



**Grant Thornton**

**Financial Statements**

**Halifax Regional Water Commission**

**March 31, 2017**

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## Independent auditor's report

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To the Members of the Board of the  
**Halifax Regional Water Commission**

We have audited the accompanying financial statements of the Halifax Regional Water Commission, which comprise the statement of financial position as at March 31, 2017, and the statement of comprehensive earnings, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

### **Auditor's responsibility**

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

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

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

### **Other matter**

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. Schedules A to G are presented for purposes of additional information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, on the audit of the financial statements taken as a whole.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Halifax Regional Water Commission as at March 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without modifying our opinion, we draw attention to note 15 to the financial statements, which explains that certain comparative information for the year ended March 31, 2017 has been restated.

*Grant Thornton LLP*

Halifax, Canada  
June 28, 2017

Chartered Professional Accountants  
Licensed Public Accountants

# Halifax Regional Water Commission

## Statements of earnings

Year ended March 31, 2017 (in thousands)

	2017	2016
		Restated (Note 15)
Operating revenues		
Water	\$ 47,183	\$ 43,193
Wastewater	69,475	66,601
Stormwater	10,542	10,595
Fire protection	7,074	8,032
Private fire protection	831	679
Other operating revenue	<u>2,892</u>	<u>2,617</u>
	<u>137,997</u>	<u>131,717</u>
Operating expenditures (note 14)		
Water supply and treatment	8,050	8,623
Water transmission and distribution	8,997	9,094
Wastewater collection	11,639	10,577
Stormwater collection	4,097	4,237
Wastewater treatment	19,794	19,285
Engineering and information services	7,576	7,018
Regulatory services	2,356	2,370
Customer service	4,432	4,450
Administration and pension	11,799	9,681
Depreciation and amortization	<u>43,433</u>	<u>40,254</u>
	<u>122,173</u>	<u>115,589</u>
Earnings from operations before financial and other revenues and expenditures	<u>15,824</u>	<u>16,128</u>
Financial and other revenues		
Interest	780	883
Contributed capital	17,980	17,446
Other	<u>2,543</u>	<u>2,487</u>
	<u>21,303</u>	<u>20,816</u>
Financial and other expenditures		
Interest on long term debt	8,475	8,889
Amortization of debt discount	199	186
Grant in lieu of taxes	4,578	4,528
Other	<u>467</u>	<u>198</u>
	<u>13,719</u>	<u>13,801</u>
Earnings for the year before regulatory deferral account balance amortization	23,408	23,143
Regulatory deferral account balance amortization (note 5)	<u>(192)</u>	<u>(192)</u>
Earnings for the year	<u>\$ 23,216</u>	<u>\$ 22,951</u>

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statements of comprehensive earnings

Year ended March 31 (in thousands)

	2017	2016
Earnings for the year	\$ 23,216	\$ 22,951
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to earnings:		
Re-measurement on defined benefit plans	<u>743</u>	<u>10,389</u>
<b>Total comprehensive earnings for the year</b>	<b>\$ 23,959</b>	<b>\$ 33,340</b>

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statements of financial position

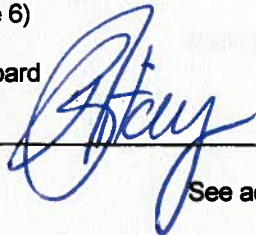
March 31 (in thousands)

	2017	2016	2015
		Restated (Note 15)	Restated (Note 15)
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 55,879	\$ 46,478	\$ 39,271
Receivables			
Customer charges and contractual	13,321	15,641	14,181
Unbilled service revenues	17,158	16,171	15,479
Halifax Regional Municipality	1,880	9,558	3,743
Inventory	1,601	1,684	1,528
Prepays	867	862	915
	<u>90,706</u>	<u>90,394</u>	<u>75,117</u>
Intangible assets (note 11)	10,275	10,201	10,672
Capital work in progress	28,406	18,529	41,423
Utility plant in service (note 12)	1,144,152	1,139,658	1,096,257
Total assets	<u>1,273,539</u>	<u>1,258,782</u>	<u>1,223,469</u>
Regulatory deferral account balance (note 5)	<u>3,388</u>	<u>3,580</u>	<u>3,772</u>
<b>Total assets and regulatory deferral account debit balances</b>	<b><u>\$ 1,276,927</u></b>	<b><u>\$ 1,262,362</u></b>	<b><u>\$ 1,227,241</u></b>
<b>Liabilities</b>			
<b>Current</b>			
Payables and accruals			
Trade	\$ 16,790	\$ 16,686	\$ 15,612
Interest on long term debt	2,101	2,229	2,137
Halifax Regional Municipality	295	4,584	6,973
Contractor and customer deposits	191	193	198
Current portion of deferred contributed capital	12,889	12,526	21,603
Current portion of long term debt (note 13)	21,669	23,195	22,374
Unearned revenue	787	389	511
	<u>54,722</u>	<u>59,802</u>	<u>69,408</u>
Deferred contributed capital	808,632	804,641	790,315
Long term debt (note 13)	203,299	215,794	208,231
Employee benefit obligation – pension plan (note 4)	58,480	54,265	65,005
Employee benefit obligation – post-retirement benefits (note 4)	341	466	458
Employee benefit obligation – pre-retirement benefits (note 4)	3,824	3,724	3,494
	<u>1,129,298</u>	<u>1,138,692</u>	<u>1,136,911</u>
<b>Equity</b>			
Accumulated other comprehensive (loss) (page 5)	(43,193)	(43,936)	(54,325)
Accumulated surplus (page 5)	190,822	167,606	144,655
	<u>147,629</u>	<u>123,670</u>	<u>90,330</u>
	<b><u>\$ 1,276,927</u></b>	<b><u>\$ 1,262,362</u></b>	<b><u>\$ 1,227,241</u></b>

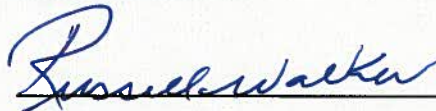
Contingent liabilities (note 3)

Commitments (note 6)

Approved by the Board



Commissioner



Commissioner

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statements of changes in equity

Year ended March 31 (in thousands)

	Accumulated other comprehensive <u>(loss)</u>	Accumulated <u>surplus</u>	<u>Total</u>
Balance at April 1, 2015	\$ (54,325)	\$ 144,655	\$ 90,330
Earnings for the year	-	22,951	22,951
Other comprehensive income	<u>10,389</u>	<u>-</u>	<u>10,389</u>
Comprehensive earnings for the year	<u>10,389</u>	<u>22,951</u>	<u>33,340</u>
Balance at March 31, 2016	<u>\$ (43,936)</u>	<u>\$ 167,606</u>	<u>\$ 123,670</u>
Balance at March 31, 2016	<u>\$ (43,936)</u>	<u>\$ 167,606</u>	<u>\$ 123,670</u>
Earnings for the year	-	23,216	23,216
Other comprehensive income	<u>743</u>	<u>-</u>	<u>743</u>
Comprehensive earnings for the year	<u>743</u>	<u>23,216</u>	<u>23,959</u>
Balance at March 31, 2017	<u>\$ (43,193)</u>	<u>\$ 190,822</u>	<u>\$ 147,629</u>

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of cash flows

Year ended March 31 (in thousands)

2017

2016

Restated  
(Note 15)

Increase (decrease) in cash and cash equivalents

### Operating

Comprehensive earnings for the year	\$ 23,959	\$ 33,340
Depreciation and amortization	26,692	23,934
Employee benefit obligations	4,191	(10,504)
Gains on disposal of plant in service	59	158
	<u>54,901</u>	<u>46,928</u>
Change in non-cash operating working capital items (note 7)	<u>5,172</u>	<u>(9,420)</u>
	<u>60,073</u>	<u>37,508</u>

### Financing

Proceeds from issuance of long term debt	9,053	28,307
Contributed capital	9,231	5,013
Debt issue costs, net	122	(49)
Principal repayment on Harbour Solutions long term debt	(6,500)	(6,500)
Principal repayments of long term debt	<u>(16,695)</u>	<u>(13,373)</u>
	<u>(4,789)</u>	<u>13,398</u>

### Investing

Deferred capital contributions	629	4,148
Proceeds from sale of plant in service	197	90
Purchase of capital work in progress	(19,393)	(10,321)
Purchase of utility plant in service	<u>(27,316)</u>	<u>(37,616)</u>
	<u>(45,883)</u>	<u>(43,699)</u>

Net change in cash and cash equivalents	9,401	7,207
Cash and cash equivalents, beginning of year	<u>46,478</u>	<u>39,271</u>
Cash and cash equivalents, end of year	<u>\$ 55,879</u>	<u>\$ 46,478</u>

See accompanying notes to the financial statements.



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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

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### 1. Nature of operations

The Halifax Regional Water Commission (the Commission) is a public utility owned and controlled by the Halifax Regional Municipality (HRM). The Commission is responsible for the supply of municipal water, wastewater and stormwater services to the residents of the HRM. The Commission's principal place of business is P.O. Box 8388 Station A, 450 Cowie Hill Road, Halifax, Nova Scotia. The Commission is exempt from income tax.

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### 2. Summary of significant accounting policies

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements were authorized for issue by the Board on June 28, 2017.

#### (b) Basis of measurement

The Commission's financial statements are prepared on the historical cost basis, except for certain financial instruments measured at fair value. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand. The financial statements are presented in accordance with International Accounting Standards (IAS) 1 "Presentation of Financial Statements".

#### (c) Regulation

In matters of administrative policy relating to customers, rates, capital expenditures, depreciation rates and accounting matters, the Commission is subject to the jurisdiction of the Nova Scotia Utility and Review Board (NSUARB). Rates charged to and collected from customers are designed to recover costs of providing the regulated services. Halifax Water is required to prepare submissions in accordance with the Handbook issued by the NSUARB. There are differences in the accounting treatment of certain transactions from IFRS including the accounting of principal debt payments, employee future benefits, depreciation and amortization, and gains and losses on the disposal of plant in service and accumulated surplus.

Regulatory assets represent costs incurred that have been deferred as approved by the NSUARB and will be recovered through future rates collected from customers. Halifax Water's regulatory asset is disclosed in note 5.

#### (d) Utility plant in service

Utility plant in service (note 12) is recorded at cost, being the purchase price and directly attributable cost of acquisition or construction, including interest capitalized during construction. Contributions for capital expenditures are treated as deferred contributed capital on the statement of financial position and amortized over the estimated useful lives of the assets. Structures and land taken out of service are removed from utility plant in service and placed in plant not in service at cost less accumulated depreciation. Losses or gains related to assets retired, demolished or sold are charged or credited to the statement of earnings.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (e) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks.

#### (f) Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for the major classifications of utility plant in service are as follows:

Culverts	25 to 50 years
Hydrants	50 to 80 years
Meters	20 to 25 years
Office equipment and furniture and transportation equipment	3 to 10 years
Pumping equipment	5 to 30 years
Purification and treatment equipment	20 to 50 years
SCADA equipment	5 to 25 years
Services and laterals	50 to 60 years
Structures and improvements	50 to 100 years
Tools and work equipment	5 to 30 years
Water, wastewater and stormwater mains	60 to 100 years

Depreciation commences in the year an asset is put in service and ready for its intended use. In the year of acquisition, depreciation is calculated at 50% of the above rates unless a project is significant, in which case depreciation is prorated for the number of months the asset was in use. The Commission does not maintain a depreciation fund. The Commission has received NSUARB approval for exemption from setting up a depreciation fund as long as net depreciable additions to plant exceed the depreciation charged.

#### (g) Inventory

Cost of inventory is comprised of direct materials and supplies. Inventories are valued at the lower of cost and net realizable value with cost being determined on a weighted average moving cost method.

#### (h) Revenues and expenditures

All revenues and expenditures are recorded on an accrual basis. Revenues relating to supplying water, wastewater and stormwater services are recorded based on cyclical billings and include an accrual for estimated amounts not yet billed. Fire protection revenue is recorded based on approved rates. Other revenues are recorded at the time services are performed, the amount can be measured reliably and collection is reasonably assured.

#### (i) Long term debt

Debt issue costs are deferred and amortized over the term of the debt to which it relates.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (j) Use of estimates and critical accounting judgments

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Significant estimates and assumptions are not limited to, but include the following:

- At year end, revenue from water, stormwater and wastewater services has been earned, but not yet billed due to the timing of the billing cycles. Management estimates the unbilled revenue accrual based on historic billing trends.
- Management assumptions are used in the actuarial determination of employee benefit obligations, such as standard rates of inflation, mortality, discount rates, and anticipation of future salary increases.
- Useful lives of utility plant in service are reviewed at each reporting date based on expected patterns of usage and historical information.
- Recognition and measurement of provisions and contingencies.

Actual results could differ from these estimates.

#### (k) Financial instruments

The Commission initially recognizes and measures its financial assets and liabilities at fair value.

All financial instruments are classified into one of five categories: fair value through profit and loss, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities. All financial instruments are initially measured in the statement of financial position at fair value. Financial instruments subsequently measured at amortized cost include transaction costs.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Fair value through profit and loss financial instruments are measured at fair value and changes in fair value are recognized in net earnings;
- Available for sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired at which time the amounts would be recorded in profit or loss; and
- Loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest method.

The Commission's financial assets and liabilities are classified and measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Receivable from HRM	Loans and receivables	Amortized cost
Payables and accruals	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Deposits	Other financial liabilities	Amortized cost

#### (l) Provisions

A provision is recognized in the statement of financial position when the Commission has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the obligation.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (m) Impairments

At the end of each reporting period, the Commission reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss (if any). The recoverable amount of any asset is the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Commission has three CGU's (water, wastewater and stormwater) for which impairment testing is performed.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings. When an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

#### (n) Intangibles

Intangible assets include land access easements, water removal rights, studies, and capital master plans and are recorded at cost less accumulated amortization. Land rights include payment for easements and right of use over land and have an indefinite useful life. Intangibles with finite useful lives are amortized annually over the estimated useful lives. The expected useful lives are as follows:

Intangible assets	10 to 30 years
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#### (o) Employee benefits obligations

The Commission accrues in its accounts, annually, the estimated liabilities for pensions and other employee benefits.

##### *Pension benefits*

The Commission provides employment, post-retirement and pre-retirement benefits through defined benefit plans and defined contribution plans.

The cost of pension benefits for defined contribution pension plans are expensed at the time active employees are compensated.

The defined benefit plans sponsored by the Commission determine the amount of pension benefits employees will receive on retirement by reference to length of service and salary levels. Obligations associated with defined benefit plans reside with the Commission, even if plan assets for funding the plan are set aside.

The liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets.

Management estimates the defined benefit obligation annually with assistance from an independent actuary using the projected unit credit method. The defined benefit obligation uses estimates for inflation, medical cost trends, mortality, and anticipated salary levels. The discount factor used to present value estimated future cash flows is determined with reference to high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

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### 2. Summary of significant accounting policies (continued)

Gains and losses resulting from re-measurements of the net defined benefit liability are charged to other comprehensive income in the period in which they arise. Service costs are recognized immediately into earnings.

Net interest cost related to pension obligations and returns on plan assets are included in salary and benefits on the statement of earnings.

#### *Short-term employee benefits*

Short-term employee benefit obligations that are due to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service are measured on an undiscounted basis and are expensed as the related service is provided.

#### (p) Regulatory deferral account balance

The Commission early adopted IFRS 14 Regulatory Deferral Accounts and has continued to apply the accounting policies it applied in accordance with the Handbook for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances.

#### *Explanation of recognized amounts*

Regulatory deferral account balances are recognized and measured at cost less amortization. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

#### (q) Future accounting standards

At the date of authorization of these financial statements, certain new IFRS standards, amendments and interpretations to existing standards have been published by the IASB, but are not yet effective and have not been adopted early by the Commission.

Management anticipates that all of the relevant pronouncements will be adopted in the Commission's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Commission's financial statements is provided below.

#### **IFRS 15 Revenue from Contracts with Customers**

The IASB released a new standard IFRS 15 Revenue from Contracts with Customers which replaces IAS 18 Revenue, IAS 11 Construction Contracts and certain revenue-related interpretations. The new standard provides a single, principle based five-step model to be applied to all contracts with customers requiring an entity to recognize revenue 1) in a manner that depicts the transfer of goods or services to customers and 2) at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

#### **IFRS 9 Financial Instruments**

The IASB has replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety with a new standard IFRS 9 Financial Instruments. The final version of the standard introduces a new approach to financial asset classification, replaces the "incurred loss" impairment model with a more forward-looking expected loss model and substantially revises hedge accounting.

The new standard IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

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### (q) Future accounting standards (continued)

#### IFRS 16 Leases

The IASB issued IFRS 16, Leases, which replaces IAS 17, Leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17.

The new standard IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

Management believes these new and revised standards will have minimal impact on the financial statements.

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### 3. Contingent liabilities

As a condition of a prior year sale of a property, the Commission indemnified the purchaser from claims or actions resulting from migration of halocarbons. The environmental risk is assessed to be low and the likelihood of any related liability is not determinable.

The Commission has been named along with the contractor for a flooding incident that occurred as a result of an overflow of wastewater at a pumping station associated with the Halifax Harbour Solutions Project (HHSP). The claim is being defended by the Commission's insurer and management believes exposure in this regard is minimal.

There are active claims against the Commission; however, the likelihood of actual liability is not determinable at this time. If the Commission's defense of active claims is unsuccessful, the potential exposure would be \$2,000 - \$3,000.

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### 4. Employee benefit obligations

#### Retirement benefit plan – employees transferred from HRM

The Commission is responsible for funding the employer share of the contributions to the HRM pension plan for certain employees that transferred from HRM as of August 1, 2007. HRM administers this defined benefit pension plan and the Commission reimburses HRM for the pension costs related to the Commission's proportionate share of the employees covered under the plan. Due to the nature of the plan, the Commission does not have sufficient information to account for the plan as a defined benefit; therefore, the multiemployer defined benefit plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period when the Commission is obligated to make contributions for services rendered by the employee. During 2017, the Commission funded \$674 (2016 - \$627) in contributions to the plan.

#### Defined benefit plans and other long term employment benefits

For all other employees, the Commission maintains a defined benefit pension plan and offers post-retirement health and insurance benefits to all of its employees. The pension plan provides pensions based upon length of service and best seven years' earnings. This defined benefit pension plan is funded by employer and employee contributions, each contributing 12.95% of regular employee earnings effective January 1, 2014. As of January 1, 2016, the pension plan was amended with employees currently contributing 10.65%. The employer contributes 13.29% of payroll which includes 9.85% toward current service cost and 3.44% toward going concern special payments.

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

### 4. Employee benefit obligations (continued)

Employees who retired prior to July 1, 1998 have extended health benefits coverage for life and drug coverage until age 65. Employees who retired after July 1, 1998 and before December 31, 2008 have coverage for drug, extended health, dental and life insurance until age 65 on a 50/50 cost shared basis (100% basis for employees who retired after December 31, 2008). Extended health coverage for these retirees and their spouses after the age of 65 is available on an optional basis at 100% retiree cost and drug coverage is available through the provincially managed drug program.

The Commission also has a non-funded pre-retirement benefit that is accrued annually, but is payable on retirement, termination or death if the employee has at least 10 years of continuous service. The benefit is equal to three days' pay for each completed year of service, up to a maximum of six month's salary and can be taken as a lump sum payment at the date of retirement in lieu of pre-retirement leave.

Information about the Commission's plans, based on an actuarial extrapolation as at March 31, 2017, is as follows:

	Pension Plan		Post-retirement benefits		Pre-retirement benefits	
	2017	2016	2017	2016	2017	2016
<b>Change in accrued benefit obligation</b>						
Balance, beginning of year	\$ 152,633	\$ 157,296	\$ 466	\$ 458	\$ 3,724	\$ 3,494
Current service cost	5,020	5,777	-	-	308	274
Interest cost	6,160	5,938	11	11	129	130
Past service cost	-	(2,787)	-	-	-	-
Contributions by plan participants	2,417	3,274	-	-	-	-
Benefit payments	(4,715)	(4,496)	(61)	(65)	(377)	(254)
Remeasurements – actuarial (gains)/ losses from changes in demographic assumptions	-	(1,101)	31	(21)	-	-
Remeasurements – actuarial (gains)/ losses from changes in financial/experience assumptions	6,848	(11,268)	(106)	83	40	80
Balance, end of year	<u>168,363</u>	<u>152,633</u>	<u>341</u>	<u>466</u>	<u>3,824</u>	<u>3,724</u>
<b>Change in fair value of plan assets</b>						
Balance, beginning of year	98,368	92,291	-	-	-	-
Interest income	3,934	3,644	-	-	-	-
Administrative expenses	(144)	(163)	-	-	-	-
Actual return on plan assets	7,639	(1,896)	-	-	-	-
Benefit payments	(4,715)	(4,496)	(61)	(65)	(377)	(254)
Contributions: Employee	2,417	3,273	-	-	-	-
Employer	2,384	5,715	61	65	377	254
Balance, end of year	<u>109,883</u>	<u>98,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accrued benefit liability at March 31	<u>\$ 58,480</u>	<u>\$ 54,265</u>	<u>\$ 341</u>	<u>\$ 466</u>	<u>\$ 3,824</u>	<u>\$ 3,724</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

### 4. Employee benefit obligations (continued)

Administration and pension expense includes pension expense of \$7,390 (2016 - \$5,448).

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations are as follows:

	2017	2016	2017	2016	2017	2016
	<u>Pension</u>	<u>Pension</u>	<u>Post-</u>	<u>Post-</u>	<u>Pre-</u>	<u>Pre-</u>
	<u>Plan</u>	<u>Plan</u>	<u>Retirement</u>	<u>Retirement</u>	<u>Retirement</u>	<u>Retirement</u>
			<u>Benefits</u>	<u>Benefits</u>	<u>Benefit</u>	<u>Benefit</u>
Discount rate	3.80%	4.00%	2.70%	2.90%	3.40%	3.50%
Expected return on plan assets	3.80%	4.00%	N/A	N/A	N/A	N/A
Rate of compensation increase	3.75%	3.75%	N/A	N/A	3.75%	3.75%
Expenses for life benefits as a % of claims	N/A	N/A	10.00%	10.00%	N/A	N/A
Health benefit inflation per year	N/A	N/A	7.16%	7.43%	N/A	N/A
Dental benefit inflation per year	N/A	N/A	4.50%	4.50%	N/A	N/A

The measurement date used to determine the Plan assets and the accrued benefit obligation was March 31, 2017. The most recent valuation was completed January 1, 2016. The next review is scheduled for January 1, 2019.

The estimated employer contributions expected to be paid into the defined benefit plan and supplemental plan for the next fiscal year are \$2,368.

### 5. Regulatory deferral account balance

In June 2011, the NSUARB granted the Commission approval to defer depreciation charges on certain assets transferred in 2010 from HRM relating to the Halifax Harbour Solutions Project (HHSP). Depreciation of \$2,078 was deferred in each of fiscal 2011 and 2012. As a result, the Commission recognized a \$4,156 regulatory deferral account. In absence of rate regulation, this regulatory deferral account balance would have been expensed as depreciation in fiscal 2011 and 2012. In May 2012, the NSUARB granted approval of the amortization of this deferral account over the remaining useful lives of the underlying assets, beginning in 2014. The expense recognized in 2017 is \$192 (2016 - \$192). IFRS 14 permits a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 3,580	\$ 3,772
Amortization	<u>(192)</u>	<u>(192)</u>
Ending balance	<u>\$ 3,388</u>	<u>\$ 3,580</u>



# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

### 6. Commitments

There is an agreement with HRM for renewal of the dividend/grant in lieu of taxes for fiscal years 2015/16 to 2019/20 for water services. Dividend payments are approved as part of revenue requirements by the NSUARB. There is no dividend/grant in lieu of taxes approved for wastewater/stormwater. The Commission is committed to a payment of \$4,774 for the 2018 fiscal year.

At March 31, 2017, the Commission had \$124,395 in expenditures from current and past approved capital budgets not yet expended.

### 7. Supplemental cash flow information

	<u>2017</u>	<u>2016</u>
Changes in non-cash operating working capital items		
Receivables, customer charges and contractual	\$ 1,333	\$ (2,152)
Payable to/receivable from HRM, net	3,389	(8,204)
Inventory	83	(156)
Prepays	(5)	53
Payables and accruals, trade	104	1,074
Accrued interest on long term debt	(128)	92
Contractor and customer deposits	(2)	(5)
Unearned revenue	<u>398</u>	<u>(122)</u>
	<u>\$ 5,172</u>	<u>\$ (9,420)</u>

Interest paid during the year was \$8,475 (2016 - \$8,889).

### 8. Capital management

The Commission's objective when managing capital is to ensure sufficient liquidity to support its financial obligations and execute its operating and capital plans. The Commission monitors and makes adjustments to its capital structure through additional borrowings of long term debt which are used to finance capital projects.

The Commission considers its total capitalization to include all long term debt and total equity. The calculation is set out as follows:

	<u>2017</u>	<u>2016</u>
Long term debt (current portion)	\$ 21,669	\$ 23,195
Long term debt	<u>203,299</u>	<u>215,794</u>
Funded debt	<u>224,968</u>	238,989
Equity	<u>147,630</u>	<u>123,670</u>
Capital under management	<u>\$ 372,598</u>	<u>\$ 362,659</u>

The Commission is a regulated utility and is subject to the regulations of the NSUARB. As part of this regulation, the Commission must obtain approval by the NSUARB for all borrowings. The Commission has obtained regulatory approval for all borrowings during the fiscal year. The Commission is not subject to financial borrowing covenants other than as outlined in Note 10.

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

### 9. Financial instruments and risk management

The Commission applies a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

Level I	Quoted prices in active markets for identical assets or liabilities;
Level II	Inputs other than quoted prices included in Level I that are observable, either directly or indirectly; and
Level III	Inputs that are not based on observable market data.

The carrying values of current assets and current liabilities approximate their fair value due to the relatively short period to maturity of these financial instruments. Loans and receivables are carried at amortized cost. The fair value of variable rate long term debt is assumed to approximate its carrying value. Fair value has been estimated by discounting future cash flows at a rate offered for borrowings of similar maturities and credit quality at year end.

There were no transfers between classes of the fair value hierarchy during the year.

The Commission is exposed to risks as a result of holding financial instruments. Management considers and evaluates those risks on an on-going basis to ensure that the risks are appropriately managed. These potential risks include credit risk, interest risk, market risk and liquidity risk.

#### *Credit risk*

Credit risk arises from the possibility that the Commission's customers may experience financial difficulty and be unable to fulfill their obligations. The Commission's maximum exposure to credit risk corresponds to the cash and customer charges and contractual accounts receivable. However, the Commission's customers are numerous and diverse, which reduces the concentration of credit risk.

An analysis of the Commission's receivables and continuity of the Commission's provision for impairment losses on receivables is as follows:

	<u>2017</u>	<u>2016</u>
Receivables		
Customer charges, contractual and unbilled	\$ 32,702	\$ 33,754
Less: allowance for doubtful accounts	<u>(2,223)</u>	<u>(1,941)</u>
	<u>\$ 30,479</u>	<u>\$ 31,813</u>

The credit quality of financial assets that are neither past due nor impaired are assessed with reference to historical information and includes the following considerations; new customers, existing customers and payment patterns / history.

#### *Interest risk*

Interest risk arises from the possibility that changes in interest rates will cause the Commission a potential loss. All of the Commission's long term debt is at varying fixed rates and has staggered maturity dates which reduce the interest rate risk.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

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### 9. Financial instruments and risk management (continued)

#### *Market risk*

Market risk arises from the possibility that the value of an investment will fluctuate as a result of changes in market prices. These changes could affect the market value of the investments in the Commission's employees' pension plan and consequently the plan's deficit. The risk is mitigated by the pension plan diversifying the types of investments in its portfolio.

#### *Liquidity risk*

Liquidity risk arises from the possibility of the Commission not being able to meet its cash requirements in a timely and cost effective manner. The Commission manages this risk by closely monitoring the cash on hand in comparison to upcoming cash commitments.

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### 10. Related party transactions

The immediate parent and ultimate controlling party of the Commission is the HRM.

The Commission is obligated to make payments on debt, held in the name of HRM, associated with wastewater and stormwater assets which were transferred to the Commission in 2007 and subsequent years.

Amounts receivable from and payable to HRM have normal credit terms.

The Commission had the following related party transactions with HRM:

- The Commission recorded revenue for provision of water, wastewater and stormwater services to HRM in the amount of \$5,025 (2016 - \$4,705).
- The Commission recorded fire protection revenue from HRM of \$7,074 (2016 - \$8,032).
- The Commission paid a grant in lieu of tax of \$4,578 (2016 - \$4,528).
- The debt issued by the Commission was covered by a blanket guarantee from HRM subject to the Commission maintaining a debt service ratio of less than 35%.

### Compensation of key management personnel

Members of the Board of Commissioners and Executive Management team are deemed to be key management personnel. It is the Board of Commissioners and Executive Management team who have the responsibility for planning, directing and controlling the activities of the Commission.

The following is compensation expense for key management personnel:

	<u>2017</u>	<u>2016</u>
Short term benefits	\$ 1,345	\$ 1,481
Post-employment benefits	<u>243</u>	<u>233</u>
Total compensation	<u>\$ 1,588</u>	<u>\$ 1,714</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

11. Intangible assets	2017	2016
Cost		
Beginning balance, April 1	\$ 12,232	\$ 11,669
Additions	981	563
Total cost, March 31	<u>13,213</u>	<u>12,232</u>
Accumulated depreciation		
Beginning balance, April 1	2,031	997
Depreciation	907	1,034
Total accumulated depreciation, March 31	<u>2,938</u>	<u>2,031</u>
Net book value	<u>\$ 10,275</u>	<u>\$ 10,201</u>

### 12. Utility plant in service

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tolls and work equipment	Total
Cost						
Beginning balance, April 1, 2016	\$ 20,518	\$ 206,944	\$ 214,182	\$ 760,027	\$ 12,291	\$ 1,213,962
Additions	262	8,726	4,814	28,005	6,874	48,681
Disposals	-	(795)	(223)	(386)	(843)	(2,247)
Total cost, March 31, 2017	<u>20,780</u>	<u>214,875</u>	<u>218,773</u>	<u>787,646</u>	<u>18,322</u>	<u>1,260,396</u>
Accumulated depreciation						
Beginning balance, April 1, 2016	\$ -	\$ 21,561	\$ 22,714	\$ 28,354	\$ 1,676	\$ 74,305
Depreciation	-	12,246	11,957	15,390	2,346	41,939
Total accumulated depreciation March 31, 2017	<u>-</u>	<u>33,807</u>	<u>34,671</u>	<u>43,744</u>	<u>4,022</u>	<u>116,244</u>
Net book value, March 31, 2017	<u>\$ 20,780</u>	<u>\$ 181,068</u>	<u>\$ 184,102</u>	<u>\$ 743,902</u>	<u>\$ 14,300</u>	<u>\$ 1,144,152</u>

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tolls and work equipment	Total Restated (Note 15)
Cost						
Beginning balance, April 1, 2015	\$ 18,983	\$ 199,526	\$ 204,676	\$ 700,532	\$ 7,838	\$ 1,131,555
Additions	1,605	7,418	10,041	59,495	5,275	83,834
Disposals	(70)	-	(535)	-	(822)	(1,427)
Total cost, March 31, 2016	<u>20,518</u>	<u>206,944</u>	<u>214,182</u>	<u>760,027</u>	<u>12,291</u>	<u>1,213,962</u>
Accumulated depreciation						
Beginning balance, April 1, 2015	-	10,690	11,254	13,790	(436)	35,298
Depreciation	-	10,871	11,460	14,564	2,112	39,007
Total accumulated depreciation March 31, 2016	<u>-</u>	<u>21,561</u>	<u>22,714</u>	<u>28,354</u>	<u>1,676</u>	<u>74,305</u>
Net book value, March 31, 2016	<u>\$ 20,518</u>	<u>\$ 185,383</u>	<u>\$ 191,468</u>	<u>\$ 731,673</u>	<u>\$ 10,615</u>	<u>\$ 1,139,657</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

13. Long-term debt	<u>Interest rates</u>	<u>2017</u>	<u>2016</u>
Payable to Municipal Finance Corporation (MFC)			
Water	1.040% to 6.750%	\$ 68,380	\$ 72,356
Halifax Harbour Solutions	0.900% to 4.329%	8,450	9,100
Wastewater/stormwater	1.040% to 4.500%	85,120	88,228
Stormwater	1.040% to 4.114%	11,985	11,699
		<u>173,935</u>	<u>181,383</u>
Payable to Halifax Regional Municipality			
MFC Wastewater/stormwater	1.200% to 4.940%	52,066	58,762
		226,001	240,145
Less: debt issue costs		<u>(1,033)</u>	<u>(1,156)</u>
		224,968	238,989
Less: amount payable within one year		<u>(21,669)</u>	<u>(23,195)</u>
		<u>\$ 203,299</u>	<u>\$ 215,794</u>

The debentures are repayable in fixed annual or semi-annual principal instalments plus interest payable semi-annually. Principal instalments for the next five years are as follows:

2018	\$ 21,669
2019	\$ 22,130
2020	\$ 23,259
2021	\$ 17,581
2022	\$ 15,538

### 14. Operating expenditures by nature

	<u>2017</u>	Restated <u>2016</u>
Salaries and benefits	\$ 39,839	\$ 33,538
Training	656	409
Contract services	12,118	16,326
Electricity	6,295	6,964
Operating supplies	9,423	8,349
Professional services	4,768	3,878
Chemicals	4,404	4,742
Depreciation and amortization	44,670	41,381
	<u>\$ 122,173</u>	<u>\$ 115,587</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2017 (in thousands)

### 15. Restatement

During the fiscal year ended March 31, 2017, the Commission completed Asset Management Plans for various assets. In the course of completing this initiative, management compiled an inventory of stormwater assets that were not previously recorded, specifically culverts for driveways and under roadways (cross culverts). Most of these assets are contributed assets installed prior to the transfer of wastewater and stormwater assets from HRM in 2007. At the time of the 2007 transfer no records were available on asset quantities, location, cost and condition. The Commission has added the assets to utility plant in service due to the relative significance of the assets to stormwater service. The assets were valued using an estimated depreciated replacement cost and prior year figures restated. The impact of restatement is as follows:

	<u>Previously Reported April 1, 2015</u>	<u>Adjustment</u>	<u>Restated April 1, 2015</u>
Distribution and collection network			
Cost	\$ 597,781	\$ 102,751	\$ 700,532
Accumulated depreciation	\$ 9,877	\$ 3,913	\$ 13,790
Deferred contributed capital	\$ 691,477	\$ 98,838	\$ 790,315
	<u>2016</u>	<u>Adjustment</u>	<u>2016</u>
Depreciation expense	\$ 10,650	\$ 3,914	\$ 14,564
Contributed capital revenue	\$ 13,533	\$ 3,914	\$ 17,447

### 16. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

# Halifax Regional Water Commission Schedule of utility plant in service

Year ended March 31, 2017 (in thousands)

## Schedule A

### Water

Cost	Land improvements	Structures and improvements	Pumping equipment	Purification equipment	SCADA equipment	Transmission and distribution mains	Services	Meters	Hydrants	Aerotech and small systems	Tools and work equipment	Total
Beginning balance, April 1, 2016												
Cost	\$ 15,297	\$ 87,843	\$ 9,711	\$ 22,901	\$ 4,792	\$ 343,510	\$ 34,082	\$ 14,442	\$ 18,887	\$ 9,467	\$ 23,876	\$ 584,608
Additions	120	5,486	9	870	254	6,977	1,551	701	445	97	3,336	19,846
Disposals	-	(795)	-	-	-	(386)	-	(223)	-	-	(341)	(1,745)
Total cost, March 31, 2017	15,417	92,334	9,720	23,771	5,046	350,101	35,633	14,920	19,332	9,564	26,871	602,709
Accumulated depreciation												
Beginning balance, April 1, 2016	-	25,551	6,778	14,522	3,545	76,018	5,795	5,490	3,605	2,648	17,117	161,059
Depreciation	-	2,483	250	956	144	4,226	582	470	297	274	1,192	10,874
Total accumulated depreciation, March 31, 2017	-	28,034	7,028	15,478	3,689	80,244	6,377	5,960	3,902	2,922	18,309	171,933
Net book value, March 31, 2017	\$ 15,417	\$ 64,300	\$ 2,692	\$ 8,293	\$ 1,357	\$ 269,857	\$ 29,256	\$ 8,970	\$ 15,430	\$ 6,642	\$ 8,562	\$ 430,776
Cost												
Beginning balance, April 1, 2015	\$ 15,440	\$ 86,583	\$ 9,711	\$ 22,613	\$ 4,326	\$ 327,226	\$ 32,931	\$ 13,801	\$ 18,400	\$ 9,248	\$ 22,913	\$ 563,192
Cost	54	1,060	-	288	466	16,662	1,151	1,021	487	219	963	22,371
Additions	(197)	-	-	-	-	(378)	-	(390)	-	-	-	(955)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Total cost, March 31, 2016	15,297	87,643	9,711	22,901	4,792	343,510	34,082	14,442	18,887	9,467	23,876	584,608
Accumulated depreciation												
Beginning balance, April 1, 2015	-	24,250	6,523	13,624	3,459	72,021	5,269	5,132	3,326	2,388	15,601	151,592
Depreciation	-	1,301	255	898	86	3,997	526	348	279	260	1,516	9,486
Total accumulated depreciation, March 31, 2016	-	25,551	6,778	14,522	3,545	76,018	5,795	5,490	3,605	2,648	17,117	161,059
Net book value, March 31, 2016	\$ 15,297	\$ 62,092	\$ 2,933	\$ 8,379	\$ 1,247	\$ 267,492	\$ 28,287	\$ 8,952	\$ 15,282	\$ 6,819	\$ 6,759	\$ 423,549

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

Utility plant in service under IFRS differs from the Handbook due to exclusion of intangible assets, componentization of certain assets and useful lives for depreciation.

# Halifax Regional Water Commission

## Schedule of utility plant in service

Year ended March 31, 2017 (in thousands)

# Schedule A

### Wastewater

Cost	Land improvements	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Tools and work equipment	Aerotech and small systems	Total
Beginning balance, April 1, 2016										
Cost	\$ 5,187	\$ 172,048	\$ 16,870	\$ 159,921	\$ 7,777	\$ 283,562	\$ 16,170	\$ 22,401	\$ 11,994	\$ 695,930
Additions	142	3,160	709	1,201	433	6,607	2,938	3,508	95	18,793
Disposals	-	-	-	-	-	-	-	(502)	-	(502)
Total cost, March 31, 2017	<u>5,329</u>	<u>175,208</u>	<u>17,579</u>	<u>161,122</u>	<u>8,210</u>	<u>290,169</u>	<u>19,108</u>	<u>25,407</u>	<u>12,089</u>	<u>714,221</u>
Accumulated depreciation										
Beginning balance, April 1, 2016	-	48,798	5,962	39,289	910	53,469	1,149	9,877	3,021	162,475
Depreciation	-	4,899	615	7,966	456	3,949	353	1,696	429	20,363
Total accumulated depreciation, March 31, 2017	<u>-</u>	<u>53,697</u>	<u>6,577</u>	<u>47,255</u>	<u>1,366</u>	<u>57,418</u>	<u>1,502</u>	<u>11,573</u>	<u>3,450</u>	<u>182,838</u>
Net book value, March 31, 2017	<u>\$ 5,329</u>	<u>\$ 121,511</u>	<u>\$ 11,002</u>	<u>\$ 113,867</u>	<u>\$ 6,844</u>	<u>\$ 232,751</u>	<u>\$ 17,606</u>	<u>\$ 13,834</u>	<u>\$ 8,639</u>	<u>\$ 531,383</u>
Beginning balance, April 1, 2015										
Cost	\$ 5,187	\$ 171,473	\$ 9,568	\$ 159,922	\$ 7,061	\$ 279,268	\$ 13,465	\$ 21,161	\$ 11,730	\$ 678,835
Additions	-	575	7,302	54	716	4,294	2,705	1,240	264	17,150
Disposals	-	-	-	(55)	-	-	-	-	-	(55)
Total cost, March 31, 2016	<u>5,187</u>	<u>172,048</u>	<u>16,870</u>	<u>159,921</u>	<u>7,777</u>	<u>283,562</u>	<u>16,170</u>	<u>22,401</u>	<u>11,994</u>	<u>695,930</u>
Accumulated depreciation										
Beginning balance, April 1, 2015	-	44,715	5,684	31,406	552	50,104	903	7,834	2,610	143,808
Depreciation	-	4,083	278	7,883	358	3,365	246	2,043	411	18,667
Total accumulated depreciation, March 31, 2016	<u>-</u>	<u>48,798</u>	<u>5,962</u>	<u>39,289</u>	<u>910</u>	<u>53,469</u>	<u>1,149</u>	<u>9,877</u>	<u>3,021</u>	<u>162,475</u>
Net book value, March 31, 2016	<u>\$ 5,187</u>	<u>\$ 123,250</u>	<u>\$ 10,908</u>	<u>\$ 120,632</u>	<u>\$ 6,867</u>	<u>\$ 230,093</u>	<u>\$ 15,021</u>	<u>\$ 12,524</u>	<u>\$ 8,973</u>	<u>\$ 533,455</u>

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

Utility plant in service under IFRS differs from the Handbook due to exclusion of intangible assets, componentization of certain assets and useful lives for depreciation.



# Halifax Regional Water Commission

## Schedule of utility plant in service

Year ended March 31, 2017 (in thousands)

# Schedule A

### Stormwater

	Structures and improvements	Collection system	Laterals	Tools and work equipment	Total Restated (Note 15)
<b>Cost</b>					
Beginning balance, April 1, 2016	\$ 9,705	\$ 218,501	\$ 3,929	\$ 2,034	\$ 234,169
Cost Additions	80	9,250	682	1,011	11,023
Disposals	-	-	-	-	-
<b>Total cost, March 31, 2017</b>	<u>9,785</u>	<u>227,751</u>	<u>4,611</u>	<u>3,045</u>	<u>245,192</u>
<b>Accumulated depreciation</b>					
Beginning balance, April 1, 2016	1,226	30,690	216	504	32,636
Depreciation	176	5,690	85	366	6,317
Total accumulated depreciation, March 31, 2017	1,402	36,380	301	870	38,953
<b>Net book value, March 31, 2017</b>	<u>\$ 8,383</u>	<u>\$ 191,371</u>	<u>\$ 4,310</u>	<u>\$ 2,175</u>	<u>\$ 206,239</u>

<b>Cost</b>					
Beginning balance, April 1, 2015	\$ 8,945	\$ 211,223	\$ 3,636	\$ 1,624	\$ 225,428
Cost Additions	760	7,278	293	410	8,741
Disposals	-	-	-	-	-
<b>Total cost, March 31, 2016</b>	<u>9,705</u>	<u>218,501</u>	<u>3,929</u>	<u>2,034</u>	<u>234,169</u>
<b>Accumulated depreciation</b>					
Beginning balance, April 1, 2015	1,062	25,317	168	332	26,879
Depreciation	164	5,373	48	172	5,757
Total accumulated depreciation, March 31, 2016	1,226	30,690	216	504	32,636
<b>Net book value, March 31, 2016</b>	<u>\$ 8,479</u>	<u>\$ 187,811</u>	<u>\$ 3,713</u>	<u>\$ 1,530</u>	<u>\$ 201,533</u>

During the year, \$267 of interest was capitalized to Utility Plant in Service (2016 - \$491).

**Cumulative utility plant in service**  
**Net book value, March 31, 2017**  
**Net book value, March 31, 2016**

Water	Wastewater	Stormwater	Total
\$ 416,232	\$ 521,890	\$ 106,611	\$ 1,044,733

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

Utility plant in service under IFRS differs from the Handbook due to exclusion of intangible assets, componentization of certain assets and useful lives for depreciation.

# Halifax Regional Water Commission

## Schedule of long term debt

# Schedule B

Year ended March 31, 2017 (in thousands)

	<u>Interest rate</u>	<u>Final Maturity</u>	<u>Balance Remaining</u>	
			<u>2017</u>	<u>2016</u>
<b>Payable to Municipal Finance Corporation</b>				
<b>Water</b>				
Debenture 23 A 1	4.250% to 6.125%	2018	\$ 700	\$ 800
Debenture 26 A 1	5.500% to 8.000%	2016	-	2,200
Debenture 96 A 1	4.350% to 4.880%	2016	-	80
Debenture 27 A 1	4.650% to 5.010%	2017	1,108	2,165
Debenture 28 A 1	6.500% to 6.750%	2018	1,200	1,300
Debenture 98 A 1	3.750% to 5.088%	2019	7,128	10,383
Debenture 29 A 1	0.900% to 4.329%	2019	675	900
Debenture 30 A 1	1.550% to 3.870%	2020	700	875
Debenture 31 A 1	1.630% to 4.221%	2021	750	900
Debenture 32 A 1	1.636% to 3.480%	2022	1,200	1,400
Debenture 32 C 1	1.510% to 3.160%	2022	8,587	9,124
Debenture 33 A 1	1.330% to 3.489%	2023	8,595	9,101
Debenture 33 B 1	1.285% to 4.114%	2023	6,300	6,671
Debenture 34 B 1	1.200% to 3.190%	2024	12,305	12,989
Debenture 35 B 1	1.040% to 2.894%	2025	12,794	13,467
Debenture 36 A 1	1.150% to 2.925%	2026	2,000	-
Debenture 36 B 1	1.150% to 2.506%	2026	4,338	-
<b>Halifax Harbour Solutions</b>				
Debenture 29 A 1	0.900% to 4.329%	2019	8,450	9,100
<b>Wastewater/stormwater</b>				
Debenture 30 A 1	1.510% to 4.500%	2020	2,380	2,550
Debenture 32 A 1	1.636% to 3.480%	2022	1,917	2,037
Debenture 32 B 1	1.380% to 3.156%	2022	25,600	27,200
Debenture 32 C 1	1.510% to 3.160%	2022	3,676	3,906
Debenture 33 A 1	1.330% to 3.489%	2023	14,331	15,174
Debenture 33 B 1	1.285% to 4.114%	2023	9,259	9,804
Debenture 34 A 1	1.245% to 3.347%	2024	5,012	5,291
Debenture 34 B 1	1.200% to 3.190%	2024	7,727	8,157
Debenture 35 B 1	1.040% to 2.894%	2025	13,405	14,110
Debenture 36 B 1	1.150% to 2.506%	2026	1,813	-
<b>Stormwater</b>				
Debenture 33 A 1	1.330% to 3.489%	2023	459	486
Debenture 33 B 1	1.285% to 4.114%	2023	2,243	2,375
Debenture 34 B 1	1.200% to 3.190%	2024	5,313	5,608
Debenture 35 B 1	1.040% to 2.894%	2025	3,069	3,230
Debenture 36 B 1	1.150% to 2.506%	2026	901	-
			<u>173,935</u>	<u>181,383</u>
<b>Payable to Halifax Regional Municipality</b>				
<b>Municipal Finance Corporation – Wastewater/stormwater</b>				
Debenture 24 B 1	2.840% to 5.940%	2024	44,000	49,500
Debenture 26 A 1	4.350% to 4.880%	2016	-	126
Debenture 26 B 1	4.265% to 4.410%	2016	-	5
Debenture 27 A 1	4.650% to 5.010%	2017	66	131
Debenture 34 B 1	1.200% to 3.190%	2024	8,000	9,000
			<u>52,066</u>	<u>58,762</u>
			<u>226,001</u>	<u>240,145</u>
Less: debt issue costs			(1,033)	(1,156)
			<u>224,968</u>	<u>238,989</u>
Less: amount payable within one year			(21,669)	23,195
			<u>\$ 203,299</u>	<u>\$ 215,794</u>

The debentures are repayable in fixed annual or semi-annual principal instalments plus interest payable semi-annually. Principal instalments for the next five years are as follows:

2018	\$ 21,669
2019	\$ 22,130
2020	\$ 23,259
2021	\$ 17,585
2022	\$ 15,538

**Halifax Regional Water Commission**  
**Schedule of operations for water service**

**Schedule C**

Year ended March 31, 2017 (in thousands)

	<u>2017</u>	<u>2016</u> Restated (Note 15)
<b>Operating revenues</b>		
Water service	\$ 47,183	\$ 43,193
Fire protection	7,074	8,032
Private fire protection services	831	679
Other operating revenue		
Bulk water stations	330	265
Customer late payment fees	282	198
Miscellaneous	153	181
	<u>55,853</u>	<u>52,548</u>
<b>Operating expenditures</b>		
Water supply and treatment	8,050	8,232
Water transmission and distribution	8,997	9,485
Engineering and information services	3,828	3,528
Regulatory services	493	505
Customer service	2,290	2,268
Administration and pension	5,966	4,919
Depreciation	7,756	8,411
	<u>37,380</u>	<u>37,348</u>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<u>18,473</u>	<u>15,200</u>
<b>Financial and other revenues</b>		
Interest	351	442
Other	375	434
	<u>726</u>	<u>876</u>
<b>Financial and other expenditures</b>		
Interest on long term debt	2,378	2,531
Repayment of long term debt	8,400	7,766
Amortization of debt discount	95	90
Grant in lieu of taxes	4,578	4,528
Other	17	29
	<u>15,468</u>	<u>14,944</u>
<b>Earnings for the year</b>	<u>\$ 3,731</u>	<u>\$ 1,132</u>

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

**Halifax Regional Water Commission**  
**Schedule of operations for wastewater service**

**Schedule D**

Year ended March 31, 2017 (in thousands)

	<u>2017</u>	<u>2016</u> Restated (Note 15)
Operating revenues		
Wastewater service	\$ 69,475	\$ 66,601
Other operating revenue		
Leachate and other contract revenue	440	424
Septage tipping fees	909	648
Overstrength surcharge	23	135
Customer late payment fees	189	238
Miscellaneous	428	382
	<u>71,464</u>	<u>68,428</u>
 Operating expenditures		
Wastewater collection	11,639	10,578
Wastewater treatment	19,793	19,286
Engineering and information services	3,223	3,010
Regulatory services	1,095	1,134
Customer service	1,842	1,877
Administration and pension	5,017	4,095
Depreciation	10,669	11,975
	<u>53,278</u>	<u>51,955</u>
 Earnings from operations before financial and other revenues and expenditures	 <u>18,186</u>	 <u>16,473</u>
 Financial and other revenues		
Interest	351	441
Other	2,168	2,054
	<u>2,519</u>	<u>2,495</u>
 Financial and other expenditures		
Interest on long term debt	5,509	5,786
Repayment of long term debt	11,699	11,462
Amortization of debt discount	95	89
Other	32	11
	<u>17,335</u>	<u>17,348</u>
 Earnings for the year	 <u>\$ 3,370</u>	 <u>\$ 1,620</u>

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

**Halifax Regional Water Commission**  
**Schedule of operations for stormwater service**

**Schedule E**

Year ended March 31, 2017 (in thousands)

	<u>2017</u>	<u>2016</u> Restated (Note 15)
<b>Operating revenues</b>		
Stormwater site generated service	\$ 6,661	\$ 6,713
Stormwater right-of-way service	3,881	3,881
Other operating revenue		
Customer late payment fees	51	63
Miscellaneous	88	82
	<u>10,681</u>	<u>10,739</u>
 <b>Operating expenditures</b>		
Stormwater collection	4,096	4,236
Engineering and information services	525	480
Regulatory services	768	729
Customer service	300	305
Administration and pension	816	666
Depreciation	677	523
	<u>7,182</u>	<u>6,939</u>
 <b>Earnings from operations before financial and other revenue and expenditures</b>	 <u>3,499</u>	 <u>3,800</u>
 <b>Financial and other revenues</b>		
Investment income	<u>78</u>	<u>-</u>
 <b>Financial and other expenditures</b>		
Interest on long term debt	588	571
Repayment of long term debt	1,221	1,100
Amortization of debt discount	9	8
	<u>1,818</u>	<u>1,679</u>
 <b>Earnings for the year</b>	 <u>\$ 1,759</u>	 <u>\$ 2,121</u>

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

# Halifax Regional Water Commission

## Schedule of regulated activities

## Schedule F

Year ended March 31, 2017 (in thousands)

	<u>2017</u>	<u>2016</u> Restated (Note 15)
<b>Operating revenues</b>		
Water service	\$ 47,183	\$ 43,193
Wastewater service	69,475	66,601
Stormwater service	10,542	10,594
Public fire protection	7,074	8,032
Private fire protection services	831	679
Other operating revenue	1,207	1,262
	<u>136,312</u>	<u>130,361</u>
<b>Operating expenditures</b>		
Water supply and treatment	9,137	9,308
Water transmission and distribution	10,411	10,534
Wastewater collection	10,347	9,537
Stormwater collection	4,039	4,186
Wastewater treatment	17,797	17,421
Engineering and information services	7,576	7,018
Regulatory services	2,356	2,369
Customer service	4,396	4,415
Administration and pension	11,768	9,660
Depreciation	19,095	20,903
	<u>96,922</u>	<u>95,351</u>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<u>39,390</u>	<u>35,010</u>
<b>Financial and other revenues</b>		
Interest	780	883
Other	2,289	2,055
	<u>3,069</u>	<u>2,938</u>
<b>Financial and other expenditures</b>		
Interest on long term debt	8,475	8,889
Repayment of long term debt	21,320	20,328
Amortization of debt discount	199	186
Grant in lieu of taxes	4,578	4,528
Other	-	158
	<u>34,572</u>	<u>34,089</u>
<b>Earnings for the year</b>	<u>\$ 7,887</u>	<u>\$ 3,859</u>

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

**Halifax Regional Water Commission**  
**Schedule of unregulated activities**

**Schedule F**

Year ended March 31, 2017 (in thousands)

	<u>2017</u>	<u>2016</u> Restated (Note 15)
Operating revenues		
Dewatering	\$ 210	\$ 210
Septage tipping fees	909	648
Leachate treatment and contract revenue	440	424
Airplane effluent	89	51
Other operating revenue	196	219
	<u>1,844</u>	<u>1,552</u>
Operating expenditures		
Water supply and treatment	16	10
Wastewater treatment	830	822
Other	111	68
Depreciation	6	6
	<u>963</u>	<u>906</u>
Earnings from operations before financial and other revenues and expenditures	<u>881</u>	<u>646</u>
Financial and other revenues		
Other	<u>139</u>	<u>376</u>
Financial and other expenditures		
Other	<u>49</u>	<u>-</u>
Earnings for the year	<u>\$ 971</u>	<u>\$ 1,022</u>

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).

**Halifax Regional Water Commission  
Nova Scotia Utility and Review Board information**

**Schedule G**

Year ended March 31, 2017 (in thousands)

<b>Return on rate base</b>	<b>2017</b>	<b>2016</b>
Rate of return on rate base for water service	4.54%	3.64%
Rate of return on rate base for wastewater service	6.71%	6.18%
Rate of return on rate base for stormwater service	11.78%	15.45%

**Special purpose reserves**

	<u>Wastewater &amp; Stormwater Reserves</u>	<u>RDC Water Reserve</u>	<u>RDC Wastewater Reserve</u>	<u>Other Capital Reserves</u>	<u>2017 Total</u>	<u>2016 Total</u>
Reserve, beginning of year	\$ 3,638	\$ 774	\$ 3,653	\$ 5	\$ 8,070	\$ 24,875
Contributions and interest	-	471	8,759	-	9,230	5,012
Expenditures	182	-	(570)	-	(388)	(21,817)
Reserve, end of year	<u>\$ 3,820</u>	<u>\$ 1,245</u>	<u>\$ 11,842</u>	<u>\$ 5</u>	<u>\$ 16,912</u>	<u>\$ 8,070</u>

**Summarized consolidated operating results**

	<u>Actual 2017</u>	<u>Actual 2016 Restated (Note 15)</u>
Operating revenues	\$ 137,997	\$ 131,716
Operating expenditures	<u>97,839</u>	<u>96,238</u>
Earnings from operations before financial and other revenues and expenditures	40,158	35,478
Non-operating revenues	3,322	3,370
Non-operating expenditures	<u>34,622</u>	<u>33,961</u>
Earnings for the year	<u>\$ 8,858</u>	<u>\$ 4,877</u>

Schedules are presented in accordance with the NSUARB Accounting and Reporting Handbook for Water Utilities (Handbook).