



**Grant Thornton**

Financial Statements

Halifax Regional Water Commission

March 31, 2018

# Contents

	<b>Page</b>
Independent auditor's report	1
Statement of earnings	2
Statement of comprehensive earnings	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7-19
<b>Schedules</b>	
A Schedule of utility plant in service	
Water	20
Wastewater	21
Stormwater	22
B Schedule of long term debt	23
C Schedule of operations for water service	24
D Schedule of operations for wastewater service	25
E Schedule of operations for stormwater service	26
F Regulated and unregulated activities	
Schedule of regulated activities	27
Schedule of unregulated activities	28
G Nova Scotia Utility and Review Board information	29



## Independent auditor's report

Grant Thornton LLP  
Nova Centre, North Tower  
Suite 1000, 1675 Grafton Street  
Halifax, NS  
B3J 0F9  
T (902) 421-1734  
F (902) 420-1068  
www.GrantThornton.ca

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, 2018, 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, 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Grant Thornton LLP*

Halifax, Canada  
June 21, 2018

Chartered Professional Accountants  
Licensed Public Accountants

# Halifax Regional Water Commission

## Statement of earnings

Year ended March 31, 2018 (in thousands)

	2018	2017
<b>Operating revenues</b>		
Water	\$ 47,220	\$ 47,183
Wastewater	69,994	69,475
Stormwater	10,016	10,542
Fire protection	7,074	7,074
Private fire protection	856	831
Other operating revenue	<u>2,985</u>	<u>2,892</u>
	<u>138,145</u>	<u>137,997</u>
<b>Operating expenditures (Note 14)</b>		
Water supply and treatment	8,646	8,050
Water transmission and distribution	9,410	8,997
Wastewater collection	12,642	11,639
Stormwater collection	4,842	4,097
Wastewater treatment	19,647	19,794
Engineering and information services	8,105	7,576
Regulatory services	2,450	2,356
Customer service	4,896	4,432
Administration and pension	12,553	11,799
Depreciation and amortization	<u>41,625</u>	<u>43,433</u>
	<u>124,816</u>	<u>122,173</u>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<u>13,329</u>	<u>15,824</u>
<b>Financial and other revenues</b>		
Interest	694	780
Contributed capital	17,372	17,980
Other	<u>3,792</u>	<u>2,543</u>
	<u>21,858</u>	<u>21,303</u>
<b>Financial and other expenditures</b>		
Interest on long term debt	7,884	8,475
Amortization of debt discount	202	199
Grant in lieu of taxes	4,774	4,578
Other	<u>354</u>	<u>467</u>
	<u>13,214</u>	<u>13,719</u>
<b>Earnings for the year before regulatory deferral account balance amortization</b>	21,973	23,408
<b>Regulatory deferral account balance amortization (Note 5)</b>	<u>(192)</u>	<u>(192)</u>
<b>Earnings for the year</b>	<u>\$ 21,781</u>	<u>\$ 23,216</u>

See accompanying notes to the financial statements.

---

## Halifax Regional Water Commission Statement of comprehensive earnings

Year ended March 31 (in thousands)

	2018	2017
Earnings for the year	\$ 21,781	\$ 23,216
Other comprehensive (loss) income		
Items that will not be reclassified subsequently to earnings:		
Re-measurement on defined benefit plans	<u>(1,750)</u>	<u>743</u>
Total comprehensive earnings for the year	<u>\$ 20,031</u>	<u>\$ 23,959</u>

---

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of financial position

March 31 (in thousands)

2018

2017

### Assets

#### Current

Cash and cash equivalents	\$ 51,470	\$ 55,879
Receivables		
Customer charges and contractual	17,494	13,321
Unbilled service revenues	16,640	17,158
Halifax Regional Municipality	5,274	1,880
Inventory	1,442	1,601
Prepays	1,013	867
	<u>93,333</u>	<u>90,706</u>

Intangible assets (Note 11)	13,877	10,275
Capital work in progress	24,550	28,406
Utility plant in service (Note 12)	1,200,430	1,144,152
Total assets	<u>1,332,190</u>	<u>1,273,539</u>

Regulatory deferral account balance (Note 5)	<u>3,196</u>	<u>3,388</u>
--	--------------	--------------

Total assets and regulatory deferral account debit balances	<u>\$ 1,335,386</u>	<u>\$ 1,276,927</u>
---	---------------------	---------------------

### Liabilities

#### Current

Payables and accruals		
Trade	\$ 22,715	\$ 16,790
Interest on long term debt	2,030	2,101
Halifax Regional Municipality	2,439	295
Contractor and customer deposits	186	191
Current portion of deferred contributed capital	13,405	12,889
Current portion of long term debt (Note 13)	22,630	21,669
Unearned revenue	584	787
	<u>63,989</u>	<u>54,722</u>

Deferred contributed capital	842,967	808,632
Long term debt (Note 13)	190,871	203,299
Employee benefit obligation – pension plan (Note 4)	65,486	58,480
Employee benefit obligation – post-retirement benefits (Note 4)	430	341
Employee benefit obligation – pre-retirement benefits (Note 4)	3,983	3,824
	<u>1,167,726</u>	<u>1,129,298</u>

#### Equity

Accumulated other comprehensive (loss) (page 5)	(44,943)	(43,193)
Accumulated surplus (page 5)	212,603	190,822
	<u>167,660</u>	<u>147,629</u>
	<u>\$ 1,335,386</u>	<u>\$ 1,276,927</u>

Contingent liabilities (Note 3)

Commitments (Note 6)

Approved by the Board

 Commissioner

 Commissioner

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of changes in equity

Year ended March 31 (in thousands)

	Accumulated other comprehensive (loss)	Accumulated surplus	Total
Balance at March 31, 2016	\$ (43,936)	\$ 167,606	\$ 123,670
Earnings for the year	-	23,216	23,216
Other comprehensive income	743	-	743
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>
Balance at March 31, 2017	<u>\$ (43,193)</u>	<u>\$ 190,822</u>	<u>\$ 147,629</u>
Earnings for the year	-	21,781	21,781
Other comprehensive loss	<u>(1,750)</u>	<u>-</u>	<u>(1,750)</u>
Comprehensive earnings for the year	<u>(1,750)</u>	<u>21,781</u>	<u>20,031</u>
Balance at March 31, 2018	<u>\$ (44,943)</u>	<u>\$ 212,603</u>	<u>\$ 167,660</u>

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of cash flows

Year ended March 31 (in thousands)

2018

2017

(Decrease) increase in cash and cash equivalents

	2018	2017
<b>Operating</b>		
Comprehensive earnings for the year	\$ 20,031	\$ 23,959
Depreciation and amortization	25,926	26,692
Employee benefit obligations	7,254	4,191
(Gain) loss on disposal of plant in service	<u>(127)</u>	<u>59</u>
	53,084	54,901
Change in non-cash operating working capital items (Note 7)	<u>754</u>	<u>5,172</u>
	<u>53,838</u>	<u>60,073</u>
<b>Financing</b>		
Proceeds from issuance of long term debt	10,000	9,053
Contributed capital	11,162	9,231
Debt issue costs, net	121	122
Principal repayment on Harbour Solutions long term debt	<u>(6,500)</u>	<u>(6,500)</u>
Principal repayments of long term debt	<u>(15,089)</u>	<u>(16,695)</u>
	<u>(306)</u>	<u>(4,789)</u>
<b>Investing</b>		
Deferred capital contributions	3,701	629
Proceeds from sale of plant in service	120	197
Purchase of capital work in progress	<u>(14,405)</u>	<u>(19,393)</u>
Purchase of utility plant in service	<u>(47,357)</u>	<u>(27,316)</u>
	<u>(57,941)</u>	<u>(45,883)</u>
Net change in cash and cash equivalents	(4,409)	9,401
Cash and cash equivalents, beginning of year	<u>55,879</u>	<u>46,478</u>
Cash and cash equivalents, end of year	<u>\$ 51,470</u>	<u>\$ 55,879</u>

See accompanying notes to the financial statements.



---

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

---

### 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.

---

### 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 21, 2018.

#### (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. The Commission'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.

---

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

---

### 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.

---

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

---

### 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 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.

---

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

---

### 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
-------------------	----------------

#### (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.

---

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

---

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

#### (o) Employee benefits obligations (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. 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 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 may 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. The Commission has assessed the impact of the new standard and concluded it will not be material to the financial statements.

#### **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. The Commission has assessed the impact of the new standard and concluded it will not be material to the financial statements.

---

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

---

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

#### (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. The Commission is currently assessing the impact of this new standard.

---

### 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 \$1,000 - \$2,000.

---

### 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 2018, the Commission funded \$635 (2017 - \$674) 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. 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 with employees contributing 10.65% of regular employee earnings. The Commission 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, 2018 (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, 2018, is as follows:

	Pension Plan		Post-retirement benefits		Pre-retirement benefits	
	2018	2017	2018	2017	2018	2017
<b>Change in accrued benefit obligation</b>						
Balance, beginning of year	\$ 168,363	\$ 152,633	\$ 341	\$ 466	\$ 3,824	\$ 3,724
Current service cost	6,112	5,020	-	-	339	308
Interest cost	6,484	6,160	8	11	132	129
Contributions by plan participants	2,725	2,417	-	-	-	-
Benefit payments	(4,265)	(4,715)	(63)	(61)	(227)	(377)
Re-measurements – actuarial (gains)/ losses from changes in demographic assumptions	-	-	(42)	31	-	-
Re-measurements – actuarial (gains)/ losses from changes in financial/experience assumptions	7,762	6,848	186	(106)	(85)	40
Balance, end of year	<u>187,181</u>	<u>168,363</u>	<u>430</u>	<u>341</u>	<u>3,983</u>	<u>3,824</u>
<b>Change in fair value of plan assets</b>						
Balance, beginning of year	109,883	98,368	-	-	-	-
Interest income	4,206	3,934	-	-	-	-
Administrative expenses	(69)	(144)	-	-	-	-
Actual return on plan assets	5,952	7,639	-	-	-	-
Benefit payments	(4,265)	(4,715)	(63)	(61)	(227)	(377)
Contributions: Employee	2,725	2,417	-	-	-	-
Employer	3,263	2,384	63	61	227	377
Balance, end of year	<u>121,695</u>	<u>109,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accrued benefit liability at March 31	<u>\$ 65,486</u>	<u>\$ 58,480</u>	<u>\$ 430</u>	<u>\$ 341</u>	<u>\$ 3,983</u>	<u>\$ 3,824</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

### 4. Employee benefit obligations (continued)

Included in the statement of earnings is pension expense of \$8,461 (2017 - \$7,390).

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

	2018	2017	2018	2017	2018	2017
	Pension Plan	Pension Plan	Post- Retirement Benefits	Post- Retirement Benefits	Pre- Retirement Benefit	Pre- Retirement Benefit
Discount rate	3.60%	3.80%	3.20%	2.70%	3.60%	3.40%
Expected return on plan assets	3.60%	3.80%	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	6.92%	7.16%	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, 2018. 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 \$3,366.

### 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 2018 is \$192 (2017 - \$192).

	2018	2017
Beginning balance	\$ 3,388	\$ 3,580
Amortization	<u>(192)</u>	<u>(192)</u>
Ending balance	<u>\$ 3,196</u>	<u>\$ 3,388</u>



# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (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 \$4,999 for the 2019 fiscal year.

At March 31, 2018, the Commission had \$85,728 in expenditures from current and past approved capital budgets not yet expended.

### 7. Supplemental cash flow information

	<u>2018</u>	<u>2017</u>
Changes in non-cash operating working capital items		
Receivables, customer charges and unbilled	\$ (3,655)	\$ 1,333
Payable to/receivable from HRM, net	(1,250)	3,389
Inventory	159	83
Prepays	(146)	(5)
Payables and accruals, trade	5,925	104
Accrued interest on long term debt	(71)	(128)
Contractor and customer deposits	(5)	(2)
Unearned revenue	<u>(203)</u>	<u>398</u>
	<u>\$ 754</u>	<u>\$ 5,172</u>

Interest paid during the year was \$7,884 (2017 - \$8,475).

### 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>2018</u>	<u>2017</u>
Long term debt (current portion)	\$ 22,630	\$ 21,669
Long term debt	<u>190,871</u>	<u>203,299</u>
Funded debt	213,501	224,968
Equity	<u>167,660</u>	<u>147,629</u>
Capital under management	<u>\$ 381,161</u>	<u>\$ 372,597</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, 2018 (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 receivables. 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>2018</u>	<u>2017</u>
Receivables		
Customer charges, contractual and unbilled	\$ 36,552	\$ 32,702
Less: allowance for doubtful accounts	<u>(2,418)</u>	<u>(2,223)</u>
	<u>\$ 34,134</u>	<u>\$ 30,479</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.

---

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

---

### 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.

---

### 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 \$5,097 (2017 - \$5,025).
- The Commission recorded fire protection revenue from HRM of \$7,074 (2017 - \$7,074).
- The Commission paid a grant in lieu of tax of \$4,774 (2017 - \$4,578).
- 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>2018</u>	<u>2017</u>
Short term benefits	\$ 1,388	\$ 1,345
Post-employment benefits	<u>219</u>	<u>243</u>
Total compensation	<u>\$ 1,607</u>	<u>\$ 1,588</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

11. Intangible assets	<u>2018</u>	<u>2017</u>
Cost		
Beginning balance, April 1	\$ 13,213	\$ 12,232
Additions	<u>4,675</u>	<u>981</u>
Total cost, March 31	<u>17,888</u>	<u>13,213</u>
Accumulated amortization		
Beginning balance, April 1	2,938	2,031
Amortization	<u>1,073</u>	<u>907</u>
Total accumulated amortization, March 31	<u>4,011</u>	<u>2,938</u>
Net book value	<u>\$ 13,877</u>	<u>\$ 10,275</u>

### 12. Utility plant in service

	<u>Land</u>	<u>Structures and improvements</u>	<u>Treatment and network equipment</u>	<u>Distribution and collection network</u>	<u>Tools and work equipment</u>	<u>Total</u>
Cost						
Beginning balance, April 1, 2017	\$ 20,780	\$ 214,875	\$ 218,773	\$ 787,646	\$ 18,322	\$ 1,260,396
Additions	592	4,011	11,464	74,724	7,758	98,549
Disposals	<u>-</u>	<u>(10)</u>	<u>(429)</u>	<u>(13)</u>	<u>-</u>	<u>(452)</u>
Total cost, March 31, 2018	<u>21,372</u>	<u>218,876</u>	<u>229,808</u>	<u>862,357</u>	<u>26,080</u>	<u>1,358,493</u>
Accumulated depreciation						
Beginning balance, April 1, 2017	\$ -	\$ 33,807	\$ 34,671	\$ 43,744	\$ 4,022	\$ 116,244
Depreciation	<u>-</u>	<u>9,378</u>	<u>12,409</u>	<u>16,224</u>	<u>3,808</u>	<u>41,819</u>
Total accumulated depreciation March 31, 2018	<u>-</u>	<u>43,185</u>	<u>47,080</u>	<u>59,968</u>	<u>7,830</u>	<u>158,063</u>
Net book value, March 31, 2018	<u>\$ 21,372</u>	<u>\$ 175,691</u>	<u>\$ 182,728</u>	<u>\$ 802,389</u>	<u>\$ 18,250</u>	<u>\$ 1,200,430</u>

	<u>Land</u>	<u>Structures and improvements</u>	<u>Treatment and network equipment</u>	<u>Distribution and collection network</u>	<u>Tools and work equipment</u>	<u>Total</u>
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	<u>-</u>	<u>(795)</u>	<u>(223)</u>	<u>(386)</u>	<u>(843)</u>	<u>(2,247)</u>
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	<u>-</u>	<u>12,246</u>	<u>11,957</u>	<u>15,390</u>	<u>2,346</u>	<u>41,939</u>
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>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2018 (in thousands)

13. Long-term debt	<u>Interest rates</u>	<u>2018</u>	<u>2017</u>
Payable to Municipal Finance Corporation (MFC)			
Water	1.040% to 6.750%	\$ 63,181	\$ 68,380
Halifax Harbour Solutions	0.900% to 4.329%	7,800	8,450
Wastewater/stormwater	1.040% to 4.500%	86,209	85,120
Stormwater	1.040% to 4.114%	11,723	11,985
		<u>168,913</u>	<u>173,935</u>
Payable to Halifax Regional Municipality			
MFC Wastewater/stormwater	1.200% to 4.940%	45,500	52,066
		214,413	226,001
Less: debt issue costs		(912)	(1,033)
		<u>213,501</u>	<u>224,968</u>
Less: amount payable within one year		(22,630)	(21,669)
		<u>\$ 190,871</u>	<u>\$ 203,299</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:

2019	\$ 22,630
2020	\$ 23,759
2021	\$ 18,084
2022	\$ 16,039
2023	\$ 40,752

### 14. Operating expenditures by nature

	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 41,948	\$ 39,839
Training	618	656
Contract services	13,619	12,118
Electricity	6,323	6,295
Operating supplies	9,945	9,423
Professional services	4,559	4,768
Chemicals	4,698	4,404
Depreciation and amortization	43,106	44,670
	<u>\$ 124,816</u>	<u>\$ 122,173</u>

# Halifax Regional Water Commission

## Schedule of utility plant in service

# Schedule A

Year ended March 31, 2018 (in thousands)

### Water

	Land	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
<b>Cost</b>												
Beginning balance, April 1, 2017												
Cost	\$ 15,417	\$ 92,334	\$ 9,720	\$ 23,771	\$ 5,046	\$ 350,101	\$ 35,633	\$ 14,920	\$ 19,332	\$ 9,564	\$ 26,871	\$ 602,709
Additions	592	2,997	593	1,451	125	22,706	1,608	1,501	585	270	4,001	36,429
Disposals	-	(5)	(10)	-	-	(13)	-	(839)	-	-	(2,748)	(3,615)
<b>Total cost, March 31, 2018</b>	<b>16,009</b>	<b>95,326</b>	<b>10,303</b>	<b>25,222</b>	<b>5,171</b>	<b>372,794</b>	<b>37,241</b>	<b>15,582</b>	<b>19,917</b>	<b>9,834</b>	<b>28,124</b>	<b>635,523</b>
<b>Accumulated depreciation</b>												
Beginning balance, April 1, 2017	-	28,034	7,028	15,478	3,689	80,244	6,377	5,950	3,902	2,922	18,309	171,933
Depreciation	-	1,526	263	1,013	171	4,675	612	125	305	328	(914)	8,104
Total accumulated depreciation, March 31, 2018	-	29,560	7,291	16,491	3,860	84,919	6,989	6,075	4,207	3,250	17,395	180,037
<b>Net book value, March 31, 2018</b>	<b>\$ 16,009</b>	<b>\$ 65,766</b>	<b>\$ 3,012</b>	<b>\$ 8,731</b>	<b>\$ 1,311</b>	<b>\$ 287,875</b>	<b>\$ 30,252</b>	<b>\$ 9,507</b>	<b>\$ 15,710</b>	<b>\$ 6,584</b>	<b>\$ 10,729</b>	<b>\$ 455,486</b>
<b>Cost</b>												
Beginning balance, April 1, 2016												
Cost	\$ 15,297	\$ 87,643	\$ 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)
<b>Total cost, March 31, 2017</b>	<b>15,417</b>	<b>92,334</b>	<b>9,720</b>	<b>23,771</b>	<b>5,046</b>	<b>350,101</b>	<b>35,633</b>	<b>14,920</b>	<b>19,332</b>	<b>9,564</b>	<b>26,871</b>	<b>602,709</b>
<b>Accumulated depreciation</b>												
Beginning balance, April 1, 2016	-	25,551	6,778	14,522	3,545	76,018	5,795	5,480	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	5,950	3,902	2,922	18,309	171,933
<b>Net book value, March 31, 2017</b>	<b>\$ 15,417</b>	<b>\$ 64,300</b>	<b>\$ 2,692</b>	<b>\$ 8,293</b>	<b>\$ 1,357</b>	<b>\$ 269,857</b>	<b>\$ 29,256</b>	<b>\$ 8,970</b>	<b>\$ 15,430</b>	<b>\$ 6,642</b>	<b>\$ 8,562</b>	<b>\$ 430,776</b>

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

# Schedule A

Year ended March 31, 2018 (in thousands)

### Wastewater

	Structures and Land improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Meters	Tools and work equipment	Aerotech and small systems	Total	
<b>Cost</b>											
Beginning balance, April 1, 2017											
Cost	\$ 5,329	\$ 175,208	\$ 17,579	\$ 161,122	\$ 8,210	\$ 290,169	\$ 19,108	\$ -	\$ 25,407	\$ 12,089	\$ 714,221
Additions	-	1,003	3,387	1,377	197	29,640	2,790	1,501	7,665	475	48,035
Disposals	-	(5)	-	-	-	-	-	-	(143)	-	(148)
<b>Total cost, March 31, 2018</b>	<b>5,329</b>	<b>176,206</b>	<b>20,966</b>	<b>162,499</b>	<b>8,407</b>	<b>319,809</b>	<b>21,898</b>	<b>1,501</b>	<b>32,929</b>	<b>12,564</b>	<b>762,108</b>
<b>Accumulated depreciation</b>											
Beginning balance, April 1, 2017	-	53,697	6,577	47,255	1,366	57,418	1,502	-	11,573	3,450	182,838
Depreciation	-	4,319	712	8,035	503	4,186	410	38	2,421	443	21,067
Total accumulated depreciation, March 31, 2018	-	58,016	7,289	55,290	1,869	61,604	1,912	38	13,994	3,893	203,905
<b>Net book value, March 31, 2018</b>	<b>5,329</b>	<b>118,190</b>	<b>13,677</b>	<b>107,209</b>	<b>6,538</b>	<b>258,205</b>	<b>19,986</b>	<b>1,463</b>	<b>18,935</b>	<b>8,671</b>	<b>558,203</b>
<b>Cost</b>											
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)
<b>Total cost, March 31, 2017</b>	<b>5,329</b>	<b>175,208</b>	<b>17,579</b>	<b>161,122</b>	<b>8,210</b>	<b>290,169</b>	<b>19,108</b>	<b>-</b>	<b>25,407</b>	<b>12,089</b>	<b>714,221</b>
<b>Accumulated depreciation</b>											
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	-	53,697	6,577	47,255	1,366	57,418	1,502	-	11,573	3,450	182,838
<b>Net book value, March 31, 2017</b>	<b>5,329</b>	<b>121,511</b>	<b>11,002</b>	<b>113,867</b>	<b>6,844</b>	<b>232,751</b>	<b>17,606</b>	<b>-</b>	<b>13,834</b>	<b>8,639</b>	<b>531,383</b>

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

## Schedule A

Year ended March 31, 2018 (in thousands)

### Stormwater

	Structures and improvements	Collection system	Laterals	Tools and work equipment	Total
<b>Cost</b>					
Beginning balance, April 1, 2017					
Cost	\$ 9,785	\$ 227,751	\$ 4,611	\$ 3,045	\$ 245,192
Additions	11	17,696	285	767	18,759
Disposals	-	-	-	-	-
<b>Total cost, March 31, 2018</b>	<u>9,796</u>	<u>245,447</u>	<u>4,896</u>	<u>3,812</u>	<u>263,951</u>
<b>Accumulated depreciation</b>					
Beginning balance, April 1, 2017	1,402	36,380	301	870	38,953
Depreciation	177	5,889	95	477	6,638
Total accumulated depreciation, March 31, 2018	<u>1,579</u>	<u>42,269</u>	<u>396</u>	<u>1,347</u>	<u>45,591</u>
<b>Net book value, March 31, 2018</b>	<u>\$ 8,217</u>	<u>\$ 203,178</u>	<u>\$ 4,500</u>	<u>\$ 2,465</u>	<u>\$ 218,360</u>
<b>Cost</b>					
Beginning balance, April 1, 2016					
Cost	\$ 9,705	\$ 218,501	\$ 3,929	\$ 2,034	\$ 234,169
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	<u>1,402</u>	<u>36,380</u>	<u>301</u>	<u>870</u>	<u>38,953</u>
<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>

During the year, \$267 of interest was capitalized to Utility Plant in Service (2017 - \$491).

Cumulative utility plant in service	Water	Wastewater	Stormwater	Total
Net book value, March 31, 2018	\$ 455,486	\$ 558,203	\$ 218,360	\$ 1,232,049
Net book value, March 31, 2017	\$ 430,776	\$ 531,383	\$ 206,239	\$ 1,168,398

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, 2018 (in thousands)

	<u>Interest rate</u>	<u>Final Maturity</u>	<u>Balance Remaining</u>	
			<u>2018</u>	<u>2017</u>
<b>Payable to Municipal Finance Corporation</b>				
<b>Water</b>				
Debenture 23 A 1	4.250% to 6.125%	2018	\$ 600	\$ 700
Debenture 27 A 1	4.650% to 5.010%	2017	-	1,108
Debenture 28 A 1	6.500% to 6.750%	2018	1,100	1,200
Debenture 98 A 1	3.750% to 5.088%	2019	3,671	7,128
Debenture 29 A 1	0.900% to 4.329%	2019	450	675
Debenture 30 A 1	1.550% to 3.870%	2020	525	700
Debenture 31 A 1	1.630% to 4.221%	2021	600	750
Debenture 32 A 1	1.636% to 3.480%	2022	1,000	1,200
Debenture 32 C 1	1.510% to 3.160%	2022	8,051	8,587
Debenture 33 A 1	1.330% to 3.489%	2023	8,090	8,595
Debenture 33 B 1	1.285% to 4.114%	2023	5,930	6,300
Debenture 34 B 1	1.200% to 3.190%	2024	11,622	12,305
Debenture 35 B 1	1.040% to 2.894%	2025	12,120	12,794
Debenture 36 A 1	1.150% to 2.925%	2026	1,800	2,000
Debenture 36 B 1	1.150% to 2.506%	2026	4,122	4,338
Debenture 37 A 1	1.734% to 3.073%	2027	3,500	-
<b>Halifax Harbour Solutions</b>				
Debenture 29 A 1	0.900% to 4.329%	2019	7,800	8,450
<b>Wastewater/stormwater</b>				
Debenture 30 A 1	1.510% to 4.500%	2020	2,210	2,380
Debenture 32 A 1	1.636% to 3.480%	2022	1,797	1,917
Debenture 32 B 1	1.380% to 3.156%	2022	24,000	25,600
Debenture 32 C 1	1.510% to 3.160%	2022	3,447	3,676
Debenture 33 A 1	1.330% to 3.489%	2023	13,488	14,331
Debenture 33 B 1	1.285% to 4.114%	2023	8,714	9,259
Debenture 34 A 1	1.245% to 3.347%	2024	4,734	5,012
Debenture 34 B 1	1.200% to 3.190%	2024	7,298	7,727
Debenture 35 B 1	1.040% to 2.894%	2025	12,699	13,405
Debenture 36 B 1	1.150% to 2.506%	2026	1,722	1,813
Debenture 37 A 1	1.735% to 3.073%	2027	6,100	-
<b>Stormwater</b>				
Debenture 33 A 1	1.330% to 3.489%	2023	432	459
Debenture 33 B 1	1.285% to 4.114%	2023	2,111	2,243
Debenture 34 B 1	1.200% to 3.190%	2024	5,017	5,313
Debenture 35 B 1	1.040% to 2.894%	2025	2,907	3,069
Debenture 36 B 1	1.150% to 2.506%	2026	856	901
Debenture 37 A 1	1.734% to 3.073%	2027	400	-
			<u>168,913</u>	<u>173,935</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	38,500	44,000
Debenture 27 A 1	4.650% to 5.010%	2017	-	66
Debenture 34 B 1	1.200% to 3.190%	2024	7,000	8,000
			<u>45,500</u>	<u>52,066</u>
			214,413	226,001
Less: debt issue costs			(912)	(1,033)
			213,501	224,968
Less: amount payable within one year			(22,630)	(21,669)
			<u>\$ 190,871</u>	<u>\$ 203,299</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:

2019	\$ 22,630
2020	\$ 23,759
2021	\$ 18,084
2022	\$ 16,039
2023	\$ 40,752

# Halifax Regional Water Commission

## Schedule of operations for water service

## Schedule C

Year ended March 31, 2018 (in thousands)

	<u>2018</u>	<u>2017</u>
<b>Operating revenues</b>		
Water service	\$ 47,220	\$ 47,183
Fire protection	7,074	7,074
Private fire protection services	856	831
Other operating revenue		
Bulk water stations	304	330
Customer late payment fees	220	282
Miscellaneous	176	153
	<u>55,850</u>	<u>55,853</u>
<b>Operating expenditures</b>		
Water supply and treatment	8,645	8,050
Water transmission and distribution	9,410	8,997
Engineering and information services	3,850	3,828
Regulatory services	496	493
Customer service	2,348	2,290
Administration and pension	6,910	5,966
Depreciation	8,550	7,756
	<u>40,209</u>	<u>37,380</u>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<u>15,641</u>	<u>18,473</u>
<b>Financial and other revenues</b>		
Interest	313	351
Other	485	375
	<u>798</u>	<u>726</u>
<b>Financial and other expenditures</b>		
Interest on long term debt	2,131	2,378
Repayment of long term debt	8,247	8,400
Amortization of debt discount	94	95
Grant in lieu of taxes	4,774	4,578
Other	149	17
	<u>15,395</u>	<u>15,468</u>
<b>Earnings for the year</b>	<u>\$ 1,044</u>	<u>\$ 3,731</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, 2018 (in thousands)

	<u>2018</u>	<u>2017</u>
<b>Operating revenues</b>		
Wastewater service	\$ 69,994	\$ 69,475
Other operating revenue		
Leachate and other contract revenue	417	440
Septage tipping fees	812	909
Over strength surcharge	219	23
Customer late payment fees	169	189
Miscellaneous	471	428
	<u>72,082</u>	<u>71,464</u>
<b>Operating expenditures</b>		
Wastewater collection	12,644	11,639
Wastewater treatment	19,647	19,793
Engineering and information services	3,419	3,223
Regulatory services	929	1,095
Customer service	2,270	1,842
Administration and pension	4,853	5,017
Depreciation	11,905	10,669
	<u>55,667</u>	<u>53,278</u>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<u>16,415</u>	<u>18,186</u>
<b>Financial and other revenues</b>		
Interest	311	351
Other	3,307	2,168
	<u>3,618</u>	<u>2,519</u>
<b>Financial and other expenditures</b>		
Interest on long term debt	5,185	5,509
Repayment of long term debt	11,747	11,699
Amortization of debt discount	98	95
Other	120	32
	<u>17,150</u>	<u>17,335</u>
<b>Earnings for the year</b>	<u>\$ 2,883</u>	<u>\$ 3,370</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, 2018 (in thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues		
Stormwater site generated service	\$ 6,169	\$ 6,661
Stormwater right-of-way service	3,847	3,881
Other operating revenue		
Customer late payment fees	93	51
Miscellaneous	105	88
	<u>10,214</u>	<u>10,681</u>
Operating expenditures		
Stormwater collection	4,842	4,096
Engineering and information services	556	525
Regulatory services	1,304	768
Customer service	278	300
Administration and pension	789	816
Depreciation	807	677
	<u>8,576</u>	<u>7,182</u>
Earnings from operations before financial and other revenue and expenditures	<u>1,638</u>	<u>3,499</u>
Financial and other revenues		
Investment income	<u>70</u>	<u>78</u>
Financial and other expenditures		
Interest on long term debt	568	588
Repayment of long term debt	1,253	1,221
Amortization of debt discount	10	9
	<u>1,831</u>	<u>1,818</u>
(Loss) earnings for the year	<u>\$ (123)</u>	<u>\$ 1,759</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, 2018 (in thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues		
Water service	\$ 47,220	\$ 47,183
Wastewater service	69,994	69,475
Stormwater service	10,016	10,542
Public fire protection	7,074	7,074
Private fire protection services	856	831
Other operating revenue	<u>1,230</u>	<u>1,207</u>
	<u>136,390</u>	<u>136,312</u>
Operating expenditures		
Water supply and treatment	9,802	9,137
Water transmission and distribution	10,810	10,411
Wastewater collection	11,252	10,347
Stormwater collection	4,793	4,039
Wastewater treatment	18,054	17,797
Engineering and information services	7,265	7,576
Regulatory services	3,291	2,356
Customer service	4,861	4,396
Administration and pension	12,501	11,768
Depreciation	<u>21,241</u>	<u>19,095</u>
	<u>103,870</u>	<u>96,922</u>
Earnings from operations before financial and other revenues and expenditures	<u>32,520</u>	<u>39,390</u>
Financial and other revenues		
Interest	694	780
Other	<u>3,096</u>	<u>2,289</u>
	<u>3,790</u>	<u>3,069</u>
Financial and other expenditures		
Interest on long term debt	7,884	8,475
Repayment of long term debt	21,247	21,320
Amortization of debt discount	202	199
Grant in lieu of taxes	<u>4,774</u>	<u>4,578</u>
	<u>34,107</u>	<u>34,572</u>
Earnings for the year	<u>\$ 2,203</u>	<u>\$ 7,887</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, 2018 (in thousands)

	<u>2018</u>	<u>2017</u>
<b>Operating revenues</b>		
Dewatering	\$ 210	\$ 210
Septage tipping fees	812	909
Leachate treatment and contract revenue	417	440
Airplane effluent	121	89
Other operating revenue	<u>196</u>	<u>196</u>
	<u>1,756</u>	<u>1,844</u>
<b>Operating expenditures</b>		
Water supply and treatment	18	16
Wastewater treatment	456	830
Other	87	111
Depreciation	<u>21</u>	<u>6</u>
	<u>582</u>	<u>963</u>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<u>1,174</u>	<u>881</u>
<b>Financial and other revenues</b>		
Other	<u>696</u>	<u>139</u>
<b>Financial and other expenditures</b>		
Other	<u>269</u>	<u>49</u>
<b>Earnings for the year</b>	<u>\$ 1,601</u>	<u>\$ 971</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, 2018 (in thousands)

Return on rate base	<u>2018</u>	<u>2017</u>
Rate of return on rate base for water service	3.39%	4.54%
Rate of return on rate base for wastewater service	5.65%	6.71%
Rate of return on rate base for stormwater service	3.45%	11.78%

**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>2018 Total</u>	<u>2017 Total</u>
Reserve, beginning of year	\$ 3,819	\$ 1,246	\$ 11,842	\$ 5	\$ 16,912	\$ 8,070
Contributions and interest	-	1,086	10,075	1	11,162	9,230
Expenditures	(213)	-	-	-	(213)	(388)
Reserve, end of year	<u>\$ 3,606</u>	<u>\$ 2,332</u>	<u>\$ 21,917</u>	<u>\$ 6</u>	<u>\$ 27,861</u>	<u>\$ 16,912</u>

**Summarized consolidated operating results**

	<u>Actual 2018</u>	<u>Actual 2017</u>
Operating revenues	\$ 138,145	\$ 137,997
Operating expenditures	<u>99,437</u>	<u>97,839</u>
Earnings from operations before financial and other revenues and expenditures	38,708	40,158
Non-operating revenues	4,486	3,322
Non-operating expenditures	<u>34,376</u>	<u>34,622</u>
Earnings for the year	<u>\$ 8,818</u>	<u>\$ 8,858</u>

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