



Financial Statements

Halifax Regional Water Commission

March 31, 2019

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Independent auditor's report

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

Opinion

We have audited the financial statements of the Halifax Regional Water Commission ("the Commission"), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive earnings, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Halifax Regional Water Commission as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The schedules on pages 21-30 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 to the period ended March 31, 2019, only to the extent necessary to express an opinion, on the audit of the financial statements taken as a whole.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Halifax, Canada
June 20, 2019

Chartered Professional Accountants
Licensed Public Accountants

Halifax Regional Water Commission

Statement of earnings

Year ended March 31, 2019 (in thousands)

	2019	2018
Operating revenues		
Water	\$ 48,040	\$ 47,220
Wastewater	69,901	69,994
Stormwater	9,741	10,016
Fire protection	7,074	7,074
Private fire protection	869	856
Other operating revenue	<u>2,576</u>	<u>2,985</u>
	<u>138,201</u>	<u>138,145</u>
Operating expenditures (Note 14)		
Water supply and treatment	9,766	8,646
Water transmission and distribution	10,902	9,410
Wastewater collection	13,124	12,642
Stormwater collection	4,949	4,842
Wastewater treatment	19,789	19,647
Engineering and information services	8,990	8,105
Regulatory services	2,319	2,450
Customer service	4,916	4,896
Administration and pension	13,965	12,553
Depreciation and amortization	<u>44,066</u>	<u>41,625</u>
	<u>132,786</u>	<u>124,816</u>
Earnings from operations before financial and other revenues and expenditures	<u>5,415</u>	<u>13,329</u>
Financial and other revenues		
Interest	1,157	694
Contributed capital	18,142	17,372
Other	<u>742</u>	<u>3,792</u>
	<u>20,041</u>	<u>21,858</u>
Financial and other expenditures		
Interest on long term debt	7,430	7,884
Amortization of debt discount	199	202
Grant in lieu of taxes	4,999	4,774
Other	<u>232</u>	<u>354</u>
	<u>12,860</u>	<u>13,214</u>
Earnings for the year before regulatory deferral account balance amortization	12,596	21,973
Regulatory deferral account balance amortization (Note 5)	<u>(192)</u>	<u>(192)</u>
Earnings for the year	<u>\$ 12,404</u>	<u>\$ 21,781</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of comprehensive earnings

Year ended March 31 (in thousands)

	2019	2018
Earnings for the year	\$ 12,404	\$ 21,781
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to earnings:		
Re-measurement on defined benefit plans	<u>3,734</u>	<u>(1,750)</u>
Total comprehensive earnings for the year	<u>\$ 16,138</u>	<u>\$ 20,031</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of financial position

March 31 (in thousands)

2019

2018

Assets

Current

Cash and cash equivalents	\$	51,603	\$	51,470
Receivables				
Customer charges and contractual		17,407		17,494
Unbilled service revenues		17,012		16,640
Halifax Regional Municipality		3,728		5,274
Inventory		2,057		1,442
Prepays		1,066		1,013
		<u>92,873</u>		<u>93,333</u>

Intangible assets (Note 11)		15,418		13,877
Capital work in progress		29,605		24,550
Utility plant in service (Note 12)		<u>1,233,440</u>		<u>1,200,430</u>
Total assets		<u>1,371,336</u>		<u>1,332,190</u>

Regulatory deferral account balance (Note 5)		<u>3,004</u>		<u>3,196</u>
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Total assets and regulatory deferral account debit balances	\$	<u>1,374,340</u>	\$	<u>1,335,386</u>
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Liabilities

Current

Payables and accruals				
Trade	\$	23,493	\$	22,715
Interest on long term debt		2,051		2,030
Halifax Regional Municipality		2,865		2,439
Contractor and customer deposits		207		186
Current portion of deferred contributed capital		13,846		13,405
Current portion of long term debt (Note 13)		24,709		22,630
Unearned revenue		507		584
		<u>67,678</u>		<u>63,989</u>

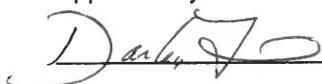
Deferred contributed capital		867,802		842,967
Long term debt (Note 13)		182,732		190,871
Employee benefit obligation – pension plan (Note 4)		67,755		65,486
Employee benefit obligation – post-retirement benefits (Note 4)		380		430
Employee benefit obligation – pre-retirement benefits (Note 4)		4,195		3,983
		<u>1,190,542</u>		<u>1,167,726</u>

Equity

Accumulated other comprehensive loss (page 6)		(41,209)		(44,943)
Accumulated surplus (page 6)		<u>225,007</u>		<u>212,603</u>
		<u>183,798</u>		<u>167,660</u>
	\$	<u>1,374,340</u>	\$	<u>1,335,386</u>

Contingent liabilities (Note 3)
 Commitments (Note 6)
 Subsequent event (Note 15)

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 income (loss)	Accumulated surplus	Total
Balance at March 31, 2017	\$ (43,193)	\$ 190,822	\$ 147,629
Earnings for the year	-	21,781	21,781
Other comprehensive loss	(1,750)	-	(1,750)
Comprehensive earnings for the year	(1,750)	21,781	20,031
Balance at March 31, 2018	\$ (44,943)	\$ 212,603	\$ 167,660
Balance at March 31, 2018	\$ (44,943)	\$ 212,603	\$ 167,660
Earnings for the year		12,404	12,404
Other comprehensive income	3,734		3,734
Comprehensive earnings for the year	3,734	12,404	16,138
Balance at March 31, 2019	\$ (41,209)	\$ 225,007	\$ 183,798

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of cash flows

Year ended March 31 (in thousands)

2019

2018

(Decrease) increase in cash and cash equivalents

Operating

Comprehensive earnings for the year	\$ 16,138	\$ 20,031
Depreciation and amortization	27,787	25,926
Employee benefit obligations	2,431	7,254
Loss (gain) loss on disposal of plant in service	188	(127)
	<u>46,544</u>	<u>53,084</u>

Change in non-cash operating working capital items (Note 7)	<u>1,762</u>	<u>754</u>
	<u>48,306</u>	<u>53,838</u>

Financing

Proceeds from issuance of long term debt	16,500	10,000
Contributed capital	13,691	11,162
Debt issue costs, net	70	121
Principal repayment on Harbour Solutions long term debt	(6,500)	(6,500)
Principal repayments on long term debt	(16,130)	(15,089)
	<u>7,631</u>	<u>(306)</u>

Investing

Deferred capital contributions	790	3,701
Proceeds from sale of plant in service	189	120
Purchase of capital work in progress	(18,519)	(14,405)
Purchase of utility plant in service	(38,264)	(47,357)
	<u>(55,804)</u>	<u>(57,941)</u>

Net increase (decrease) in cash and cash equivalents 133 (4,409)

Cash and cash equivalents, beginning of year 51,470 55,879

Cash and cash equivalents, end of year \$ 51,603 \$ 51,470

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (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 20, 2019**.

(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, 2019 (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, 2019 (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

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Commission becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value and adjusted for transaction costs, where applicable. Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The Commission has classified its financial instruments as follows:

<u>Asset/Liability</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Receivable from HRM	Amortized cost
Payables and accruals	Amortized cost
Long term debt	Amortized cost
Deposits	Amortized cost

The classification is determined by both the Commission business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Commission's financial assets and liabilities fall into this category. Under IAS 39 cash and receivables were classified as loans and receivables and subsequently measured at amortized cost. Payables, long term debt, and deposits were classified as other financial liabilities and subsequently measured at amortized cost.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Financial assets that are subject to the expected credit loss model include cash and cash equivalents, receivables, and receivables from HRM. While cash and cash equivalents, and receivables from HRM are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Receivables

The Commission makes use of a simplified approach in accounting for receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Commission uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Commission assesses impairment of receivables on a collective basis. As they possess shared credit risk characteristics, they have been grouped based on the days past due.

(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.

(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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(n) Intangibles

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

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

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

Pension benefits

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

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

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

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

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

(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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(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 adopted and assessed the impact of the new standard and concluded it is not 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.

Management completed their assessment and the Commission has elected to apply the modified retrospective method on transition, which means that comparative periods have not been restated. The Commission adopted IFRS 9 in its financial statements for the annual period beginning April 1, 2018. The adoption of this standard had no financial impact to the Commission.

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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

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 2019, the Commission funded \$599 (2018 - \$635) 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.

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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

4. Employee benefit obligations (continued)

Information about the Commission's plans, based on an actuarial extrapolation as at March 31, 2019, is as follows:

	Pension Plan		Post-retirement benefits		Pre-retirement benefits	
	2019	2018	2019	2018	2019	2018
Change in accrued benefit obligation						
Balance, beginning of year	\$ 187,181	\$ 168,363	\$ 430	\$ 341	\$ 3,983	\$ 3,824
Current service cost	7,107	6,112	-	-	344	339
Interest cost	6,837	6,484	13	8	141	132
Contributions by plan participants	2,885	2,725	-	-	-	-
Benefit payments	(4,534)	(4,265)	(60)	(63)	(460)	(227)
Re-measurements – actuarial (gains)/ losses from changes in demographic assumptions	-	-	-	(42)	-	-
Re-measurements – actuarial (gains)/ losses from changes in financial/experience assumptions	(514)	7,762	(3)	186	187	(85)
Balance, end of year	<u>198,962</u>	<u>187,181</u>	<u>380</u>	<u>430</u>	<u>4,195</u>	<u>3,983</u>
Change in fair value of plan assets						
Balance, beginning of year	121,695	109,883	-	-	-	-
Interest income	4,412	4,206	-	-	-	-
Administrative expenses	(94)	(69)	-	-	-	-
Actual return on plan assets	3,414	5,952	-	-	-	-
Benefit payments	(4,534)	(4,265)	(60)	(63)	(460)	(227)
Contributions: Employee	2,885	2,725	-	-	-	-
Employer	3,429	3,263	60	63	460	227
Balance, end of year	<u>131,207</u>	<u>121,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accrued benefit liability at March 31	<u>\$ 67,755</u>	<u>\$ 65,486</u>	<u>\$ 380</u>	<u>\$ 430</u>	<u>\$ 4,195</u>	<u>\$ 3,983</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

4. Employee benefit obligations (continued)

Included in the statement of earnings is pension expense of \$9,388 (2018 - \$8,461).

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

	2019	2018	2019	2018	2019	2018
	Pension Plan	Pension Plan	Post- Retirement Benefits	Post- Retirement Benefits	Pre- Retirement Benefit	Pre- Retirement Benefit
Discount rate	3.40%	3.60%	3.00%	3.20%	3.20%	3.60%
Expected return on plan assets	3.40%	3.60%	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	6.60%	6.92%	N/A	N/A
Dental benefit inflation per year	N/A	N/A	4.00%	4.50%	N/A	N/A

The measurement date used to determine the Plan assets and the accrued benefit obligation was March 31, 2019. The most recent valuation was completed January 1, 2019. The next review is scheduled for January 1, 2022.

The estimated employer contributions expected to be paid into the defined benefit plan and supplemental plan for the next fiscal year are \$2,894.

5. Regulatory deferral account balance

In 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 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 2019 is \$192 (2018 - \$192).

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 3,196	\$ 3,388
Amortization	<u>(192)</u>	<u>(192)</u>
Ending balance	<u>\$ 3,004</u>	<u>\$ 3,196</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (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 \$5,078 for the 2020 fiscal year.

At March 31, 2019, the Commission had \$118,025 (2018 - \$85,728) in expenditures from current and past approved capital budgets not yet expended.

7. Supplemental cash flow information

	<u>2019</u>	<u>2018</u>
Changes in non-cash operating working capital items		
Receivables, customer charges and unbilled	\$ (285)	\$ (3,655)
Payable to/receivable from HRM, net	1,972	(1,250)
Inventory	(615)	159
Prepays	(53)	(146)
Payables and accruals, trade	778	5,925
Accrued interest on long term debt	21	(71)
Contractor and customer deposits	21	(5)
Unearned revenue	(77)	(203)
	<u>\$ 1,762</u>	<u>\$ 754</u>

Interest paid during the year was \$7,430 (2018 - \$7,884).

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>2019</u>	<u>2018</u>
Long term debt (current portion)	\$ 24,709	\$ 22,630
Long term debt	<u>182,732</u>	<u>190,871</u>
Funded debt	207,441	213,501
Equity	<u>183,798</u>	<u>167,660</u>
Capital under management	<u>\$ 391,239</u>	<u>\$ 381,161</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, 2019 (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>2019</u>	<u>2018</u>
Receivables		
Customer charges, contractual and unbilled	\$ 36,921	\$ 36,552
Less: allowance for doubtful accounts	<u>(2,502)</u>	<u>(2,418)</u>
	<u>\$ 34,419</u>	<u>\$ 34,134</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, 2019 (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 \$5,209 (2018 - \$5,097).
- The Commission recorded fire protection revenue from HRM of \$7,074 (2018 - \$7,074).
- The Commission paid a grant in lieu of tax of \$4,999 (2018 - \$4,774).
- 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>2019</u>	<u>2018</u>
Short term benefits	\$ 1,421	\$ 1,388
Post-employment benefits	<u>313</u>	<u>219</u>
Total compensation	<u>\$ 1,734</u>	<u>\$ 1,607</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

11. Intangible assets	<u>2019</u>	<u>2018</u>
Cost		
Beginning balance, April 1	\$ 17,888	\$ 13,213
Additions	<u>2,910</u>	<u>4,675</u>
Total cost, March 31	<u>20,798</u>	<u>17,888</u>
Accumulated amortization		
Beginning balance, April 1	4,011	2,938
Amortization	<u>1,369</u>	<u>1,073</u>
Total accumulated amortization, March 31	<u>5,380</u>	<u>4,011</u>
Net book value	<u>\$ 15,418</u>	<u>\$ 13,877</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, 2018	\$ 21,372	\$ 218,876	\$ 229,808	\$ 862,357	\$ 26,080	\$ 1,358,493
Additions	231	16,739	23,459	33,708	3,610	77,747
Disposals	-	-	(2,325)	-	(855)	(3,180)
Total cost, March 31, 2019	<u>21,603</u>	<u>235,615</u>	<u>250,942</u>	<u>896,065</u>	<u>28,835</u>	<u>1,433,060</u>
Accumulated depreciation						
Beginning balance, April 1, 2018	\$ -	\$ 43,185	\$ 47,080	\$ 59,968	\$ 7,830	\$ 158,063
Depreciation	-	<u>9,552</u>	<u>11,725</u>	<u>17,078</u>	<u>3,202</u>	<u>41,557</u>
Total accumulated depreciation March 31, 2019	-	<u>52,737</u>	<u>58,805</u>	<u>77,046</u>	<u>11,032</u>	<u>199,620</u>
Net book value, March 31, 2019	<u>\$ 21,603</u>	<u>\$ 182,878</u>	<u>\$ 192,137</u>	<u>\$ 819,019</u>	<u>\$ 17,803</u>	<u>\$ 1,233,440</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, 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	-	(10)	(429)	(13)	-	(452)
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>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>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>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

13. Long-term debt	<u>Interest rates</u>	<u>2019</u>	<u>2018</u>
Payable to Municipal Finance Corporation (MFC)			
Water	1.040% to 6.750%	\$ 61,197	\$ 63,181
Halifax Harbour Solutions	0.900% to 4.329%	7,150	7,800
Wastewater/stormwater	1.040% to 4.500%	87,293	86,209
Stormwater	1.040% to 4.114%	<u>13,643</u>	<u>11,723</u>
		<u>169,283</u>	<u>168,913</u>
Payable to Halifax Regional Municipality			
MFC Wastewater/stormwater	1.200% to 4.940%	<u>39,000</u>	<u>45,500</u>
		208,283	214,413
Less: debt issue costs		<u>(842)</u>	<u>(912)</u>
		207,441	213,501
Less: amount payable within one year		<u>(24,709)</u>	<u>(22,630)</u>
		<u>\$ 182,732</u>	<u>\$ 190,871</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:

2020	\$	24,709
2021	\$	19,034
2022	\$	16,989
2023	\$	41,702
2024	\$	38,381

14. Operating expenditures by nature	<u>2019</u>	<u>2018</u>
Salaries and benefits	\$ 44,916	\$ 41,948
Training	728	618
Contract services	14,920	13,619
Electricity	6,601	6,323
Operating supplies	10,979	9,945
Professional services	3,945	4,559
Chemicals	4,961	4,698
Depreciation and amortization	<u>45,736</u>	<u>43,106</u>
	<u>\$ 132,786</u>	<u>\$ 124,816</u>

15. Subsequent event

On May 22, 2019 the Collective Agreements that will govern the next five years for for Locals 227 and 1431 were approved by the Board. Retroactive payments required have been reflected in the accruals at year end.

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2019 (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, 2018												
Cost	\$ 16,009	\$ 95,326	\$ 10,303	\$ 25,222	\$ 5,171	\$ 372,794	\$ 37,241	\$ 15,582	\$ 19,917	\$ 9,834	\$ 28,124	\$ 635,523
Additions	231	1,634	200	1,673	436	13,526	2,658	3,530	721	220	1,903	26,732
Disposals	-	-	-	-	-	-	-	(2,325)	-	-	(406)	(2,731)
Total cost, March 31, 2019	<u>16,240</u>	<u>96,960</u>	<u>10,503</u>	<u>26,895</u>	<u>5,607</u>	<u>386,320</u>	<u>39,899</u>	<u>16,787</u>	<u>20,638</u>	<u>10,054</u>	<u>29,621</u>	<u>659,524</u>
Accumulated depreciation												
Beginning balance, April 1, 2018	-	29,560	7,291	16,491	3,860	84,919	6,989	6,075	4,207	3,250	17,395	180,037
Depreciation	-	102	285	1,080	193	4,865	657	(988)	317	38	1,620	8,169
Total accumulated depreciation, March 31, 2019	-	29,662	7,576	17,571	4,053	89,784	7,646	5,087	4,524	3,288	19,015	188,206
Net book value, March 31, 2019	<u>\$ 16,240</u>	<u>\$ 67,298</u>	<u>\$ 2,927</u>	<u>\$ 9,324</u>	<u>\$ 1,554</u>	<u>\$ 296,536</u>	<u>\$ 32,253</u>	<u>\$ 11,700</u>	<u>\$ 16,114</u>	<u>\$ 6,766</u>	<u>\$ 10,606</u>	<u>\$ 471,318</u>
Cost												
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)
Total cost, March 31, 2018	<u>16,009</u>	<u>95,326</u>	<u>10,303</u>	<u>25,222</u>	<u>5,171</u>	<u>372,794</u>	<u>37,241</u>	<u>15,582</u>	<u>19,917</u>	<u>9,834</u>	<u>28,124</u>	<u>635,523</u>
Accumulated depreciation												
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
Net book value, March 31, 2018	<u>\$ 16,009</u>	<u>\$ 65,766</u>	<u>\$ 3,012</u>	<u>\$ 8,731</u>	<u>\$ 1,311</u>	<u>\$ 287,875</u>	<u>\$ 30,252</u>	<u>\$ 9,507</u>	<u>\$ 15,710</u>	<u>\$ 6,584</u>	<u>\$ 10,729</u>	<u>\$ 455,486</u>

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

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

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2019 (in thousands)

Wastewater

	Land	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Meters	Tools and work equipment	Aerotech and small systems	Total
Cost											
Beginning balance, April 1, 2018											
Cost	\$ 5,329	\$ 176,206	\$ 20,966	\$ 162,499	\$ 8,407	\$ 319,809	\$ 21,898	\$ 1,501	\$ 32,929	\$ 12,564	\$ 762,108
Additions	-	14,641	501	10,270	2,158	6,525	4,637	3,530	3,898	220	46,380
Disposals	-	-	-	-	-	-	-	-	(450)	-	(450)
Total cost, March 31, 2019	<u>5,329</u>	<u>190,847</u>	<u>21,467</u>	<u>172,769</u>	<u>10,565</u>	<u>326,334</u>	<u>26,535</u>	<u>5,031</u>	<u>36,377</u>	<u>12,784</u>	<u>808,038</u>
Accumulated depreciation											
Beginning balance, April 1, 2018	-	58,016	7,289	55,290	1,869	61,604	1,912	38	13,994	3,893	203,905
Depreciation	-	1,822	815	8,413	619	4,485	488	163	2,412	80	19,297
Total accumulated depreciation, March 31, 2019	-	59,838	8,104	63,703	2,488	66,089	2,400	201	16,406	3,973	223,202
Net book value, March 31, 2019	<u>\$ 5,329</u>	<u>\$ 131,009</u>	<u>\$ 13,363</u>	<u>\$ 109,066</u>	<u>\$ 8,077</u>	<u>\$ 260,245</u>	<u>\$ 24,135</u>	<u>4,830</u>	<u>\$ 19,971</u>	<u>\$ 8,811</u>	<u>\$ 584,836</u>
Cost											
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)
Total cost, March 31, 2018	<u>5,329</u>	<u>176,206</u>	<u>20,966</u>	<u>162,499</u>	<u>8,407</u>	<u>319,809</u>	<u>21,898</u>	<u>1,501</u>	<u>32,929</u>	<u>12,564</u>	<u>762,108</u>
Accumulated depreciation											
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
Net book value, March 31, 2018	<u>\$ 5,329</u>	<u>\$ 118,190</u>	<u>\$ 13,677</u>	<u>\$ 107,209</u>	<u>\$ 6,538</u>	<u>\$ 258,205</u>	<u>\$ 19,986</u>	<u>1,463</u>	<u>\$ 18,935</u>	<u>\$ 8,671</u>	<u>\$ 558,203</u>

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

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

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2019 (in thousands)

Stormwater

	Structures and improvements	Collection system	Laterals	Tools and work equipment	Total
Cost					
Beginning balance, April 1, 2018					
Cost	\$ 9,796	\$ 245,447	\$ 4,896	\$ 3,812	\$ 263,951
Additions	464	6,212	150	720	7,546
Disposals	-	-	-	-	-
Total cost, March 31, 2019	<u>10,260</u>	<u>251,659</u>	<u>5,046</u>	<u>4,532</u>	<u>271,497</u>
Accumulated depreciation					
Beginning balance, April 1, 2018	1,579	42,269	396	1,347	45,591
Depreciation	182	6,104	99	540	6,925
Total accumulated depreciation, March 31, 2019	<u>1,761</u>	<u>48,373</u>	<u>495</u>	<u>1,887</u>	<u>52,516</u>
Net book value, March 31, 2019	<u>\$ 8,499</u>	<u>\$ 203,286</u>	<u>\$ 4,551</u>	<u>\$ 2,645</u>	<u>\$ 218,981</u>
Cost					
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	-	-	-	-	-
Total cost, March 31, 2018	<u>9,796</u>	<u>245,447</u>	<u>4,896</u>	<u>3,812</u>	<u>263,951</u>
Accumulated depreciation					
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>
Net book value, March 31, 2018	<u>\$ 8,217</u>	<u>\$ 203,178</u>	<u>\$ 4,500</u>	<u>\$ 2,465</u>	<u>\$ 218,360</u>

During the year, \$0 of interest was capitalized to Utility Plant in Service (2018 - \$267).

	Water	Wastewater	Stormwater	Total
Cumulative utility plant in service				
Net book value, March 31, 2019	\$ 471,318	\$ 584,836	\$ 218,981	\$ 1,275,135
Net book value, March 31, 2018	\$ 455,486	\$ 558,203	\$ 218,360	\$ 1,232,049

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, 2019 (in thousands)

	Interest rate	Final Maturity	Balance Remaining	
			2019	2018
Payable to Municipal Finance Corporation				
Water				
Debenture 23 A 1	4.250% to 6.125%	2018	\$ -	\$ 600
Debenture 28 A 1	6.500% to 6.750%	2018	-	1,100
Debenture 98 A 1	3.750% to 5.088%	2019	-	3,671
Debenture 29 A 1	0.900% to 4.329%	2019	225	450
Debenture 30 A 1	1.550% to 3.870%	2020	350	525
Debenture 31 A 1	1.630% to 4.221%	2021	450	600
Debenture 32 A 1	1.636% to 3.480%	2022	800	1,000
Debenture 32 C 1	1.510% to 3.160%	2022	7,514	8,051
Debenture 33 A 1	1.330% to 3.489%	2023	7,584	8,090
Debenture 33 B 1	1.285% to 4.114%	2023	5,559	5,930
Debenture 34 B 1	1.200% to 3.190%	2024	10,938	11,622
Debenture 35 B 1	1.040% to 2.894%	2025	11,447	12,120
Debenture 36 A 1	1.150% to 2.925%	2026	1,600	1,800
Debenture 36 B 1	1.150% to 2.506%	2026	3,905	4,122
Debenture 37 A 1	1.734% to 3.073%	2027	3,325	3,500
Debenture 38 A 1	2.060% to 3.300%	2028	1,500	-
Debenture 38 B 1	2.490% to 3.389%	2028	6,000	-
Halifax Harbour Solutions				
Debenture 29 A 1	0.900% to 4.329%	2019	7,150	7,800
Wastewater/stormwater				
Debenture 30 A 1	1.510% to 4.500%	2020	2,040	2,210
Debenture 32 A 1	1.636% to 3.480%	2022	1,678	1,797
Debenture 32 B 1	1.380% to 3.156%	2022	22,400	24,000
Debenture 32 C 1	1.510% to 3.160%	2022	3,217	3,447
Debenture 33 A 1	1.330% to 3.489%	2023	12,645	13,488
Debenture 33 B 1	1.285% to 4.114%	2023	8,170	8,714
Debenture 34 A 1	1.245% to 3.347%	2024	4,455	4,734
Debenture 34 B 1	1.200% to 3.190%	2024	6,869	7,298
Debenture 35 B 1	1.040% to 2.894%	2025	11,993	12,699
Debenture 36 B 1	1.150% to 2.506%	2026	1,631	1,722
Debenture 37 A 1	1.735% to 3.073%	2027	5,795	6,100
Debenture 38 B 1	2.490% to 3.389%	2028	6,400	-
			<u>169,283</u>	<u>168,913</u>
Payable to Halifax Regional Municipality				
Municipal Finance Corporation – Wastewater/stormwater				
Debenture 24 B 1	2.840% to 5.940%	2024	33,000	38,500
Debenture 34 B 1	1.200% to 3.190%	2024	6,000	7,000
			<u>39,000</u>	<u>45,500</u>
			208,283	214,413
Less: debt issue costs			(842)	(912)
			<u>207,441</u>	<u>213,501</u>
Less: amount payable within one year			(24,709)	(22,630)
			<u>\$ 182,732</u>	<u>\$ 190,871</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:

2020	\$ 24,709
2021	\$ 19,034
2022	\$ 16,989
2023	\$ 41,702
2024	\$ 38,381

Halifax Regional Water Commission

Schedule of operations for water service

Schedule C

Year ended March 31, 2019 (in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues		
Water service	\$ 48,040	\$ 47,220
Fire protection	7,074	7,074
Private fire protection services	869	856
Other operating revenue		
Bulk water stations	227	304
Customer late payment fees	244	220
Miscellaneous	98	176
	<u>56,552</u>	<u>55,850</u>
Operating expenditures		
Water supply and treatment	9,767	8,645
Water transmission and distribution	10,903	9,410
Engineering and information services	3,749	3,850
Regulatory services	679	496
Customer service	2,524	2,348
Administration and pension	7,153	6,910
Depreciation	9,046	8,550
	<u>43,821</u>	<u>40,209</u>
Earnings from operations before financial and other revenues and expenditures	<u>12,731</u>	<u>15,641</u>
Financial and other revenues		
Interest	521	313
Other	559	485
	<u>1,080</u>	<u>798</u>
Financial and other expenditures		
Interest on long term debt	1,924	2,131
Repayment of long term debt	7,181	8,247
Amortization of debt discount	85	94
Grant in lieu of taxes	4,999	4,774
Other	24	149
	<u>14,213</u>	<u>15,395</u>
(Loss) earnings for the year	<u>\$ (402)</u>	<u>\$ 1,044</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, 2019 (in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues		
Wastewater service	\$ 69,901	\$ 69,994
Other operating revenue		
Leachate and other contract revenue	417	417
Septage tipping fees	764	812
Over strength surcharge	75	219
Customer late payment fees	186	169
Miscellaneous	<u>538</u>	<u>471</u>
	<u>71,881</u>	<u>72,082</u>
Operating expenditures		
Wastewater collection	13,125	12,644
Wastewater treatment	19,999	19,647
Engineering and information services	3,783	3,419
Regulatory services	886	929
Customer service	2,057	2,270
Administration and pension	5,859	4,853
Depreciation	<u>12,986</u>	<u>11,905</u>
	<u>58,695</u>	<u>55,667</u>
Earnings from operations before financial and other revenues and expenditures	<u>13,186</u>	<u>16,415</u>
Financial and other revenues		
Interest	520	311
Other	<u>183</u>	<u>3,307</u>
	<u>703</u>	<u>3,618</u>
Financial and other expenditures		
Interest on long term debt	4,939	5,185
Repayment of long term debt	12,015	11,747
Amortization of debt discount	103	98
Other	<u>21</u>	<u>120</u>
	<u>17,078</u>	<u>17,150</u>
(Loss) earnings for the year	<u>\$ (3,189)</u>	<u>\$ 2,883</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, 2019 (in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues		
Stormwater site generated service	\$ 5,906	\$ 6,169
Stormwater right-of-way service	3,835	3,847
Other operating revenue		
Customer late payment fees	118	93
Miscellaneous	120	105
	<u>9,979</u>	<u>10,214</u>
Operating expenditures		
Stormwater collection	4,950	4,842
Engineering and information services	624	556
Regulatory services	1,587	1,304
Customer service	335	278
Administration and pension	953	789
Depreciation	974	807
	<u>9,423</u>	<u>8,576</u>
Earnings from operations before financial and other revenue and expenditures	<u>556</u>	<u>1,638</u>
Financial and other revenues		
Investment income	<u>116</u>	<u>70</u>
Financial and other expenditures		
Interest on long term debt	567	568
Repayment of long term debt	1,320	1,253
Amortization of debt discount	11	10
	<u>1,898</u>	<u>1,831</u>
Loss for the year	<u>\$ (1,226)</u>	<u>\$ (123)</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, 2019 (in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues		
Water service	\$ 48,040	\$ 47,220
Wastewater service	69,901	69,994
Stormwater service	9,741	10,016
Public fire protection	7,074	7,074
Private fire protection services	869	856
Other operating revenue	<u>1,216</u>	<u>1,230</u>
	<u>136,841</u>	<u>136,390</u>
Operating expenditures		
Water supply and treatment	11,009	9,802
Water transmission and distribution	12,402	10,810
Wastewater collection	11,643	11,252
Stormwater collection	4,901	4,793
Wastewater treatment	18,197	18,054
Engineering and information services	8,156	7,265
Regulatory services	3,152	3,291
Customer service	4,881	4,861
Administration and pension	13,921	12,501
Depreciation	<u>22,989</u>	<u>21,241</u>
	<u>111,251</u>	<u>103,870</u>
Earnings from operations before financial and other revenues and expenditures	<u>25,590</u>	<u>32,520</u>
Financial and other revenues		
Interest	1,157	694
Other	<u>213</u>	<u>3,096</u>
	<u>1,370</u>	<u>3,790</u>
Financial and other expenditures		
Interest on long term debt	7,430	7,884
Repayment of long term debt	20,516	21,247
Amortization of debt discount	199	202
Grant in lieu of taxes	<u>4,999</u>	<u>4,774</u>
	<u>33,144</u>	<u>34,107</u>
(Loss) earnings for the year	<u>\$ (6,184)</u>	<u>\$ 2,203</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, 2019 (in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues		
Dewatering	\$ 210	\$ 210
Septage tipping fees	764	812
Leachate treatment and contract revenue	417	417
Airplane effluent	143	121
Other operating revenue	203	196
	<u>1,737</u>	<u>1,756</u>
Operating expenditures		
Water supply and treatment	21	18
Wastewater treatment	572	456
Other	78	87
Depreciation	18	21
	<u>689</u>	<u>582</u>
Earnings from operations before financial and other revenues and expenditures	<u>1,048</u>	<u>1,174</u>
Financial and other revenues		
Other	<u>364</u>	<u>696</u>
Financial and other expenditures		
Other	<u>45</u>	<u>269</u>
Earnings for the year	<u>\$ 1,367</u>	<u>\$ 1,601</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, 2019 (in thousands)

Return on rate base	2019	2018
Rate of return on rate base for water service	2.38%	3.39%
Rate of return on rate base for wastewater service	4.29%	5.65%
Rate of return on rate base for stormwater service	1.38%	3.45%

Special purpose reserves

	Wastewater & Stormwater Reserves	RDC Water Reserve	RDC Wastewater Reserve	Other Capital Reserves	2019 Total	2018 Total
Reserve, beginning of year	\$ 3,606	\$ 2,332	\$ 21,917	\$ 6	\$ 27,861	\$ 16,912
Contributions and interest	-	888	12,801	-	13,689	11,162
Expenditures	-	-	-	202	202	(213)
Reserve, end of year	\$ <u>3,606</u>	\$ <u>3,220</u>	\$ <u>34,718</u>	\$ <u>208</u>	\$ <u>41,752</u>	\$ <u>27,861</u>

Summarized consolidated operating results

	Actual 2019	Actual 2018
Operating revenues	\$ 138,413	\$ 138,145
Operating expenditures	106,731	99,437
Earnings from operations before financial and other revenues and expenditures	31,682	38,708
Non-operating revenues	1,898	4,486
Non-operating expenditures	33,190	34,376
Earnings for the year	\$ <u>390</u>	\$ <u>8,818</u>

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