



Financial Statements

Halifax Regional Water Commission

March 31, 2016

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Independent auditor's report

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 statements of financial position as at March 31, 2016, March 31, 2015 and April 1, 2014, and the statements of comprehensive earnings, statements of changes in equity and statements of cash flows for the years ended March 31, 2016 and March 31, 2015, 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, 2016, March 31, 2015 and April 1, 2014 and its financial performance and its cash flows for the years ended March 31, 2016 and March 31, 2015 in accordance with International Financial Reporting Standards.



Halifax, Canada
June 30, 2016

Chartered Accountants

Halifax Regional Water Commission

Statements of earnings

Year ended March 31, 2016 (in thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues		
Water service	\$ 43,193	\$ 39,583
Wastewater service	66,601	67,770
Stormwater service	10,595	10,951
Fire protection	8,032	8,953
Private fire protection services	679	558
Other operating revenue	<u>2,617</u>	<u>2,505</u>
	<u>131,717</u>	<u>130,320</u>
Operating expenditures (note 14)		
Water supply and treatment	8,623	8,090
Water transmission and distribution	9,094	9,139
Wastewater collection	10,577	11,210
Stormwater collection	4,237	3,992
Wastewater treatment	19,285	20,296
Engineering and information services	7,018	6,770
Environmental services	2,370	2,656
Customer service	4,450	4,121
Administration and pension	9,681	9,649
Depreciation and amortization	<u>36,341</u>	<u>34,912</u>
	<u>111,676</u>	<u>110,835</u>
Earnings from operations before financial and other revenues and expenditures	<u>20,041</u>	<u>19,485</u>
Financial and other revenues		
Interest	883	836
Contributed capital	13,533	12,792
Other	<u>2,487</u>	<u>2,294</u>
	<u>16,903</u>	<u>15,922</u>
Financial and other expenditures		
Interest on long term debt	8,889	8,958
Amortization of debt discount	186	163
Grant in lieu of taxes	4,528	4,340
Other	<u>198</u>	<u>513</u>
	<u>13,801</u>	<u>13,974</u>
Earnings for the year before regulatory deferral account balance amortization	<u>23,143</u>	<u>21,433</u>
Regulatory deferral account balance amortization (note 5)	<u>(192)</u>	<u>(192)</u>
Earnings for the year	<u>\$ 22,951</u>	<u>21,241</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statements of comprehensive earnings

Year ended March 31 (in thousands)

2016

2015

Earnings for the year	\$	22,951	\$	21,241
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to earnings:				
Re-measurement on defined benefit plans		<u>10,389</u>		<u>(16,205)</u>
Total comprehensive earnings for the year	\$	<u>33,340</u>	\$	<u>5,036</u>

See accompanying notes to the financial statements.

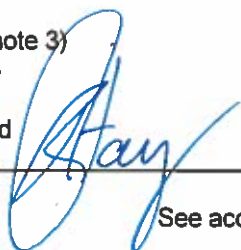
Halifax Regional Water Commission

Statements of financial position

March 31 (in thousands)	March 31 2016	March 31 2015	April 1 2014
Assets			
Current			
Cash and cash equivalents	\$ 46,478	\$ 39,271	\$ 38,290
Receivables			
Customer charges and contractual	15,641	14,181	9,927
Unbilled service revenues	16,171	15,479	13,510
Halifax Regional Municipality	9,558	3,743	818
Inventory	1,684	1,528	1,445
Prepays	862	915	694
	<u>90,394</u>	<u>75,117</u>	<u>64,684</u>
Intangible assets (note 11)	10,201	10,672	11,480
Capital work in progress	18,529	41,423	10,676
Utility plant in service (note 12)	1,044,733	997,419	993,727
Total assets	<u>1,163,857</u>	<u>1,124,631</u>	<u>1,080,567</u>
Regulatory deferral account balance (note 5)	<u>3,580</u>	<u>3,772</u>	<u>3,964</u>
Total assets and regulatory deferral account debit balances	<u>\$ 1,167,437</u>	<u>\$ 1,128,403</u>	<u>\$ 1,084,531</u>
Liabilities			
Current			
Payables and accruals			
Trade	\$ 16,686	\$ 15,612	\$ 21,143
Interest on long term debt	2,229	2,137	2,026
Halifax Regional Municipality	4,584	6,973	3,796
Contractor and customer deposits	193	198	190
Current portion of deferred contributed capital	12,526	21,603	19,637
Current portion of long term debt (note 13)	23,195	22,374	28,139
Unearned revenue	389	511	118
	<u>59,802</u>	<u>69,408</u>	<u>75,049</u>
Deferred contributed capital	709,716	691,477	684,837
Long term debt (note 13)	215,794	208,231	186,964
Employee benefit obligation – pension plan (note 4)	54,265	65,005	48,307
Employee benefit obligation – post-retirement benefits (note 4)	466	458	868
Employee benefit obligation – pre-retirement benefits (note 4)	3,724	3,494	3,212
	<u>1,043,767</u>	<u>1,038,073</u>	<u>999,237</u>
Equity			
Accumulated other comprehensive (loss) (page 5)	(43,936)	(54,325)	(38,120)
Accumulated surplus (page 5)	167,606	144,655	123,414
	<u>123,670</u>	<u>90,330</u>	<u>85,294</u>
	<u>\$ 1,167,437</u>	<u>\$ 1,128,403</u>	<u>\$ 1,084,531</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

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, 2014	\$ <u>(38,120)</u>	\$ <u>123,414</u>	\$ <u>85,294</u>
Earnings for the year	-	21,241	21,241
Other comprehensive loss	<u>(16,205)</u>	<u>-</u>	<u>(16,205)</u>
Comprehensive (loss) for the year	<u>(16,205)</u>	<u>21,241</u>	<u>5,036</u>
Balance at March 31, 2015	\$ <u>(54,325)</u>	\$ <u>144,655</u>	\$ <u>90,330</u>
Balance at March 31, 2015	\$ <u>(54,325)</u>	\$ <u>144,655</u>	\$ <u>90,330</u>
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>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of cash flows

Year ended March 31 (in thousands)

2016

2015

Increase (decrease) in cash and cash equivalents

Operating		
Comprehensive earnings for the year	\$ 33,340	\$ 5,036
Depreciation and amortization	23,934	23,395
Employee benefit obligations	(10,504)	16,571
Gains on disposal of plant in service	158	445
	<u>46,928</u>	<u>45,447</u>
Change in non-cash operating working capital items (note 7)	<u>(9,420)</u>	<u>(11,294)</u>
	<u>37,508</u>	<u>34,153</u>
Financing		
Proceeds from issuance of long term debt	28,307	43,730
Contributed capital	5,013	7,095
Debt issue costs	(49)	(90)
Principal repayment on Harbour Solutions long term debt	(6,500)	(16,500)
Principal repayments of long term debt	<u>(13,373)</u>	<u>(11,639)</u>
	<u>13,398</u>	<u>22,596</u>
Investing		
Deferred capital contributions	4,148	3,187
Proceeds from sale of plant in service	90	482
Purchase of capital work in progress	(10,321)	(33,331)
Purchase of utility plant in service	<u>(37,616)</u>	<u>(26,106)</u>
	<u>(43,699)</u>	<u>(55,768)</u>
Net change in cash and cash equivalents	7,207	981
Cash and cash equivalents, beginning of year	<u>39,271</u>	<u>38,290</u>
Cash and cash equivalents, end of year	<u>\$ 46,478</u>	<u>\$ 39,271</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (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. These are the Commission's first annual financial statements prepared in accordance with IFRS.

An explanation of how the transition from the Accounting and Reporting Handbook for Water Utilities (Handbook) to IFRS as at April 1, 2014 (the date of transition) has affected the reported statement of financial position, earnings and comprehensive income and cash flows of the Commission is provided in note 15.

The financial statements were authorized for issue by the Board on June 30, 2016.

(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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (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:

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 estimated amount for amounts not yet billed. Fire protection revenue is recorded based on approved rates. Other revenues are recorded at the time that 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, 2016 (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 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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (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 consist of 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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

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 has 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. Management is assessing the impact of this new standard on 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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

(q) Future accounting standards (continued)

The new standard IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Management is assessing the impact of this revised standard on the financial statements.

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 is assessing the impact of this revised standard on the financial statements.

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 - \$2,500.

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 2016, the Commission funded \$627 (2015 - \$692) 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 five 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 include 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, 2016 (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, 2016, is as follows:

	Pension Plan		Post-retirement benefits		Pre-retirement benefits	
	2016	2015	2016	2015	2016	2015
Change in accrued benefit obligation						
Balance, beginning of year	\$ 157,296	\$ 125,427	\$ 458	\$ 868	\$ 3,494	\$ 3,212
Current service cost	5,777	4,317	-	-	274	257
Interest cost	5,938	5,722	11	30	130	147
Past service cost	(2,787)	-	-	-	-	-
Contributions by plan participants	3,274	2,893	-	-	-	-
Benefit payments	(4,496)	(3,774)	(65)	(66)	(254)	(133)
Remeasurements – actuarial (gains)/ losses from changes in demographic assumptions	(1,101)	-	(21)	(224)	-	-
Remeasurements – actuarial (gains)/ losses from changes in financial/experience assumptions	(11,268)	22,711	83	(150)	80	11
Balance, end of year	<u>152,633</u>	<u>157,296</u>	<u>466</u>	<u>458</u>	<u>3,724</u>	<u>3,494</u>
Change in fair value of plan assets						
Balance, beginning of year	92,291	77,120	-	-	-	-
Interest income	3,644	3,589	-	-	-	-
Administrative expenses	(163)	(182)	-	-	-	-
Actual return on plan assets	(1,896)	6,314	-	-	-	-
Benefit payments	(4,496)	(3,774)	(65)	(66)	(254)	(133)
Contributions: Employee	3,273	2,894	-	-	-	-
Employer	5,715	6,330	65	66	254	133
Balance, end of year	<u>98,368</u>	<u>92,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accrued benefit liability at March 31	<u>\$ 54,265</u>	<u>\$ 65,005</u>	<u>\$ 466</u>	<u>\$ 458</u>	<u>\$ 3,724</u>	<u>\$ 3,494</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

4. Employee benefit obligations (continued)

Administration and pension expense includes pension expense of \$5,448 (2015 - \$6,631).

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

	2016	2015	2016	2015	2016	2015
	Pension Plan	Pension Plan	Post- Retirement Benefits	Post- Retirement Benefits	Pre- Retirement Benefit	Pre- Retirement Benefit
Discount rate	4.00%	3.70%	2.90%	2.60%	3.50%	3.70%
Expected return on plan assets	4.00%	3.70%	2.90%	2.60%	3.50%	3.50%
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	7.43%	4.50-7.70%	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, 2016. 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 \$2,287.

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 2016 is \$192 (2015 - \$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.

	2016	2015
Beginning balance	\$ 3,772	\$ 3,964
Amortization	(192)	(192)
Ending balance	\$ 3,580	\$ 3,772

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

6. Commitments

An agreement with HRM for renewal of the dividend/grant in lieu of taxes for fiscal years 2011 to 2015 for water services was approved by the NSUARB as part of the January 1, 2011 rate decision. There was no dividend/grant in lieu of taxes approved for wastewater/stormwater. The Commission is committed to a payment of \$4,578 for the 2017 fiscal year.

At March 31, 2016, the Commission had \$74,515 in expenditures from current and past approved capital budgets not yet expended.

7. Supplemental cash flow information

	<u>2016</u>	<u>2015</u>
Changes in non-cash operating working capital items		
Receivables, customer charges and contractual	\$ (2,152)	\$ (6,223)
Payable to/receivable from HRM, net	(8,204)	252
Inventory	(156)	(83)
Prepays	53	(221)
Payables and accruals, trade	1,074	(5,531)
Accrued interest on long term debt	92	111
Contractor and customer deposits	(5)	8
Unearned revenue	(122)	393
	<u>\$ (9,420)</u>	<u>\$ (11,294)</u>

Interest paid during the year was \$8,889 (2015 - \$8,958).

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>2016</u>	<u>2015</u>
Long term debt (current portion)	\$ 23,195	\$ 22,374
Long term debt	<u>215,794</u>	<u>208,231</u>
Funded debt	238,989	230,605
Equity	<u>123,670</u>	<u>90,330</u>
Capital under management	<u>\$ 362,659</u>	<u>\$ 320,935</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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (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>2016</u>	<u>2015</u>
Receivables		
Customer charges, contractual and unbilled	\$ 33,754	\$ 31,432
Less: allowance for doubtful accounts	<u>(1,941)</u>	<u>(1,772)</u>
	<u>\$ 31,813</u>	<u>\$ 29,660</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, 2016 (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.

A Service Level Agreement outlining the terms for exchange of services between the Commission and HRM was executed during the year. 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 \$4,705 (2015 - \$4,726).
- The Commission recorded fire protection revenue from HRM of \$8,032 (2015 - \$8,953).
- The Commission paid a grant in lieu of tax of \$4,528 (2015 - \$4,340).
- 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%.
- A Memorandum of Agreement was executed between the Commission and HRM, and subsequently approved by the NSUARB approving the exchange of certain responsibilities regarding intrusion of tree roots in sewer laterals, and adjustments of appurtenances such as manholes and valve boxes.

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>2016</u>	<u>2015</u>
Short term benefits	\$ 1,481	\$ 1,379
Post-employment benefits	<u>233</u>	<u>266</u>
Total compensation	<u>\$ 1,714</u>	<u>\$ 1,645</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

11. Intangible assets	<u>2016</u>	<u>2015</u>
Cost		
Beginning balance, April 1	\$ 11,669	\$ 11,480
Additions	<u>563</u>	<u>189</u>
Total cost, March 31	<u>12,232</u>	<u>11,669</u>
Accumulated depreciation		
Beginning balance, April 1	997	-
Depreciation	<u>1,034</u>	<u>997</u>
Total accumulated depreciation, March 31	<u>2,031</u>	<u>997</u>
Net book value	<u>\$ 10,201</u>	<u>\$ 10,672</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>Tolls and work equipment</u>	<u>Total</u>
Cost						
Beginning balance, April 1, 2015	\$ 18,983	\$ 199,526	\$ 204,678	\$ 597,781	\$ 7,838	\$ 1,028,804
Additions	1,605	7,418	10,041	59,495	5,275	83,834
Disposals	<u>(70)</u>	<u>-</u>	<u>(535)</u>	<u>-</u>	<u>(822)</u>	<u>(1,427)</u>
Total cost, March 31, 2016	<u>20,518</u>	<u>206,944</u>	<u>214,182</u>	<u>657,276</u>	<u>12,291</u>	<u>1,111,211</u>
Accumulated depreciation						
Beginning balance, April 1, 2015	-	10,690	11,254	9,877	(436)	31,388
Depreciation	<u>-</u>	<u>10,871</u>	<u>11,460</u>	<u>10,650</u>	<u>2,112</u>	<u>35,093</u>
Total accumulated depreciation March 31, 2016	<u>-</u>	<u>21,561</u>	<u>22,714</u>	<u>20,527</u>	<u>1,676</u>	<u>66,481</u>
Net book value, March 31, 2016	<u>\$ 20,518</u>	<u>\$ 185,383</u>	<u>\$ 191,468</u>	<u>\$ 636,749</u>	<u>\$ 10,615</u>	<u>\$ 1,044,733</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, 2014	\$ 19,126	\$ 197,173	\$ 201,767	\$ 567,078	\$ 8,583	\$ 993,727
Additions	54	2,394	10,792	31,391	2,424	47,055
Disposals	<u>(197)</u>	<u>(41)</u>	<u>(7,883)</u>	<u>(688)</u>	<u>(3,169)</u>	<u>(11,978)</u>
Total cost, March 31, 2015	<u>18,983</u>	<u>199,526</u>	<u>204,676</u>	<u>597,781</u>	<u>7,838</u>	<u>1,028,804</u>
Accumulated depreciation						
Beginning balance, April 1, 2014	-	-	-	-	-	-
Depreciation	<u>-</u>	<u>10,690</u>	<u>11,254</u>	<u>9,877</u>	<u>(436)</u>	<u>31,385</u>
Total accumulated depreciation March 31, 2015	<u>-</u>	<u>10,690</u>	<u>11,254</u>	<u>9,877</u>	<u>(436)</u>	<u>31,385</u>
Net book value, March 31, 2015	<u>\$ 18,983</u>	<u>\$ 188,836</u>	<u>\$ 193,422</u>	<u>\$ 587,904</u>	<u>\$ 8,274</u>	<u>\$ 997,419</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

13. Long-term debt	<u>Interest rates</u>	<u>2016</u>	<u>2015</u>
Payable to Municipal Finance Corporation (MFC)			
Water	1.200% to 8.000%	\$ 72,356	\$ 69,039
Halifax Harbour Solutions	0.900% to 4.329%	9,100	9,750
Wastewater/stormwater	1.200% to 4.500%	88,228	78,333
Stormwater	1.200% to 4.114%	11,699	8,923
		<u>181,383</u>	<u>166,045</u>
Payable to Halifax Regional Municipality			
MFC Wastewater/stormwater	1.200% to 4.940%	58,762	65,666
		<u>240,145</u>	<u>231,711</u>
Less: debt issue costs		<u>(1,156)</u>	<u>(1,106)</u>
		<u>238,989</u>	<u>230,605</u>
Less: amount payable within one year		<u>(23,195)</u>	<u>(22,374)</u>
		<u>\$ 215,794</u>	<u>\$ 208,231</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:

2017	\$ 23,195
2018	\$ 21,036
2019	\$ 21,576
2020	\$ 16,206
2021	\$ 15,980

14. Operating expenditures by nature	<u>2016</u>	<u>2015</u>
Salaries and benefits	\$ 34,854	\$ 38,590
Training	409	450
Contract services	16,556	14,011
Electricity	6,964	6,749
Professional services	3,878	3,809
Operating supplies	12,674	12,314
Depreciation and amortization	36,341	34,912
	<u>\$ 111,676</u>	<u>\$ 110,835</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

15. Explanation of transition to IFRS

This is the first year that the Commission has presented its financial statements under IFRS. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended March 31, 2016, the comparative information presented in these financial statements for the year ended March 31, 2015, and in the preparation of an opening IFRS statement of financial position as at April 1, 2014, (the Commission's date of transition to IFRS). An explanation of how the transition from the Handbook to IFRS has affected the financial position, equity, financial performance and cash flows is set out in the following tables and the accompanying notes.

The IFRS 1 applicable exemptions and exceptions applied in the conversion from the Handbook to IFRS are as follows:

Deemed cost for utility plant in service and intangible assets

The Commission has elected the deemed cost exemption applicable to entities subject to rate regulation as described under IFRS 1. The election permits the Commission, at the date of transition to IFRS, to use the previous Handbook carrying amount of items of utility plant in service and intangible assets as deemed cost (thereby eliminating any accumulated depreciation balances existing at the date of transition); hence there will be no impact on equity for opening balances of utility plant in service and intangible assets at the date of transition. In accordance with the election, the Commission has tested these items of utility plant in service and intangible assets at the date of transition to IFRS for impairment and no such losses were identified.

Effect on the statement of financial position

	Note	March 31, 2015 (Date of last Handbook statements)			April 1, 2014 (Date of transition)		
		Handbook	Effect of transition to IFRS	IFRS	Handbook	Effect of transition to IFRS	IFRS
Assets							
Current							
Cash and cash equivalents		\$ 39,271	\$ -	\$ 39,271	\$ 38,290	\$ -	\$ 38,290
Receivables							
Customer charges and contractual		29,660	-	29,660	23,437	-	23,437
Halifax Regional Municipality		3,743	-	3,743	818	-	818
Inventory		1,528	-	1,528	1,445	-	1,445
Prepays		915	-	915	694	-	694
		75,117	-	75,117	64,684	-	64,684
Regulatory asset		3,772	-	3,772	3,964	-	3,964
Capital work in progress		41,423	-	41,423	10,676	-	10,676
Intangible assets	c	-	10,672	10,672	-	11,480	11,480
Utility plan in service	c	1,013,765	(16,346)	997,419	1,005,207	(11,480)	993,727
		\$ 1,134,077	\$ (5,674)	\$ 1,128,403	\$ 1,084,531	\$ -	\$ 1,084,531

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

15. Explanation of transition to IFRS (continued)

Effect on the statement of financial position (continued)

	Note	March 31, 2015 (Date of last Handbook statements)			April 1, 2014 (Date of transition)		
		Handbook	Effect of transition to IFRS	IFRS	Handbook	Effect of transition to IFRS	IFRS
Liabilities							
Current							
Payables and accruals							
Trade	a	\$ 14,645	\$ 967	\$ 15,612	\$ 20,202	\$ 941	\$ 21,143
Interest on long term debt		2,137	-	2,137	2,026	-	2,026
Halifax Regional Municipality		6,973	-	6,973	3,796	-	3,796
Contractor and customer deposits		198	-	198	190	-	190
Current portion of deferred contributed capital	d	-	21,603	21,603	-	19,637	19,637
Current portion of long term debt		22,374	-	22,374	28,139	-	28,139
Unearned revenue		511	-	511	118	-	118
		<u>46,838</u>	<u>22,570</u>	<u>69,408</u>	<u>54,471</u>	<u>20,578</u>	<u>75,049</u>
Deferred contributed capital	d	-	691,477	691,477	-	684,837	684,837
Long term debt		208,231	-	208,231	186,964	-	186,964
Employee benefit obligation - pension liability	a	10,796	54,209	65,005	10,234	38,073	48,307
Employee benefit obligation - post-retirement benefits	a	604	(146)	458	617	251	868
Employee benefit obligation - pre-retirement benefit	a	3,425	69	3,494	3,159	53	3,212
		<u>269,894</u>	<u>768,179</u>	<u>1,038,073</u>	<u>255,445</u>	<u>743,792</u>	<u>999,237</u>
Equity							
Accumulated other comprehensive (loss)	a	-	(54,325)	(54,325)	-	(38,120)	(38,120)
Accumulated surplus	b, c, d	864,183	(719,528)	144,655	829,086	(705,672)	123,414
		<u>864,183</u>	<u>(773,853)</u>	<u>90,330</u>	<u>829,086</u>	<u>(743,792)</u>	<u>85,294</u>
		<u>\$ 1,134,077</u>	<u>\$ (5,674)</u>	<u>\$ 1,128,403</u>	<u>\$ 1,084,531</u>	<u>\$ -</u>	<u>\$ 1,084,531</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

15. Explanation of transition to IFRS (continued)

Effect on the statement of earnings and comprehensive earnings

		March 31, 2015 (Date of last Handbook statements)		
	Note	Handbook	Effect of transition to IFRS	IFRS
Operating revenues				
Water service		\$ 39,583	\$ -	\$ 39,583
Wastewater service		67,770	-	67,770
Stormwater service		10,951	-	10,951
Fire protection		8,953	-	8,953
Private fire protection services		558	-	558
Other operating revenue		<u>2,505</u>	-	<u>2,505</u>
		<u>130,320</u>	-	<u>130,320</u>
Expenses				
Water supply and treatment		8,090	-	8,090
Water transmission and distribution		9,139	-	9,139
Wastewater collection		11,210	-	11,210
Stormwater collection		3,992	-	3,992
Wastewater treatment		20,296	-	20,296
Engineering and information services		6,770	-	6,770
Environmental services		2,656	-	2,656
Customer service		4,121	-	4,121
Administration and pension	a	10,072	(423)	9,649
Depreciation and amortization	c, d	<u>18,042</u>	<u>17,062</u>	<u>35,104</u>
		<u>94,388</u>	<u>16,639</u>	<u>111,027</u>
Earnings from operations before financial and other revenues and expenditures		<u>35,932</u>	<u>(16,639)</u>	<u>19,293</u>
Financial and other revenues				
Interest		836	-	836
Contributed capital	d	-	12,792	12,792
Other		<u>2,294</u>	-	<u>2,294</u>
		<u>3,130</u>	<u>12,792</u>	<u>15,922</u>
Expenses				
Interest on long term debt		8,958	-	8,958
Repayment of long term debt	b	18,638	(18,638)	-
Amortization of debt discount		163	-	163
Grant in lieu of taxes		4,340	-	4,340
Other	c, d	<u>68</u>	<u>445</u>	<u>513</u>
		<u>32,167</u>	<u>(18,193)</u>	<u>13,974</u>
Earnings for the year		<u>6,895</u>	<u>14,346</u>	<u>21,241</u>
Comprehensive earnings				
Remeasurement on defined benefit plans	a	-	(16,205)	(16,205)
Total comprehensive earnings		<u>\$ 6,895</u>	<u>\$ (1,859)</u>	<u>\$ 5,036</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2016 (in thousands)

15. Explanation of transition to IFRS (continued)

Notes to the reconciliations

a. *Employee benefit obligation*

Under IFRS, the Commission recognizes actuarial gains and losses for defined benefit plans in other comprehensive income in the period in which they arise. Under the Handbook, actuarial gains and losses for post-employment defined benefit plans were deferred and subject to amortization under the 'corridor method', and actuarial gains and losses for other-long term employee benefits were deferred and amortized over a period that was linked to the type of benefit. The effect of the change was an increase of \$38,377 to employee benefit obligations. For the year ended March 31, 2015, the Commission recorded additional expenses of (\$423) and (\$16,205) to other administration and pension and comprehensive income, respectively, related to its employee benefit obligations. In addition, short term employee benefits were recorded which were not previously recorded under the Handbook.

b. *Debt servicing*

Under IFRS, the principle portion of debt servicing is not recognized in net earnings. Under the Handbook, the debt servicing was recognized as an expense in the statement of net earnings.

c. *Utility plant in service and intangibles*

Utility plant in service has been componentized in additional detail with the adoption of IFRS, specifically buildings and treatment plants. Some depreciation rates are higher with the componentization, reflecting shorter useful lives and increased depreciation which has increased the depreciation expense and accumulated depreciation. Additionally, depreciation will commence for pre-1985 assets that were not previously depreciated under the Handbook. As a result, accumulated depreciation has increased on adoption of IFRS. In addition, intangibles have been reclassified from utility plant in service.

d. *Deferred contributed capital*

Under IFRS, contributions of utility plant in service are recorded as deferred contributed capital and are recognized as revenue on a straight-line basis over the useful life of the contributed asset in the statement of earnings. As a result, an adjustment was made to reallocate contributed capital in equity to deferred contributed capital on the statement of financial position.

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2016 (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
Cost												
Beginning balance, April 1, 2015												
Cost	\$ 14,524	\$ 63,207	\$ 3,438	\$ 9,641	\$ 1,278	\$ 265,628	\$ 28,284	\$ 9,446	\$ 15,262	\$ 7,775	\$ 4,107	\$ 422,590
Additions	701	1,446	-	553	170	9,918	1,081	626	587	68	2,301	17,451
Disposals	(70)	-	-	-	-	-	-	(506)	-	-	(121)	(697)
Total cost, March 31, 2016	<u>15,155</u>	<u>64,653</u>	<u>3,438</u>	<u>10,194</u>	<u>1,448</u>	<u>275,546</u>	<u>29,365</u>	<u>9,566</u>	<u>15,849</u>	<u>7,843</u>	<u>6,287</u>	<u>439,344</u>
Accumulated depreciation												
Beginning balance, April 1, 2015	-	3,507	255	898	86	3,888	871	344	279	385	673	11,186
Depreciation	-	3,413	250	919	114	4,167	897	260	288	385	1,233	11,926
Total accumulated depreciation, March 31, 2016	-	6,920	505	1,817	200	8,055	1,768	604	567	770	1,906	23,112
Net book value, March 31, 2016	<u>\$ 15,155</u>	<u>\$ 57,733</u>	<u>\$ 2,933</u>	<u>\$ 8,377</u>	<u>\$ 1,248</u>	<u>\$ 267,491</u>	<u>\$ 27,597</u>	<u>\$ 8,962</u>	<u>\$ 15,282</u>	<u>\$ 7,073</u>	<u>\$ 4,381</u>	<u>\$ 416,232</u>
Cost												
Beginning balance, April 1, 2014												
Cost	\$ 14,667	\$ 62,160	\$ 3,438	\$ 9,376	\$ 812	\$ 249,654	\$ 27,133	\$ 8,813	\$ 14,775	\$ 7,556	\$ 3,828	\$ 402,212
Additions	54	1,060	-	265	466	16,662	1,151	1,021	487	219	956	22,341
Disposals	(197)	(13)	-	-	-	(688)	-	(388)	-	-	(677)	(1,963)
Total cost, March 31, 2015	<u>14,524</u>	<u>63,207</u>	<u>3,438</u>	<u>9,641</u>	<u>1,278</u>	<u>265,628</u>	<u>28,284</u>	<u>9,446</u>	<u>15,262</u>	<u>7,775</u>	<u>4,107</u>	<u>422,590</u>
Accumulated depreciation												
Beginning balance, April 1, 2014	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	3,507	255	898	86	3,888	871	344	279	385	673	11,186
Total accumulated depreciation, March 31, 2015	-	3,507	255	898	86	3,888	871	344	279	385	673	11,186
Net book value, March 31, 2015	<u>\$ 14,524</u>	<u>\$ 59,700</u>	<u>\$ 3,183</u>	<u>\$ 8,743</u>	<u>\$ 1,192</u>	<u>\$ 261,740</u>	<u>\$ 27,413</u>	<u>\$ 9,102</u>	<u>\$ 14,983</u>	<u>\$ 7,390</u>	<u>\$ 3,434</u>	<u>\$ 411,404</u>

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, 2016 (in thousands)

Wastewater

	Land	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Tools and work equipment	Aerotech and small systems	Total
Cost										
Beginning balance, April 1, 2015										
Cost	\$ 4,459	\$ 127,703	\$ 9,945	\$ 130,711	\$ 7,214	\$ 203,592	\$ 13,064	\$ 2,406	\$ 9,968	\$ 509,062
Additions	870	5,782	6,599	799	441	33,495	2,500	2,343	198	53,027
Disposals	-	-	(29)	-	-	-	-	(701)	-	(730)
Total cost, March 31, 2016	<u>5,329</u>	<u>133,485</u>	<u>16,515</u>	<u>131,510</u>	<u>7,655</u>	<u>237,087</u>	<u>15,564</u>	<u>4,048</u>	<u>10,166</u>	<u>561,359</u>
Accumulated depreciation										
Beginning balance, April 1, 2015	-	7,048	5,173	2,962	384	3,365	246	(1,281)	490	18,388
Depreciation	-	7,285	434	7,913	403	3,630	298	624	494	21,081
Total accumulated depreciation, March 31, 2016	-	14,334	5,607	10,875	787	6,995	544	(657)	984	39,469
Net book value, March 31, 2016	<u>\$ 5,329</u>	<u>\$ 119,151</u>	<u>\$ 10,908</u>	<u>\$ 120,635</u>	<u>\$ 6,868</u>	<u>\$ 230,092</u>	<u>\$ 15,020</u>	<u>\$ 4,705</u>	<u>\$ 9,182</u>	<u>\$ 521,890</u>
Cost										
Beginning balance, April 1, 2014										
Cost	\$ 4,459	\$ 127,129	\$ 2,643	\$ 138,154	\$ 6,498	\$ 199,298	\$ 10,359	\$ 3,840	\$ 9,704	\$ 502,084
Additions	-	574	7,302	52	716	4,294	2,705	1,058	264	16,965
Disposals	-	-	-	(7,495)	-	-	-	(2,492)	-	(9,987)
Total cost, March 31, 2015	<u>4,459</u>	<u>127,703</u>	<u>9,945</u>	<u>130,711</u>	<u>7,214</u>	<u>203,592</u>	<u>13,064</u>	<u>2,406</u>	<u>9,968</u>	<u>509,062</u>
Accumulated depreciation										
Beginning balance, April 1, 2014	-	-	-	-	-	-	-	-	-	-
Depreciation	-	7,048	5,173	2,962	384	3,365	246	(1,281)	490	18,387
Total accumulated depreciation, March 31, 2015	-	7,048	5,173	2,962	384	3,365	246	(1,281)	490	18,387
Net book value, March 31, 2015	<u>\$ 4,459</u>	<u>\$ 120,655</u>	<u>\$ 4,772</u>	<u>\$ 127,749</u>	<u>\$ 6,830</u>	<u>\$ 200,227</u>	<u>\$ 12,818</u>	<u>\$ 3,687</u>	<u>\$ 9,478</u>	<u>\$ 490,675</u>

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, 2016 (in thousands)

Stormwater

	Structures and improvements	Collection system	Laterals	Tools and work equipment	Total
Cost					
Beginning balance, April 1, 2015					
Cost	\$ 8,617	\$ 84,754	\$ 2,459	\$ 1,325	\$ 97,155
Additions	188	11,168	1,367	634	13,357
Disposals	-	-	-	-	-
Total cost, March 31, 2016	<u>8,805</u>	<u>95,922</u>	<u>3,826</u>	<u>1,959</u>	<u>110,512</u>
Accumulated depreciation					
Beginning balance, April 1, 2015	136	1,459	48	172	1,815
Depreciation	173	1,593	65	255	2,086
Total accumulated depreciation, March 31, 2016	<u>309</u>	<u>3,052</u>	<u>113</u>	<u>427</u>	<u>3,901</u>
Net book value, March 31, 2016	<u>\$ 8,496</u>	<u>\$ 92,870</u>	<u>\$ 3,713</u>	<u>\$ 1,532</u>	<u>\$ 106,611</u>
Cost					
Beginning balance, April 1, 2014					
Cost	\$ 7,885	\$ 78,468	\$ 2,166	\$ 915	\$ 89,434
Additions	760	6,286	293	410	7,749
Disposals	(28)	-	-	-	(28)
Total cost, March 31, 2015	<u>8,617</u>	<u>84,754</u>	<u>2,459</u>	<u>1,325</u>	<u>97,155</u>
Accumulated depreciation					
Beginning balance, April 1, 2014	-	-	-	-	-
Depreciation	136	1,459	48	172	1,815
Total accumulated depreciation, March 31, 2015	<u>136</u>	<u>1,459</u>	<u>48</u>	<u>172</u>	<u>1,815</u>
Net book value, March 31, 2015	<u>\$ 8,481</u>	<u>\$ 83,295</u>	<u>\$ 2,411</u>	<u>\$ 1,153</u>	<u>\$ 95,340</u>

During the year, \$491 of interest was capitalized to Utility Plant in Service (2015 - \$373).

Cumulative utility plant in service	Water	Wastewater	Stormwater	Total
Net book value, March 31, 2016	\$ 416,232	\$ 521,890	\$ 106,611	\$ 1,044,733
Net book value, March 31, 2015	\$ 411,404	\$ 490,675	\$ 95,340	\$ 997,419

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, 2016 (in thousands)

	<u>Interest rate</u>	<u>Final Maturity</u>	<u>Balance Remaining</u>	
			<u>2016</u>	<u>2015</u>
Payable to Municipal Finance Corporation				
Water				
Debenture 23 A 1	4.250% to 6.125%	2018	\$ 800	\$ 900
Debenture 25 A 1	2.970% to 4.560%	2016	2,500	2,750
Debenture 96 A 1	5.500% to 8.000%	2016	2,200	160
Debenture 26 A 1	4.350% to 4.880%	2016	80	2,400
Debenture 27 A 1	4.650% to 5.010%	2017	2,165	3,175
Debenture 28 A 1	3.750% to 5.088%	2018	10,383	1,400
Debenture 98 A 1	5.625% to 6.125%	2019	900	13,448
Debenture 99 A 1	6.500% to 6.750%	2019	1,300	1,125
Debenture 30 B 1	1.550% to 3.870%	2020	875	1,050
Debenture 31 A 1	1.630% to 4.221%	2021	900	1,050
Debenture 32 A 1	1.636% to 3.480%	2022	1,400	1,600
Debenture 32 C 1	1.510% to 3.160%	2022	9,124	9,661
Debenture 33 A 1	1.330% to 3.489%	2023	9,101	9,607
Debenture 33 B 1	1.285% to 4.114%	2023	6,671	7,041
Debenture 34 B 1	1.200% to 3.190%	2024	12,989	13,672
Debenture 35 B 1		2025	10,967	-
Halifax Harbour Solutions				
Debenture 29 A 1	0.900% to 4.329%	2019	9,100	9,750
Wastewater/stormwater				
Debenture 30 A 1	1.510% to 4.500%	2020	2,550	2,720
Debenture 32 A 1	1.636% to 3.480%	2022	2,037	2,157
Debenture 32 B 1	1.380% to 3.156%	2022	27,200	28,800
Debenture 32 C 1	1.510% to 3.160%	2022	3,906	4,136
Debenture 33 A 1	1.330% to 3.489%	2023	15,174	16,017
Debenture 33 B 1	1.285% to 4.114%	2023	9,804	10,348
Debenture 34 A 1	1.245% to 3.347%	2024	5,291	5,569
Debenture 34 B 1	1.200% to 3.190%	2024	8,157	8,586
Debenture 35 B 1		2025	14,110	-
Stormwater				
Debenture 33 A 1	1.330% to 3.489%	2023	486	513
Debenture 33 B 1	1.285% to 4.114%	2023	2,375	2,507
Debenture 34 B 1	1.200% to 3.190%	2024	5,608	5,903
Debenture 35 B 1		2025	3,230	-
			<u>181,383</u>	<u>166,045</u>
Payable to Halifax Regional Municipality				
Municipal Finance Corporation – Wastewater/stormwater				
Debenture 24 B 1	2.840% to 5.940%	2024	49,500	55,000
Debenture 25 A 1	2.970% to 4.560%	2015	-	174
Debenture 25 B 1	3.630% to 4.830%	2020	-	34
Debenture 26 A 1	4.350% to 4.880%	2016	126	251
Debenture 26 B 1	4.265% to 4.410%	2016	5	10
Debenture 27 A 1	4.650% to 5.010%	2017	131	197
Debenture 34 B 1	1.200% to 3.190%	2024	9,000	10,000
			<u>58,762</u>	<u>65,666</u>
			<u>240,145</u>	<u>231,711</u>
Less: debt issue costs			1,156	1,106
			<u>238,989</u>	<u>230,605</u>
Less: amount payable within one year			23,195	22,374
			<u>\$ 215,794</u>	<u>\$ 208,231</u>

Halifax Regional Water Commission
Schedule of long term debt**Schedule B**Year ended March 31, 2016 (in thousands)

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:

2017	\$	23,195
2018	\$	21,036
2019	\$	21,576
2020	\$	16,206
2021	\$	15,980

Halifax Regional Water Commission

Schedule of operations for water service

Schedule C

Year ended March 31, 2016 (in thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues		
Water service	\$ 43,193	\$ 39,583
Fire protection	8,032	8,953
Private fire protection services	679	558
Other operating revenue		
Bulk water stations	265	286
Customer late payment fees	198	189
Miscellaneous	181	128
	<u>52,548</u>	<u>49,697</u>
Operating expenditures		
Water supply and treatment	8,232	7,909
Water transmission and distribution	9,485	9,319
Engineering and information services	3,528	3,490
Environmental services	505	656
Customer service	2,268	2,101
Administration and pension	4,919	5,163
Depreciation	8,411	7,387
	<u>37,348</u>	<u>36,025</u>
Earnings from operations before financial and other revenues and expenditures	<u>15,200</u>	<u>13,672</u>
Financial and other revenues		
Interest	442	417
Other	434	218
	<u>876</u>	<u>635</u>
Financial and other expenditures		
Interest on long term debt	2,531	2,553
Repayment of long term debt	7,766	7,020
Amortization of debt discount	90	83
Grant in lieu of taxes	4,528	4,340
Other	29	67
	<u>14,944</u>	<u>14,063</u>
Earnings for the year	<u>\$ 1,132</u>	<u>\$ 244</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, 2016 (in thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues		
Wastewater service	\$ 66,601	\$ 67,770
Other operating revenue		
Leachate and other contract revenue	424	431
Septage tipping fees	648	608
Overstrength surcharge	135	140
Customer late payment fees	238	236
Miscellaneous	382	384
	<u>68,428</u>	<u>69,569</u>
Operating expenditures		
Wastewater collection	10,578	11,211
Wastewater treatment	19,286	20,296
Engineering and information services	3,010	2,723
Environmental services	1,134	1,353
Customer service	1,877	1,677
Administration and pension	4,095	4,074
Depreciation	11,975	10,242
	<u>51,955</u>	<u>51,576</u>
Earnings from operations before financial and other revenues and expenditures	<u>16,473</u>	<u>17,993</u>
Financial and other revenues		
Interest	441	419
Other	2,054	2,074
	<u>2,495</u>	<u>2,493</u>
Financial and other expenditures		
Interest on long term debt	5,786	5,930
Repayment of long term debt	11,462	10,770
Amortization of debt discount	89	76
	<u>17,337</u>	<u>16,776</u>
Earnings for the year	<u>\$ 1,631</u>	<u>\$ 3,710</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, 2016 (in thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues		
Stormwater site generated service	\$ 6,713	\$ 7,070
Stormwater right-of-way service	3,881	3,881
Other operating revenue		
Customer late payment fees	63	12
Miscellaneous	82	91
	<u>10,739</u>	<u>11,054</u>
Operating expenditures		
Stormwater collection	4,236	3,992
Engineering and information services	480	557
Environmental services	729	647
Customer service	305	343
Administration and pension	666	834
Depreciation	523	412
	<u>6,939</u>	<u>6,785</u>
Earnings from operations before financial and other and other expenditures	<u>3,800</u>	<u>4,269</u>
Financial and other expenditures		
Interest on long term debt	571	475
Repayment of long term debt	1,100	848
Amortization of debt discount	8	4
	<u>1,679</u>	<u>1,327</u>
Earnings for the year	<u>\$ 2,121</u>	<u>\$ 2,942</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, 2016 (in thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues		
Water service	\$ 43,193	\$ 39,583
Wastewater service	66,601	67,770
Stormwater service	10,594	10,951
Public fire protection	8,032	8,953
Private fire protection services	679	558
Other operating revenue	<u>1,262</u>	<u>1,167</u>
	<u>130,361</u>	<u>128,982</u>
Operating expenditures		
Water supply and treatment	9,308	8,982
Water transmission and distribution	10,534	10,289
Wastewater collection	9,537	10,175
Stormwater collection	4,186	3,925
Wastewater treatment	17,421	18,446
Engineering and information services	7,018	6,770
Environmental services	2,369	2,656
Customer service	4,415	4,093
Administration and pension	9,660	10,042
Depreciation	<u>20,903</u>	<u>18,036</u>
	<u>95,351</u>	<u>93,414</u>
Earnings from operations before financial and other revenues and expenditures	<u>35,010</u>	<u>35,568</u>
Financial and other revenues		
Interest	883	836
Other	<u>2,055</u>	<u>2,096</u>
	<u>2,938</u>	<u>2,932</u>
Financial and other expenditures		
Interest on long term debt	8,889	8,958
Repayment of long term debt	20,328	18,638
Amortization of debt discount	186	163
Grant in lieu of taxes	4,528	4,340
Other	<u>158</u>	<u>-</u>
	<u>34,089</u>	<u>32,099</u>
Earnings for the year	<u>\$ 3,859</u>	<u>\$ 6,401</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, 2016 (in thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues		
Dewatering	\$ 210	\$ 210
Septage tipping fees	648	608
Leachate treatment and contract revenue	424	431
Airplane effluent	51	69
Other operating revenue	<u>219</u>	<u>30</u>
	<u>1,552</u>	<u>1,348</u>
Operating expenditures		
Water supply and treatment	10	12
Wastewater treatment	822	898
Other	68	119
Depreciation	<u>6</u>	<u>6</u>
	<u>906</u>	<u>1,035</u>
Earnings from operations before financial and other revenues and expenditures	<u>646</u>	<u>313</u>
Financial and other revenues		
Other	<u>248</u>	<u>252</u>
Financial and other expenditures		
Other	<u>(128)</u>	<u>67</u>
Earnings for the year	<u>\$ 1,022</u>	<u>\$ 498</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, 2016 (in thousands)

Return on rate base	2016	2015
Rate of return on rate base for water service	3.64%	3.21%
Rate of return on rate base for wastewater service	6.18%	6.82%
Rate of return on rate base for stormwater service	15.45%	21.26%

Special purpose reserves

	Wastewater & Stormwater Reserves	RDC Water Reserve	RDC Wastewater Reserve	Other Capital Reserves	2016 Total	2015 Total
Reserve, beginning of year	\$ 19,211	\$ 136	\$ 5,316	\$ 212	\$ 24,875	\$ 18,030
Contributions and interest	-	638	4,374	-	5,012	7,095
Expenditures	<u>(15,573)</u>	<u>-</u>	<u>(6,037)</u>	<u>(207)</u>	<u>(21,817)</u>	<u>(250)</u>
Reserve, end of year	<u>\$ 3,638</u>	<u>\$ 774</u>	<u>\$ 3,653</u>	<u>\$ 5</u>	<u>\$ 8,070</u>	<u>\$ 24,875</u>

Summarized consolidated operating results

	Actual 2016	Actual 2015
Operating revenues	\$ 131,716	\$ 130,320
Operating expenditures	<u>96,243</u>	<u>94,387</u>
Earnings from operations before financial and other revenues and expenditures	35,473	35,933
Non-operating revenues	3,370	3,219
Non-operating expenditures	<u>33,961</u>	<u>32,166</u>
Earnings for the year	\$ 4,882	\$ 6,896

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