

## 2013 Financial Statement Overview

The Municipality's financial statements have been prepared in accordance with Halifax Regional Municipality Charter and based on the reporting standards set by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. There are four required financial statements: statement of financial position; statement of operations; statement of changes in net financial assets; and statement of cash flows. These financial statements provide information on the cost of all of the Municipality's activities, how they were financed, investing activities and the assets and liabilities of the Municipality. The information also reflects the full nature and extent of the Municipality's financial affairs similar to a private sector financial statement presentation.

### Consolidated Statement of Financial Position

The consolidated statement of financial position highlights four key figures that together describe the financial position of a government: (a) cash resources of the government, (b) net financial asset position calculated as the difference between financial assets and financial liabilities, (c) non-financial assets that are normally held for service provision such as tangible capital assets, (d) accumulated surplus/deficit (or in private sector terms retained earnings as there are no shareholder contributions or distributions).

Although the Municipality continues to manage the financial operations of the Municipality through various Funds such as the Operating Fund, the Capital Fund, and the Reserve Fund, these Funds are no longer reported in the financial statements and have been replaced by Accumulated Surplus. The Accumulated Surplus summarizes the Municipality's consolidated equity which identifies financial position, including tangible capital assets, and financial resources of the Municipality.

The Municipality's accumulated surplus for fiscal year 2013 is \$2.52 billion (2012 - \$2.43 billion), an increase of approximately \$90 million. Refer to Note 16 in the Financial Statements for a detailed breakdown of the accumulated surplus.

In 2013, the Municipality's net financial assets balance is \$724.6 million (2012 - \$668.5 million), an increase of \$56.1 million over the prior year.

The increase in net financial assets is attributed to a few key financial areas:

- Total financial assets as of March 31, 2013 were \$1.17 billion (2012 - \$1.11 billion), an increase of approximately \$60 million.
  - Cash, short-term investments, and long-term investments at fiscal year end 2013 were \$231.8 million (2012 – \$193.0 million), an increase of \$38.8 million. The increase relates to increased cash in Reserve funds and cash to fund other future expenses.
  - Investment in Halifax Regional Water Commission in 2013 was \$816.7 million (2012 - \$790.9 million), an increase of \$25.8 million from the prior year. The increase is

primarily due to an increase in HRWC assets of \$68 million which includes increases of \$7 million in cash due to recent debt issues, \$3 million in receivables and \$58 million in fixed assets. Increases in assets are partially offset by an increase in long-term liabilities of \$37 million, and an increase in short-term liabilities of \$5 million.

- Total liabilities at the end of 2013 were \$442.2 million (2012 - \$439.9 million), an increase of \$2.3 million from the prior year.
  - Reductions in the amount of long-term debt outstanding and solid waste management facilities liabilities are offset by increases in other liability balances.
- Non-financial assets at the end of 2013 were \$1.80 billion (2012 - \$1.76 billion), an increase of approximately \$40 million.
  - The Municipality's net book value of tangible capital assets at the end of 2013 was \$1.79 billion (2012 - \$1.75 billion) an increase of approximately \$40 million from the prior year. Amortization of \$112 million was offset by the acquisition of tangible capital assets in the amount of \$153 million. The net book value of disposals during the year amounted to approximately \$1 million. For more detail refer to Note 15 in the Financial Statements.

## **Consolidated Statement of Operations (Income Statement)**

The consolidated statement of operations reports the annual surplus/deficit from operations during the accounting period. The statement shows the cost of providing the Municipality's services, the revenues recognized in the period and the difference between them.

### **Revenues:**

Total revenues in 2013 were \$930.6 million (2012 - \$906.0 million), an increase of \$24.6 million.

- Taxation revenues in 2013 were \$632.8 million (2012 - \$622.6 million), an increase of \$10.2 million.
  - A strong real estate market and continued low interest rates contributed to an increase in Deed Transfer Tax of \$2.8 million from the prior year.
  - While a decrease in the General Tax Rate worked to offset increases in assessment values of approximately 7%, area rate revenue, including monies collected to fund Transit and provincially mandated contributions to services such as Education, increased by approximately \$8 million. Driven by the increase in assessment values, revenue from Local and Regional Transit area rates, held flat to last year, increased by \$2.9 million.
- User fees and charges in 2013 were \$117.4 million (2012 - \$114.2 million), an increase of \$3.2 million from the prior year.

- Transit fares represent 26 per cent (2012 – 23.3 per cent) of total user charges. Transit fares in 2013 were \$30.5 million (2012 - \$26.6 million), an increase of \$3.9 million from the prior year. Revenue in 2012 was negatively impacted by a strike which stopped transit service for approximately six weeks last year.
- Recreational fees represent 32 per cent of total user fees and charges and increased \$3.1 million in 2013 due primarily to revenue increases at the Halifax Forum, Canada Games Centre and Halifax Metro Centre. 2013 represents the first year the financial results of Centennial Pool, which accounted for \$0.4 million of the increase, were consolidated with the Municipality.
- Insurance recoveries fell \$3.4 million from \$4.0 million in 2012 to \$0.6 million this year. Last year the Municipality recorded the recovery of insurance proceeds in the amount of \$2.9 million related to the destruction of the Beaver Bank Kinsac Community Centre.
- Government grants in 2013 were \$52.1 million, an increase of \$4.8 million due primarily to an increase in funding for the Halifax Central Library replacement project. The project, which is anticipated to be completed in 2014, is expected to receive \$31.3 million in Federal and Provincial government funding over the life of the project.
- Penalties, fines and interest increased by \$1.0 million to \$13.0 million in 2013. An increase in the number of summary offense tickets outstanding in the Provincial court system was the primary cause of the increase.
- Land sales, contributions and other revenue fell from \$52.6 million in 2012 to \$44.3 million in 2013, a decrease of \$8.3 million. The decrease was primarily attributable to a \$13.3 million gain on the sale of two land parcels in downtown Halifax in 2012. No comparable properties were sold in 2013. An increase in the sale of lots in Business Parks of \$6.9 million partially offset this decrease. Contributed assets, primarily land and roads assumed by the Municipality through development agreements, fell from \$18.4 million in 2012 to \$15.9 million in 2013, a decrease of \$2.5 million.
- The Municipality's investment in the Halifax Regional Water Commission increased by \$25.8 million in 2013. The increase is primarily due to an increase in HRWC revenue as a result of a waste / storm water rate increase and an increase in contributed capital assets which are primarily water infrastructure in new subdivisions.
  - The Municipality was also paid a dividend of \$4.0 million in 2013 (2012 - \$3.9 million). The dividend, which represents a grant-in-lieu of tax, is calculated at 1.56% of the Commission's water service asset base for the prior year.

## **Expenses:**

Expenses are broken down into major expense categories in Note 21, the Segmented Information note: salaries, wages and benefits, interest on long-term debt, materials, goods, supplies and

utilities, contracted services, other operating expenses, external transfers and grants and amortization. Total expenses in 2013 were \$834.3 million (2012 - \$826.7 million), an increase of \$7.6 million.

- Salaries, wages and benefits in 2013 were \$315.6 million (2012 - \$319.9 million), a decrease of \$4.3 million.
  - In 2012 the Municipality recorded an expense of \$12.4 million to recognize a liability for accumulated employee sick time. The liability increased \$0.3 million in 2013, resulting in a reduction of annual expense of \$12.1 million. This decrease in expense was partially offset by contractual salary increases and by an increase in personnel due to the expansion of Transit services.
- Materials, goods, supplies and utilities in 2013 were \$59.2 million, an increase of \$4.4 million from the prior year.
  - Diesel fuel costs for 2013 increased \$1.8 million due primarily to the expansion of Transit services. As well, Transit costs were lower than usual in 2012 due to a six week strike during which time Transit vehicles were not running.
  - Salt costs increased \$0.6 million due to increased adverse winter events in 2013.
  - The cost of books, periodicals and other library materials for the Halifax Regional Library increased \$0.6 million.
- Contracted services in 2013 were \$116.8 million (2012 - \$127.7 million), a decrease of \$10.9 million from the prior year.
  - In 2012 approximately \$10.5 million of non-capital project expenses related to the construction of the Washmill Lake Court extension / Highway 102 underpass were expensed. No comparable spending occurred in 2013.
  - An increase of approximately \$1.0 million was incurred for costs related to the October 2012 municipal election, including the costs of telephone and internet voting.
- Other operating expenses in 2013 were \$73.9 million (2012 - \$69.0 million), an increase of \$4.9 million from the prior year.
  - Costs increased for vehicle repair and maintenance, \$0.9 million, and facilities maintenance, \$0.7 million, due to the continued expansion of Transit services. As well, Transit costs were lower than usual in 2012 due to a six week strike during which time Transit vehicles were not running.
  - Equipment rental costs increased \$1.3 million due to increased adverse winter events in 2013.

- External transfers and grants in 2013 were \$147.2 million (2012 - \$139.0 million), an increase of \$8.2 million from the prior year. This increase is primarily due to a change in the approach of the Province of Nova Scotia, effective 12/13, to the calculation of mandatory contributions in respect of education, corrections and social housing.
  - Mandatory contributions payable to the Halifax Regional School Board and the Conseil scolaire acadien provincial increased by \$6.5 million. Payments made in respect of Corrections increased by \$1.6 million.

## **Consolidated Statement of Change in Net Financial Assets**

The statement of change in net financial assets explains the difference between a municipality's surplus for the reporting year and its change in accumulated surplus in the same reporting year. This statement provides for the reporting of the acquisition of tangible capital assets and other significant items that impact the difference between the annual surplus and the change in net financial assets.

## **Consolidated Statement of Cash Flows**

The statement of cash flows reports changes in cash and short-term investments resulting from operations and shows how the Municipality financed its activities during the year and met its cash requirements.

## **2013 Capital Projects**

Some of the major capital projects undertaken in 2013 include:

- The construction of the new Bridge Terminal which provides much improved onsite amenities, accessibility, security and overall customer experience, including: 16 accessible bus bays, fully enclosed, climate-controlled, passenger waiting area, increased safety and security through onsite security personnel and remote access security cameras, an accessible pedestrian bridge connecting Thistle and Nantucket streets to the Terminal and a landscaped green roof. The Bridge Terminal represents a \$14.2 million addition to Buildings assets.
- The re-building of the Beaver Bank Kinsac Community Centre, destroyed by fire in 2009. The new centre opened in November 2012, and features a multi-purpose room with attached kitchen, several program spaces, a board room and a children's learning centre. The new centre represents a \$7.5 million addition to Building assets.
- An expansion of North Preston Community Centre youth wing including a games and lounge area, larger computer lab, and room for art and music studios. The expansion also provides for a permanent RCMP detachment in the community and represents a \$2.7 million addition to Building assets.
- Work continues on the new Halifax Central Library. The project, which is expected to be completed in 2014, has a total budget of \$57.6 million.

- Cell 6 of the Otter Lake Landfill was completed and began accepting waste material in fiscal 2013. The total capitalized cost of the construction of Cell 6 was \$16.1 million.
- Thirty-one buses and fourteen Access-a-Buses were placed in service at a cost of approximately \$21 million.

## **Reserve Funds**

Although Reserve funds are not formally reported directly in the financial statements, they are a key area in the financial management and operations of the Municipality. Reserve Fund balances are consolidated within the Accumulated Surplus position on the Consolidated Statement of Operations. Refer to Note 16 in the financial statements for more Reserve Fund information.

Reserve Funds are established by Council. These funds are set aside to help offset future capital needs, obligations, pressures and costs. They are drawn upon to finance specific purpose capital and operating expenditures as designated by Council, to minimize tax rate fluctuations due to unanticipated expenditure and revenue shortfalls, and to fund ongoing programs.

Reserve Funds balances at the end of 2013 totalled \$172.1 million (2012 - \$140.0 million), an increase of \$32.1 million from the prior year.

The Financial Statements were approved by Regional Council at their meeting on June 25, 2013 and are available on our website.