, 2023**

Summary of Assets (in dollars)

	2023	2022	Change
Cash	\$8,199,407	\$7,886,762	\$312,645
Accounts receivable	\$29,655	\$5,176	\$24,479
Due from Halifax Regional Municipality	\$0	\$2,487	(\$2,487)
Investments	\$6,410	\$6,410	\$0
Total assets	\$8,235,472	\$7,900,835	\$334,637

- Cash increased primarily due to increased tax sale revenue.
- AR increased due to accrued interest on tax sales.

Summary of Liabilities and Funds Equity (in dollars)

	2023	2022	Change
Due to Halifax Regional Municipality	\$18,965	\$0	\$18,965
Funds Equity	\$8,216,507	\$7,900,835	\$315,672
Total liabilities and equity	\$8,235,472	\$7,900,835	\$334,637

- Fund equity balances are detailed in Schedule.

Income and Expenditures (in dollars)

	2023	2022	Change
Income	\$682,352	\$457,300	\$225,052
Expenditures	\$366,680	\$112,819	\$253,861
Excess of Income over Expenditures	\$315,672	\$344,481	(\$28,809)

- Income increased primarily due to an increase in investment income due to increased interest rates.
- Expenditures decreased primarily due to transfers of interest earned to HRM for maintenance of cemeteries, interest earned on tax sales, and transfers of tax sale surpluses owed due to court orders.

HALIFAX

**Fourth Quarter
Financial Report**

Councillors' Funds

- **District Capital Funds**
 - Of the total budget of \$3.1M, \$2.3M has been spent or committed leaving \$0.8M available for carry-forward.
- **District Activity Funds**
 - Of the \$72.0K budget, \$70.3K has been spent or committed leaving \$1.7K remaining.

Recreation Area Rates

- There are 21 Recreation Area Rate Accounts.
- The surplus in these accounts at April 1, 2022 was \$1.2M.
- Revenue of \$0.9M has been earned and \$0.9M has been spent.
- The surplus at March 31, 2023 is \$1.2M.

Hospitality Expenses

- For the three-month period ended March 31, 2023 there were hospitality expenditures of \$13K, resulting in the YTD total of \$18.3K.
- Hospitality expenses are: Expenses incurred while hosting individuals from outside the municipal government for reasons of diplomacy, protocol, business development or promotional advocacy. Examples include: gifts, receptions, ceremonies, conferences, performances or other group events.

Expenses for Reportable Individuals

Name	Local Travel	Out of Town Travel	Development/ Training	Meals & Other Miscellaneous Expenses	Total	YTD Total
Mayor Mike Savage	336	2,951	-	654	3,941	14,968
Councillor Cathy Deagle-Gammon	2,111	-	-	-	2,111	6,227
Councillor David Hendsbee	1,429	-	-	-	1,429	9,177
Councillor Becky Kent	1,448	183	-	11	1,641	3,511
Councillor Trish Purdy	-	-	-	-	-	3,245
Deputy Mayor Sam Austin	21	-	-	-	21	3,707
Councillor Tony Mancini	1,597	-	-	-	1,597	2,719
Councillor Wayne Mason	-	-	-	57	57	801
Councillor Lindell Smith	-	-	-	19	19	4,020
Councillor Shawn Cleary	-	-	-	-	-	236
Councillor Kathryn Morse	-	-	-	-	-	236
Councillor Patty Cuttell	745	-	261	-	1,006	5,049
Councillor Iona Stoddard	1,269	-	-	-	1,269	4,258
Councillor Pam Lovelace	1,652	-	631	-	2,282	11,939
Councillor Lisa Blackburn	1,801	-	-	-	1,801	5,067
Councillor Paul Russell	858	-	-	-	858	5,628
Councillor Tim Outhit	-	-	-	-	-	236
CAO Jacques Dubé	-	-	-	-	-	7,246
CAO Cathie O'Toole	-	192	-	135	327	327
Total	13,267	3,326	891	875	18,359	88,597

Task Force on Climate Related Financial Disclosures (TCFD)

Task force was formed by the Financial Stability Board in 2015 – representation of preparers and users of F/S from across G20 countries

Objective of the task force was to make recommendations for “consistent company disclosures that would help financial market participants understand their climate-related risks” (lenders, shareholders, insurance underwriters) – so one caveat – the guidance is aimed at publicly traded companies – not cities

In 2017, the task force released its recommendations - 4 core interrelated elements supported by 11 recommended disclosures

Task Force on Climate Related Financial Disclosures (TCFD)

Some of the benefits of apply the TCFD framework according to the guide:

- building internal capacity for managing climate risks
- quantifying climate-related information in financial terms such as infrastructure investment needs
- integrating climate-related risks and opportunities into operational budgeting and long-term capital planning to allocate resources where needed
- enhancing access to government and other sources of external funding for green infrastructure projects

CAPPOOL

- CAPPOOL is a potential funding source for capital projects.
- When projects are completed, if there are unused capital from operating funds, these are transferred to CAPPOOL so they can be redistributed to fund other projects.