



Financial Statements

Halifax Regional Water Commission

March 31, 2020

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# Independent auditor's report

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

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## Opinion

We have audited the financial statements of the Halifax Regional Water Commission ("Halifax Water"), which comprise the statement of financial position as at March 31, 2020, and the statements of earnings and comprehensive earnings, changes in equity and 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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## 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 Halifax Water 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.

## Other matter – supplemental schedules

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole as prepared in accordance with IFRS. Schedules A through E are presented in accordance with the Nova Scotia Utility and Review Board Accounting and Reporting Handbook for Water Utilities. Such information has been subjected to the auditing procedures applied for the purpose of the audit of the financial statements as a whole as at and for the period ended March 31, 2020.

## 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 IFRS, 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 Halifax Water'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 Halifax Water or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Halifax Water'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 Halifax Water'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 Halifax Water'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 Halifax Water 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Halifax, Canada  
June 25, 2020

Chartered Professional Accountants

# Halifax Regional Water Commission

## Statement of financial position

March 31 (in thousands)

2020

2019

### Assets

#### Current

Cash and cash equivalents	\$ 49,953	\$ 51,603
Receivables (Note 8)		
Customer charges and contractual	18,405	17,407
Unbilled service revenues	17,367	17,012
Halifax Regional Municipality	3,668	863
Inventory	1,736	2,057
Prepays	1,002	1,066
	<u>92,131</u>	<u>90,008</u>

Intangible assets (Note 10)	18,951	15,418
Capital work in progress	18,104	29,605
Utility plant in service (Note 11)	<u>1,281,010</u>	<u>1,233,440</u>
Total assets	<u>1,410,196</u>	<u>1,368,471</u>

Regulatory deferral account (Note 5)	<u>2,812</u>	<u>3,004</u>
<b>Total assets and regulatory deferral account</b>	<b>\$ 1,413,008</b>	<b>\$ 1,371,475</b>

### Liabilities

#### Current

Payables and accruals		
Trade	\$ 28,756	\$ 23,493
Interest on long term debt	2,139	2,051
Contractor and customer deposits	197	207
Current portion of deferred contributed capital (Note 12)	14,488	13,846
Current portion of long term debt (Note 13)	21,184	24,709
Unearned revenue	<u>760</u>	<u>507</u>
	<u>67,524</u>	<u>64,813</u>

Deferred contributed capital (Note 12)	879,460	867,802
Long term debt (Note 13)	197,962	182,732
Employee benefit obligations (Note 4)	<u>63,365</u>	<u>72,330</u>
Total liabilities	<u>1,208,311</u>	<u>1,187,677</u>

### Equity

Accumulated other comprehensive loss	(26,453)	(41,209)
Accumulated surplus	<u>231,150</u>	<u>225,007</u>
Total equity	<u>204,697</u>	<u>183,798</u>

<b>Total liabilities and equity</b>	<b>\$ 1,413,008</b>	<b>\$ 1,371,475</b>
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Contingent liabilities (Note 3)  
Commitments (Note 6)  
Subsequent events (Note 15)

Approved by the Board

*Russell Walker*

Commissioner

Commissioner

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of earnings and comprehensive earnings

Year ended March 31 (in thousands)	2020	2019
Operating revenues		
Water	\$ 47,918	\$ 48,040
Wastewater	70,494	69,901
Stormwater	9,196	9,741
Public fire protection	7,074	7,074
Private fire protection	881	869
Other operating revenue	2,187	2,577
	<u>137,750</u>	<u>138,202</u>
Operating expenditures (Note 14)		
Water supply and treatment	9,573	9,767
Water transmission and distribution	10,843	10,903
Wastewater collection	13,963	13,125
Stormwater collection	4,808	4,950
Wastewater treatment	20,633	19,789
Engineering and information services	8,436	8,156
Regulatory services	3,781	3,152
Customer services	5,167	4,920
Administration and pension services	15,426	13,964
Depreciation and amortization	46,410	44,060
	<u>139,040</u>	<u>132,786</u>
Earnings (loss) from operations before financial and other revenues and expenditures	<u>(1,290)</u>	<u>5,416</u>
Financial and other revenues		
Interest	512	1,157
Amortization of contributed capital	19,025	18,142
Other	699	742
	<u>20,236</u>	<u>20,041</u>
Financial and other expenditures		
Interest on long term debt	7,144	7,430
Amortization of debt discount	187	199
Dividend/grant in lieu of taxes	5,078	4,999
Other	202	233
	<u>12,611</u>	<u>12,861</u>
Earnings for the year before regulatory deferral account depreciation	6,335	12,596
Regulatory deferral account depreciation (Note 5)	<u>(192)</u>	<u>(192)</u>
Earnings for the year	<u>6,143</u>	<u>12,404</u>
Other comprehensive earnings		
Items that will not be reclassified subsequently to earnings:		
Re-measurement on defined benefit plans	14,756	3,734
Total comprehensive earnings for the year	<u>\$ 20,899</u>	<u>\$ 16,138</u>

See accompanying notes to the financial statements.

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# Halifax Regional Water Commission

## Statement of changes in equity

Year ended March 31 (in thousands)

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	Accumulated other comprehensive income (loss)	Accumulated surplus	Total
Balance, April 1, 2018	\$ (44,943)	\$ 212,603	\$ 167,660
Earnings for the year	-	12,404	12,404
Other comprehensive earnings	3,734	-	3,734
Comprehensive earnings for the year	3,734	12,404	16,138
Balance, March 31, 2019	\$ (41,209)	\$ 225,007	\$ 183,798
Earnings for the year	-	6,143	6,143
Other comprehensive earnings	14,756	-	14,756
Comprehensive earnings for the year	14,756	6,143	20,899
Balance, March 31, 2020	\$ (26,453)	\$ 231,150	\$ 204,697

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See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of cash flows

Year ended March 31 (in thousands)

2020

2019

Increase (decrease) in cash and cash equivalents

### Operating

Comprehensive earnings for the year	\$ 20,899	\$ 16,138
Depreciation and amortization	29,183	27,781
Employee benefit obligation	(8,965)	2,431
Loss on disposal of utility plant in service	135	188
	<u>41,252</u>	<u>46,538</u>

Change in non-cash operating working capital items

Receivables, customer charges and contractual	(998)	87
Receivables, unbilled service revenues	(355)	(372)
Receivable from Halifax Regional Municipality	(2,805)	1,972
Inventory	321	(615)
Prepays	64	(53)
Payables and accruals, trade	5,263	778
Accrued interest on long term debt	88	21
Contractor and customer deposits	(10)	21
Unearned revenue	253	(77)
	<u>1,821</u>	<u>1,762</u>
	<u>43,073</u>	<u>48,300</u>

### Financing

Proceeds from issuance of long term debt	36,500	16,500
Contributed capital	12,712	14,481
Debt issue costs	(87)	70
Principal repayment on Halifax Regional Municipality long term debt	(6,500)	(6,500)
Principal repayments on long term debt	(18,208)	(16,130)
	<u>24,417</u>	<u>8,421</u>

### Investing

Proceeds from sale of utility plant in service	203	189
Purchase of capital work in progress	(13,775)	(18,519)
Purchase of utility plant in service and intangible assets	(55,568)	(38,258)
	<u>(69,140)</u>	<u>(56,588)</u>

Net increase (decrease) in cash and cash equivalents

(1,650) 133

Cash and cash equivalents, beginning of year

51,603 51,470

Cash and cash equivalents, end of year

\$ 49,953 \$ 51,603

See accompanying notes to the financial statements.



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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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### 1. Nature of operations

The Halifax Regional Water Commission (Halifax Water) is a public utility owned and controlled by the Halifax Regional Municipality (HRM). Halifax Water is responsible for the supply of municipal water, wastewater and stormwater services to the residents of HRM. Halifax Water's principal place of business is 450 Cowie Hill Road, Halifax, Nova Scotia. Halifax Water 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 25, 2020.

#### (b) Basis of measurement

Halifax Water'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, Halifax Water 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, gains and losses on the disposal of utility 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 assets are disclosed in Note 5.

#### (d) Utility plant in service

Utility plant in service (Note 11) is recorded at cost, being the purchase price and directly attributable cost of acquisition or construction, including interest capitalized during construction. Losses or gains related to assets retired, demolished or sold are charged or credited to the statement of earnings.

#### (e) Deferred contributed capital

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 (Note 12). Deferred contributed capital is initially measured at cost, being the value of contributions received by Halifax Water for the acquisition of utility plant in service. Contributions for capital expenditures are amortized over the estimated useful lives of the assets and show as a reduction in the amortization of utility plant in service.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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

#### (f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances held within financial institutions managed by HRM.

#### (g) Depreciation

Depreciation is calculated 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:

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

Depreciation commences in the year an asset is placed into 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. Halifax Water does not maintain a depreciation fund per regulatory reporting requirements. Halifax Water has received NSUARB approval for exemption from setting up a depreciation fund as long as net depreciable additions to utility plant in service exceed the depreciation charged.

#### (h) 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.

#### (i) Revenues and expenditures

Halifax Water recognizes revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration Halifax Water is expected to be entitled to in exchange for those goods or services rendered.

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.

#### (j) Long term debt

Debt issue costs are deferred and amortized over the term of the debt to which they relate.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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

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

In preparing Halifax Water'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.

#### (l) Financial instruments

##### *Recognition and derecognition*

Financial assets and financial liabilities are recognized when Halifax Water 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 expired.

##### *Classification and initial measurement of financial instruments*

All financial instruments are initially measured at fair value and adjusted for transaction costs, where applicable. Financial instruments are classified as: those measured at amortized cost, fair value through other comprehensive income (assets only), or fair value through profit and loss (FVTPL).

Halifax Water has classified its financial instruments as follows:

<u>Asset/Liability</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Payables and accruals	Amortized cost
Long term debt	Amortized cost
Contractor and customer deposits	Amortized cost

The classification is determined by both the Halifax Water business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

##### *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; and,
- 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.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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

#### (l) Financial instruments (continued)

After initial recognition, financial instruments are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

##### *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. Financial assets that are subject to the ECL model include cash and cash equivalents and receivables.

#### (m) Provisions

A provision is recognized in the statement of financial position when Halifax Water 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.

#### (n) Impairments

At the end of each reporting period, Halifax Water 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. Halifax Water 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.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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

#### (o) Intangible assets

Intangible assets include land access easements, water removal rights, studies, and capital master plans. These 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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#### (p) Employee benefit obligations

Halifax Water accrues in its accounts annually, the estimated liabilities for pension and other employee benefits.

##### *Pension benefits*

Halifax Water provides employment, post-retirement and pre-retirement benefits through defined benefit plans and supplemental retirement plans.

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

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

The liability recognized in the statement of financial position for the defined benefit plan sponsored by Halifax Water 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.

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.

Halifax Water is responsible for funding the employer share of 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 Halifax Water reimburses HRM for the pension costs related to Halifax Water's proportionate share of the employees covered under the plan. Due to the nature of the plan, Halifax Water does not have sufficient information to account for the plan as a defined benefit; therefore, the multi-employer defined benefit plan is accounted for in the same manner as the supplemental retirement plans. An expense is recorded in the period when Halifax Water is obligated to make contributions for services rendered by the employee.

##### *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 rendered the related service are measured on an undiscounted basis and are expensed as the related service is provided.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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

#### (q) Regulatory deferral account

Halifax Water 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 the regulatory deferral account.

The regulatory deferral account is recognized and measured at historical cost less depreciation. 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.

#### (r) Changes to accounting standards

##### IFRS 16 Leases

Halifax Water adopted IFRS 16: Leases (IFRS 16) with a date of initial application of April 1, 2019. IFRS 16 replaces IAS 17: Leases and IFRIC 4: Determining whether an Arrangement Contains a Lease. IFRS 16 requires the recognition of a right-of-use asset and lease liability on the statements of financial position for all leases, where Halifax Water is acting as a lessee.

Halifax Water has elected to apply the modified retrospective method on transition, which does not require the restatement of prior period financial information and applies the standard prospectively. Under this approach Halifax Water has elected to initially measure the right-of-use asset as equal to the lease liability.

The right-of-use asset is initially measured at cost, which is comprised of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The right-of-use asset is subsequently measured at cost less any accumulated depreciation or impairment losses and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Halifax Water's incremental borrowing rate.

Halifax Water has elected to apply the practical expedients available under IFRS 16 for short-term leases and leases for which the underlying asset is of low value. Short-term leases and low value leases are expensed in the period incurred.

The impact of adoption of IFRS 16 was not material to the financial statements of Halifax Water. Management will assess future leases as they arise and will follow the criteria for recognition under IFRS 16.

### 3. Contingent liabilities

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

Halifax Water has been named in a claim that is ongoing and a liability has been accrued for legal fees and the insurance deductible. The potential exposure is estimated to be \$300.

There are other active claims against Halifax Water; however, the likelihood of actual liability is not determinable at this time. If Halifax Water's defense of active claims is unsuccessful, the potential exposure would be \$1,000 - \$2,000.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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### 4. Employee benefit obligations

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

For employees that transferred from HRM, Halifax Water records an expense for the employer share of the contributions to the HRM pension plan in the period when Halifax Water is obligated to make contributions for services rendered by the employee. During 2020, Halifax Water funded \$679 (2019 - \$599) in contributions to the plan. The number of employees included in this plan is 57 (2019 – 65) and this number is reducing over time. As former HRM employees retire they are replaced with employees in the Halifax Water pension plan.

#### **Supplemental retirement plans sponsored by Halifax Water**

For employees who participate in the supplemental retirement plans, the cost of pension benefits are expensed at the time active employees are compensated. During 2020, Halifax Water funded \$15 (2019 - \$13) in contributions to the plans. The number of employees included in the plans is 5 (2019 – 5).

#### **Defined benefit plan sponsored by Halifax Water and other long term employment benefits**

For all other employees, Halifax Water maintains a defined benefit pension plan and offers post-retirement health and insurance benefits. The defined benefit pension plan provides pensions based upon length of service and best seven years' earnings. The defined benefit pension plan is funded by employer and employee contributions with employees contributing 10.34% of regular employee earnings, and Halifax Water matching employee contributions. The defined benefit pension plan assets are managed by the HRM Pension Committee.

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.

Halifax Water has a non-funded pre-retirement benefit that is accrued annually, and is payable on retirement, termination or death of the employee. Many individual pre-retirement benefits were paid out in 2019/20, with those individuals no longer entitled to accrue future pre-retirement benefits. For individuals who elected to defer receipt of their benefit until the time which they leave employment, their individual benefit equates to approximately three days' pay for each year of completed service. Completed service for unionized employees was frozen as at June 7, 2019 for the purposes of determining their pre-retirement benefit. Pre-retirement benefits accrue to a maximum of six months' salary and can be taken as a lump sum payment at the time of retirement in lieu of pre-retirement leave.

**Notes to the financial statements**

March 31, 2020 (in thousands)

**4. Employee benefit obligations (continued)**

Information about Halifax Water's plans, based on an actuarial extrapolation as at March 31, 2020, is as follows:

	Defined benefit pension plan		Post-retirement benefits		Pre-retirement benefits		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Change in accrued benefit obligation</b>								
Balance, April 1	\$ 198,962	\$ 187,181	\$ 380	\$ 430	\$ 4,195	\$ 3,983	\$ 203,537	\$ 191,594
Current service cost	8,692	7,107	-	-	143	344	8,835	7,451
Interest cost	6,891	6,837	10	13	88	141	6,989	6,991
Contributions by plan participants	3,505	2,885	-	-	-	-	3,505	2,885
Benefit payments	(4,780)	(4,534)	(50)	(60)	(3,025)	(460)	(7,855)	(5,054)
Re-measurements – actuarial (gains)/ losses from changes in demographic assumptions	-	-	-	-	-	-	-	-
Re-measurements – actuarial (gains)/ losses from changes in financial/experience assumptions	(17,366)	(514)	120	(3)	135	187	(17,111)	(330)
Balance, March 31	195,904	198,962	460	380	1,536	4,195	197,900	203,537
<b>Change in fair value of plan assets</b>								
Balance, April 1	131,207	121,695	-	-	-	-	131,207	121,695
Investment income	4,486	4,412	-	-	-	-	4,486	4,412
Administrative expenses	(112)	(94)	-	-	-	-	(112)	(94)
Actual return on plan assets	(2,611)	3,414	-	-	-	-	(2,611)	3,414
Benefit payments	(4,780)	(4,534)	(50)	(60)	(3,025)	(460)	(7,855)	(5,054)
Contributions: Employee	3,505	2,885	-	-	-	-	3,505	2,885
Employer	2,840	3,429	50	60	3,025	460	5,915	3,949
Balance, March 31	134,535	131,207	-	-	-	-	134,535	131,207
Accrued benefit liability, March 31	\$ 61,369	\$ 67,755	\$ 460	\$ 380	\$ 1,536	\$ 4,195	\$ 63,365	\$ 72,330



# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

### 4. Employee benefit obligations (continued)

Included in the statement of earnings is pension expense of \$11,940 (2019 - \$9,388).

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

	<b>2020</b>	2019	<b>2020</b>	2019	<b>2020</b>	2019
	<b>Defined benefit pension plan</b>	Defined benefit Pension plan	<b>Post- retirement benefits</b>	Post- retirement benefits	<b>Pre- retirement benefit</b>	Pre- retirement benefit
Discount rate	<b>3.80%</b>	3.40%	<b>3.45%</b>	3.00%	<b>3.60%</b>	3.20%
Expected return on plan assets	<b>3.80%</b>	3.40%	<b>N/A</b>	N/A	<b>N/A</b>	N/A
Rate of compensation increase	<b>3.75%</b>	3.75%	<b>N/A</b>	N/A	<b>3.75%</b>	3.75%
Expenses for life benefits as a % of claims	<b>N/A</b>	N/A	<b>10.00%</b>	10.00%	<b>N/A</b>	N/A
Health benefit trending per year	<b>N/A</b>	N/A	<b>6.50%</b>	6.60%	<b>N/A</b>	N/A
Dental benefit trending per year	<b>N/A</b>	N/A	<b>4.00%</b>	4.00%	<b>N/A</b>	N/A

The measurement date used to determine the plan assets and the accrued benefit obligation was March 31, 2020. 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 to the pension plans for the next fiscal year are \$3,169.

### 5. Regulatory deferral account

In 2011, the NSUARB granted Halifax Water 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, Halifax Water recognized a \$4,156 regulatory deferral account. In absence of rate regulation, this regulatory deferral account would have been expensed as depreciation in fiscal 2011 and 2012. In 2012, the NSUARB granted approval of the depreciation of this deferral account over the remaining useful lives of the underlying assets, beginning in 2014. The expense recognized in 2020 is \$192 (2019 - \$192).

	<b><u>2020</u></b>	<b><u>2019</u></b>
Balance, April 1	\$ <b>3,004</b>	\$ 3,196
Depreciation	<b><u>(192)</u></b>	<u>(192)</u>
Balance, March 31	\$ <b><u>2,812</u></b>	\$ <u>3,004</u>

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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### 6. Commitments

The agreement with HRM for the dividend/grant in lieu of taxes (dividend) for fiscal years 2015/16 to 2019/20 for water services has expired. A new agreement for fiscal years 2020/21 to 2022/23 has not been signed as at the date of issue of these financial statements. Dividend payments are approved as part of revenue requirements by the NSUARB. For the Water System, the dividend for fiscal years 2020/21 to 2022/23 is expected to be equal to 1.56% of Halifax Water's rate base assets allocated to the Water System at March 31 of the previous fiscal year. Starting September 1, 2020, for the Wastewater System and Stormwater System, the dividends for fiscal years 2020/21 to 2022/23 are expected to be equal to 0.25% of Halifax Water's rate base assets allocated to the Wastewater System at March 31 of the previous fiscal year, plus 0.25% of Halifax Water's rate base assets allocated to the Stormwater System at March 31 of the previous fiscal year.

For 2021/22, the agreement proposes the dividends will be capped at 1% more than the dividend amounts for 2020/21 that would have been payable had the new Wastewater and Stormwater dividends commenced on April 1, 2020. The dividends payable for 2022/23 will be capped at 1% more than the dividends payable in the preceding fiscal year.

### 7. Capital management

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

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

	<u>2020</u>	<u>2019</u>
Long term debt	\$ 219,146	\$ 207,441
Equity	<u>204,697</u>	<u>183,798</u>
Capital under management	<u>\$ 423,843</u>	<u>\$ 391,239</u>

Halifax Water has obtained regulatory approval for all borrowings during the fiscal year. Halifax Water is not subject to financial borrowing covenants other than as outlined in Note 9.

At March 31, 2020, Halifax Water had \$41,663 (2019 - \$70,952) in expenditures from current and past approved capital budgets not yet expended. Halifax Water has obtained regulatory approval for all borrowings during the fiscal year.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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### 8. Financial instruments and risk management

Halifax Water 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. 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.

Halifax Water 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 Halifax Water's customers may experience financial difficulty and be unable to fulfill their obligations. Halifax Water's maximum exposure to credit risk corresponds to customer charges and contractual receivables. However, Halifax Water's customers are numerous and diverse, which reduces the concentration of credit risk.

Halifax Water has allowed customers to defer payment on their accounts until August 31, 2020 due to the emergence of the COVID-19 pandemic. Halifax Water is not charging interest on overdue accounts, nor disconnecting services due to non-payment during this time. Halifax Water is closely monitoring the collection of receivables and there has not been a material decrease in the amounts collected subsequent to year end, therefore impact on credit risk is low.

Halifax Water makes use of a simplified approach in accounting for receivables and records the loss allowance as lifetime ECL. 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, Halifax Water uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. Halifax Water includes 75% of the balance of closed accounts in the allowance and 1% of active accounts. Halifax Water assesses impairment of receivables on a collective basis. As receivables possess shared credit risk characteristics, receivables have been grouped based on the days past due.

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

	<u>2020</u>	<u>2019</u>
Receivables		
Customer charges, contractual, and unbilled service revenues	\$ 38,464	\$ 36,921
Less: allowance for doubtful accounts	<u>(2,692)</u>	<u>(2,502)</u>
	<u>\$ 35,772</u>	<u>\$ 34,419</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 pattern history.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

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

#### *Interest risk*

Interest risk arises from the possibility that changes in interest rates will cause Halifax Water a potential loss. Halifax Water's long term debt has been acquired with a variety of fixed rates and has staggered maturity dates which mitigates the interest rate risk.

#### *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 Halifax Water's employees' pension plan and consequently the plan's surplus. 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 Halifax Water not being able to meet its cash requirements in a timely and cost-effective manner. Halifax Water manages this risk by closely monitoring the cash on hand in comparison to upcoming cash commitments.

### 9. Related party transactions

The immediate parent and ultimate controlling party of Halifax Water is HRM.

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

Amounts receivable from HRM have normal credit terms.

Halifax Water had the following related party transactions with HRM:

- Halifax Water recorded revenue for provision of water, wastewater and stormwater services in the amount of \$4,943 (2019 - \$5,209).
- Halifax Water recorded public fire protection revenue \$7,074 (2019 - \$7,074).
- Halifax Water paid a dividend of \$5,078 (2019 - \$4,999).
- Halifax Water paid operating expenses of \$1,785 (2019 - \$1,654)
- The debt issued by Halifax Water was covered by a blanket guarantee from HRM subject to Halifax Water maintaining a debt service ratio of less than 35%. The debt service ratio at March 31, 2020 is 18.91% (2019 – 20.37%). Halifax Water obtained regulatory approval for all borrowings during the fiscal year and is not subject to any other financial covenants.

### 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 Halifax Water.

The following is compensation expense for key management personnel:

	<u>2020</u>	<u>2019</u>
Short term benefits	\$ 1,428	\$ 1,421
Post-employment benefits	<u>111</u>	<u>313</u>
Total compensation	<u>\$ 1,539</u>	<u>\$ 1,734</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

<b>10. Intangible assets</b>	<b>2020</b>	<b>2019</b>
Cost		
Balance, April 1	\$ 20,798	\$ 17,888
Additions	<u>5,135</u>	<u>2,910</u>
Balance, March 31	<u>25,933</u>	<u>20,798</u>
Accumulated amortization		
Balance, April 1	5,380	4,011
Amortization	<u>1,602</u>	<u>1,369</u>
Balance, March 31	<u>6,982</u>	<u>5,380</u>
Net book value, March 31	<u>\$ 18,951</u>	<u>\$ 15,418</u>

### 11. 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						
Balance, April 1, 2019	\$ 21,603	\$ 235,615	\$ 250,944	\$ 896,065	\$ 28,835	\$ 1,433,062
Additions	-	27,745	21,949	38,627	6,001	94,322
Disposals	-	-	(1,846)	-	(944)	(2,790)
Balance, March 31, 2020	<u>21,603</u>	<u>263,360</u>	<u>271,047</u>	<u>934,692</u>	<u>33,892</u>	<u>1,524,594</u>
Accumulated depreciation						
Balance, April 1, 2019	\$ -	\$ 52,737	\$ 58,807	\$ 77,046	\$ 11,032	\$ 199,622
Depreciation	-	9,909	14,474	17,645	4,386	46,414
Depreciation retired	-	-	(1,508)	-	(944)	(2,452)
Balance, March 31, 2020	<u>-</u>	<u>62,646</u>	<u>71,773</u>	<u>94,691</u>	<u>14,474</u>	<u>243,584</u>
Net book value, March 31, 2020	<u>\$ 21,603</u>	<u>\$ 200,714</u>	<u>\$ 199,274</u>	<u>\$ 840,001</u>	<u>\$ 19,418</u>	<u>\$ 1,281,010</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						
Balance, April 1, 2018	\$ 21,372	\$ 218,876	\$ 229,808	\$ 862,357	\$ 26,080	\$ 1,358,493
Additions	231	16,739	23,461	33,708	3,610	77,749
Disposals	-	-	(2,325)	-	(855)	(3,180)
Balance, March 31, 2019	<u>21,603</u>	<u>235,615</u>	<u>250,944</u>	<u>896,065</u>	<u>28,835</u>	<u>1,433,062</u>
Accumulated depreciation						
Balance, April 1, 2018	\$ -	\$ 43,185	\$ 47,080	\$ 59,968	\$ 7,830	\$ 158,063
Depreciation	-	9,552	13,652	17,078	4,080	44,362
Depreciation retired	-	-	(1,925)	-	(878)	(2,803)
Total accumulated depreciation	<u>-</u>	<u>52,737</u>	<u>58,807</u>	<u>77,046</u>	<u>11,032</u>	<u>199,622</u>
Balance, March 31, 2019	<u>-</u>	<u>52,737</u>	<u>58,807</u>	<u>77,046</u>	<u>11,032</u>	<u>199,622</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>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

<b>12. Deferred contributed capital</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Balance, April 1	\$ 881,648	\$ 856,372
Assets contributed during the year	18,613	28,937
Contributions and interest	12,712	14,481
Amortization	<u>(19,025)</u>	<u>(18,142)</u>
Balance, March 31	893,948	881,648
Less: current portion	<u>(14,488)</u>	<u>(13,846)</u>
	<b><u>\$ 879,460</u></b>	<b><u>\$ 867,802</u></b>

Deferred contributed capital is comprised of contributions received by Halifax Water for the acquisition of utility plant in service. Contributions for capital expenditures are amortized over the estimated useful lives of the assets.

<b>13. Long-term debt</b>	<b><u>Interest rates</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Payable to Municipal Finance Corporation (MFC)			
Water	0.900% to 4.329%	\$ 67,586	\$ 61,197
HHSP	2.015% to 2.561%	6,500	7,150
Wastewater	1.040% to 3.614%	96,657	87,293
Stormwater	1.040% to 3.614%	<u>16,832</u>	<u>13,643</u>
		187,575	169,283
Payable to Halifax Regional Municipality			
MFC wastewater/stormwater	1.200% to 5.940%	<u>32,500</u>	<u>39,000</u>
		220,075	208,283
Less: debt issue costs		<u>(929)</u>	<u>(842)</u>
		219,146	207,441
Less: amount payable within one year		<u>(21,184)</u>	<u>(24,709)</u>
		<b><u>\$ 197,962</u></b>	<b><u>\$ 182,732</u></b>

During the year Halifax Water acquired \$30,000 in new debt with a ten year term and twenty year amortization period. Additionally, \$6,500 of debt was refinanced for ten years. The debentures are repayable in fixed annual or semi-annual principal instalments plus interest payable semi-annually. Interest paid during the year was \$7,144 (2019 - \$7,430). Principal instalments for the next five years are as follows:

2020/21	\$	21,184
2021/22	\$	19,139
2022/23	\$	43,852
2023/24	\$	40,531
2024/25	\$	30,645
Thereafter	\$	64,724

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2020 (in thousands)

<b>14. Operating expenditures by nature</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Salaries and benefits	\$ 48,897	\$ 44,916
Training	644	728
Contract services	13,426	14,920
Electricity	6,535	6,601
Operating supplies	10,974	10,984
Professional services	4,806	3,945
Chemicals	5,742	4,961
Depreciation on assets allocated to departments	1,606	1,671
Depreciation and amortization	<u>46,410</u>	<u>44,060</u>
	<b>\$ 139,040</b>	<b>\$ 132,786</b>

### 15. Subsequent events

On May 11, 2020, the NSUARB approved the application by Halifax Water to participate in the MFC spring debenture for \$25,000 for a ten-year term and twenty-year amortization period and the refinancing of \$1,700 for another ten-year term.

On March 11, 2020, COVID-19 was declared a global pandemic. In response to this, Halifax Water has allowed customers to defer payments on accounts, interest will not be charged on overdue accounts, fees for dishonored payments will be waived, and disconnection for non-payment of service is suspended. These measures are in place until July 31, 2020. The impact of COVID-19 on Halifax Water's credit risk has been factored into the estimates for the allowance for doubtful accounts; however, it is not expected to be material to the financial statements. The duration of the COVID-19 pandemic remains unclear at this time. It is estimated consumption levels may decrease, but this change is not expected to have a significant impact on the financial position and results of Halifax Water for future periods.

# Halifax Regional Water Commission

## Schedule of utility plant in service

## Schedule A

Year ended March 31, 2020 (in thousands)

### Water

	Land	Structures and improvements	Pumping equipment	Purification equipment	SCADA equipment	Transmission and distribution mains	Services	Meters	Hydrants	Aerotech and small systems	Tools and work equipment	Total
<b>Cost</b>												
Balance, April 1, 2019												
Cost	\$ 16,240	\$ 96,960	\$ 10,503	\$ 26,899	\$ 5,607	\$ 386,320	\$ 39,899	\$ 16,787	\$ 20,638	\$ 10,054	\$ 29,621	<b>\$ 659,528</b>
Additions	-	21,207	183	876	5,389	13,217	1,647	3,409	859	-	4,339	<b>51,126</b>
Disposals	-	-	-	-	-	-	-	(1,397)	-	-	(912)	<b>(2,309)</b>
<b>Balance, March 31, 2020</b>	<u>16,240</u>	<u>118,167</u>	<u>10,686</u>	<u>27,775</u>	<u>10,996</u>	<u>399,537</u>	<u>41,546</u>	<u>18,799</u>	<u>21,497</u>	<u>10,054</u>	<u>33,048</u>	<b><u>708,345</u></b>
<b>Accumulated depreciation</b>												
Balance, April 1, 2019	-	29,662	7,576	17,571	4,053	89,784	7,646	5,087	4,524	3,288	19,014	<b>188,205</b>
Depreciation	-	1,842	293	1,128	352	5,020	701	847	336	339	2,291	<b>13,149</b>
Depreciation retired	-	-	-	-	-	-	-	(852)	-	-	(912)	<b>(1,764)</b>
Total accumulated depreciation, March 31, 2020	<u>-</u>	<u>31,504</u>	<u>7,869</u>	<u>18,699</u>	<u>4,405</u>	<u>94,804</u>	<u>8,347</u>	<u>5,082</u>	<u>4,860</u>	<u>3,627</u>	<u>20,393</u>	<b><u>199,590</u></b>
<b>Net book value, March 31, 2020</b>	<u>\$ 16,240</u>	<u>\$ 86,663</u>	<u>\$ 2,817</u>	<u>\$ 9,076</u>	<u>\$ 6,591</u>	<u>\$ 304,733</u>	<u>\$ 33,199</u>	<u>\$ 13,717</u>	<u>\$ 16,637</u>	<u>\$ 6,427</u>	<u>\$ 12,655</u>	<b><u>\$ 508,755</u></b>
<b>Cost</b>												
Balance, April 1, 2018												
Cost	\$ 16,009	\$ 95,326	\$ 10,303	\$ 25,226	\$ 5,171	\$ 372,794	\$ 37,241	\$ 15,582	\$ 19,917	\$ 9,834	\$ 28,124	<b>\$ 635,527</b>
Additions	231	1,634	200	1,673	436	13,526	2,658	3,530	721	220	1,903	<b>26,732</b>
Disposals	-	-	-	-	-	-	-	(2,325)	-	-	(406)	<b>(2,731)</b>
Balance, March 31, 2019	<u>16,240</u>	<u>96,960</u>	<u>10,503</u>	<u>26,899</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>	<b><u>659,528</u></b>
<b>Accumulated depreciation</b>												
Balance, April 1, 2018	-	29,560	7,291	16,491	3,860	84,919	6,989	6,075	4,207	3,250	17,395	<b>180,037</b>
Depreciation	-	102	285	1,080	193	4,865	657	741	317	38	2,047	<b>10,325</b>
Depreciation retired	-	-	-	-	-	-	-	(1,729)	-	-	(428)	<b>(2,157)</b>
Total accumulated depreciation, March 31, 2019	<u>-</u>	<u>29,662</u>	<u>7,576</u>	<u>17,571</u>	<u>4,053</u>	<u>89,784</u>	<u>7,646</u>	<u>5,087</u>	<u>4,524</u>	<u>3,288</u>	<u>19,014</u>	<b><u>188,205</u></b>
<b>Net book value, March 31, 2019</b>	<u>\$ 16,240</u>	<u>\$ 67,298</u>	<u>\$ 2,927</u>	<u>\$ 9,328</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>\$ 10,607</u>	<b><u>\$ 471,323</u></b>

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

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, 2020 (in thousands)

### Wastewater

	Land	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Meters	Aerotech and small systems	Tools and work equipment	Total
<b>Cost</b>											
Balance, April 1, 2019											
Cost	\$ 5,329	\$ 190,847	\$ 21,467	\$ 172,769	\$ 10,565	\$ 326,334	\$ 26,535	\$ 5,031	\$ 12,784	\$ 36,377	\$ 808,038
Additions	-	4,092	643	2,441	5,196	6,660	2,723	3,409	-	5,792	30,956
Disposals	-	-	-	(449)	-	-	-	-	-	(32)	(481)
<b>Balance, March 31, 2020</b>	<u>5,329</u>	<u>194,939</u>	<u>22,110</u>	<u>174,761</u>	<u>15,761</u>	<u>332,994</u>	<u>29,258</u>	<u>8,440</u>	<u>12,784</u>	<u>42,137</u>	<u>838,513</u>
<b>Accumulated depreciation</b>											
Balance, April 1, 2019	-	59,838	8,104	63,702	2,488	66,089	2,400	201	3,973	16,406	223,201
Depreciation	-	4,414	843	8,707	810	4,571	566	331	429	3,084	23,755
Depreciation retired	-	-	-	(214)	-	-	-	-	-	(32)	(246)
Total accumulated depreciation, March 31, 2019	<u>-</u>	<u>64,252</u>	<u>8,947</u>	<u>72,195</u>	<u>3,298</u>	<u>70,660</u>	<u>2,966</u>	<u>532</u>	<u>4,402</u>	<u>19,458</u>	<u>246,710</u>
<b>Net book value, March 31, 2020</b>	<u>\$ 5,329</u>	<u>\$ 130,687</u>	<u>\$ 13,163</u>	<u>\$ 102,566</u>	<u>\$ 12,463</u>	<u>\$ 262,334</u>	<u>\$ 26,292</u>	<u>\$ 7,908</u>	<u>\$ 8,382</u>	<u>\$ 22,679</u>	<u>\$ 591,803</u>
<b>Cost</b>											
Balance, March 31, 2018											
Cost	\$ 5,329	\$ 176,206	\$ 20,966	\$ 162,499	\$ 8,407	\$ 319,809	\$ 21,898	\$ 1,501	\$ 12,564	\$ 32,929	\$ 762,108
Additions	-	14,641	501	10,270	2,158	6,525	4,637	3,530	220	3,898	46,380
Disposals	-	-	-	-	-	-	-	-	-	(450)	(450)
<b>Balance, March 31, 2019</b>	<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>12,784</u>	<u>36,377</u>	<u>808,038</u>
<b>Accumulated depreciation</b>											
Balance, March 31, 2018	-	58,016	7,289	55,290	1,869	61,604	1,912	38	3,893	13,994	203,905
Depreciation	-	1,822	815	8,412	619	4,485	488	163	80	2,862	19,746
Depreciation retired	-	-	-	-	-	-	-	-	-	(450)	(450)
Total accumulated depreciation, March 31, 2019	<u>-</u>	<u>59,838</u>	<u>8,104</u>	<u>63,702</u>	<u>2,488</u>	<u>66,089</u>	<u>2,400</u>	<u>201</u>	<u>3,973</u>	<u>16,406</u>	<u>223,201</u>
<b>Net book value, March 31, 2019</b>	<u>\$ 5,329</u>	<u>\$ 131,009</u>	<u>\$ 13,363</u>	<u>\$ 109,067</u>	<u>\$ 8,077</u>	<u>\$ 260,245</u>	<u>\$ 24,135</u>	<u>\$ 4,830</u>	<u>\$ 8,811</u>	<u>\$ 19,971</u>	<u>\$ 584,837</u>

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

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, 2020 (in thousands)

### Stormwater

	Land	Structures and improvements	Collection system	Laterals	Tools and work equipment	Total
<b>Cost</b>						
Balance, April 1, 2019						
Cost	\$ 34	\$ 10,226	\$ 251,661	\$ 5,046	\$ 4,532	\$ 271,499
Additions	-	2,446	14,235	144	1,005	17,830
Disposals	-	-	-	-	-	-
<b>Balance, March 31, 2020</b>	<u>34</u>	<u>12,672</u>	<u>265,896</u>	<u>5,190</u>	<u>5,537</u>	<u>289,329</u>
<b>Accumulated depreciation</b>						
Balance, April 1, 2019	-	1,761	48,373	495	1,887	52,516
Depreciation	-	211	6,329	102	582	7,224
Depreciation retired	-	-	-	-	-	-
Total accumulated depreciation, March 31, 2019	-	<u>1,972</u>	<u>54,702</u>	<u>597</u>	<u>2,469</u>	<u>59,740</u>
<b>Net book value, March 31, 2020</b>	<u>\$ 34</u>	<u>\$ 10,700</u>	<u>\$ 211,194</u>	<u>\$ 4,593</u>	<u>\$ 3,068</u>	<u>\$ 229,589</u>
<b>Cost</b>						
Balance at April 1, 2018						
Cost	\$ 34	\$ 9,762	\$ 245,447	\$ 4,896	\$ 3,812	\$ 263,951
Additions	-	464	6,214	150	720	7,548
Disposals	-	-	-	-	-	-
<b>Balance, March 31, 2019</b>	<u>34</u>	<u>10,226</u>	<u>251,661</u>	<u>5,046</u>	<u>4,532</u>	<u>271,499</u>
<b>Accumulated depreciation</b>						
Balance, April 1, 2018	-	1,579	42,269	396	1,347	45,591
Depreciation	-	182	6,104	99	540	6,925
Depreciation retired	-	-	-	-	-	-
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>
<b>Net book value, March 31, 2019</b>	<u>\$ 34</u>	<u>\$ 8,465</u>	<u>\$ 203,288</u>	<u>\$ 4,551</u>	<u>\$ 2,645</u>	<u>\$ 218,983</u>
<b>Cumulative utility plant in service</b>	<b>Water</b>	<b>Wastewater</b>	<b>Stormwater</b>	<b>Total</b>		
<b>Net book value, March 31, 2020</b>	<b>\$508,755</b>	<b>\$591,803</b>	<b>\$229,589</b>	<b>\$ 1,330,147</b>		
<b>Net book value, March 31, 2019</b>	<b>\$471,323</b>	<b>\$584,837</b>	<b>\$218,983</b>	<b>\$ 1,275,143</b>		

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

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, 2020 (in thousands)

	<u>Interest rate</u>	<u>Final Maturity</u>	<u>Balance Remaining</u>	
			<u>2020</u>	<u>2019</u>
Payable to Municipal Finance Corporation				
Water				
Debenture 29 A 1	0.900% to 4.329%	2019	\$ -	\$ 225
Debenture 30 A 1	1.330% to 2.979%	2020	175	350
Debenture 31 A 1	1.630% to 4.221%	2021	300	450
Debenture 32 A 1	1.636% to 3.480%	2022	600	800
Debenture 32 C 1	1.510% to 3.160%	2022	6,977	7,514
Debenture 33 A 1	1.330% to 2.979%	2023	7,079	7,584
Debenture 33 B 1	1.285% to 3.614%	2023	5,189	5,559
Debenture 34 B 1	1.200% to 3.190%	2024	10,254	10,938
Debenture 35 A 1	1.040% to 2.894%	2025	10,774	11,447
Debenture 36 A 1	1.150% to 2.925%	2026	1,400	1,600
Debenture 36 B 1	1.150% to 2.506%	2026	3,688	3,905
Debenture 37 A 1	1.734% to 3.073%	2027	3,150	3,325
Debenture 38 A 1	2.060% to 3.295%	2028	1,300	1,500
Debenture 38 B 1	2.490% to 3.389%	2028	5,700	6,000
Debenture 39 A 1	2.015% to 2.561%	2029	11,000	-
Wastewater				
Debenture 30 A 1	1.330% to 2.979%	2020	1,870	2,040
Debenture 32 A 1	1.636% to 3.480%	2022	1,558	1,678
Debenture 32 B 1	1.380% to 3.156%	2022	20,800	22,400
Debenture 32 C 1	1.510% to 3.160%	2022	2,987	3,217
Debenture 33 A 1	1.330% to 2.979%	2023	11,802	12,645
Debenture 33 B 1	1.285% to 3.614%	2023	7,625	8,170
Debenture 34 A 1	1.245% to 3.347%	2024	4,177	4,455
Debenture 34 B 1	1.200% to 3.190%	2024	6,439	6,869
Debenture 35 A 1	1.040% to 2.894%	2025	11,288	11,993
Debenture 36 B 1	1.150% to 2.506%	2026	1,541	1,631
Debenture 37 A 1	1.734% to 3.073%	2027	5,490	5,795
Debenture 38 B 1	2.490% to 3.389%	2028	6,080	6,400
Debenture 39 A 1	2.015% to 2.561%	2029	15,000	-
HHSP				
Debenture 29 A 1	0.900% to 4.329%	2019	-	7,150
Debenture 39 A 1	2.015% to 2.561%	2029	6,500	-
Stormwater				
Debenture 33 A 1	1.330% to 2.979%	2023	378	405
Debenture 33 B 1	1.285% to 3.614%	2023	1,847	1,979
Debenture 34 B 1	1.200% to 3.190%	2024	4,427	4,722
Debenture 35 A 1	1.040% to 2.894%	2025	2,584	2,746
Debenture 36 B 1	1.150% to 2.506%	2026	766	811
Debenture 37 A 1	1.734% to 3.073%	2027	360	380
Debenture 38 B 1	2.490% to 3.389%	2028	2,470	2,600
Debenture 39 A 1	2.015% to 2.561%	2029	4,000	-
			<u>187,575</u>	<u>169,283</u>
Payable to Halifax Regional Municipality				
Wastewater/stormwater				
Debenture 24 B 1	2.840% to 5.940%	2024	27,500	33,000
Debenture 34 B 1	1.200% to 3.190%	2024	5,000	6,000
			<u>32,500</u>	<u>39,000</u>
			220,075	208,283
Less: debt issue costs			(929)	(842)
			<u>219,146</u>	<u>207,441</u>
Less: amount payable within one year			(21,184)	(24,709)
			<u>\$ 197,962</u>	<u>\$ 182,732</u>

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule C

Year ended March 31, 2020 (in thousands)

### Water

	<u>2020</u>	<u>2019</u>
Operating revenues		
Water	\$ 47,918	\$ 48,040
Public fire protection	7,074	7,074
Private fire protection	881	869
Other operating revenue		
Bulk water stations	300	227
Customer late payment fees	207	244
Miscellaneous	162	98
	<u>56,542</u>	<u>56,552</u>
Operating expenditures		
Water supply and treatment	9,573	9,767
Water transmission and distribution	10,843	10,903
Engineering and information services	3,230	3,749
Regulatory services	859	679
Customer service	2,520	2,524
Administration and pension	3,536	3,992
Depreciation	9,818	9,046
	<u>40,379</u>	<u>40,660</u>
Earnings from operations before financial and other revenues and expenditures	<u>16,163</u>	<u>15,892</u>
Financial and other revenues		
Interest	222	521
Other	544	559
	<u>766</u>	<u>1,080</u>
Financial and other expenditures		
Interest on long term debt	1,828	1,924
Repayment of long term debt	4,722	7,181
Amortization of debt discount	64	85
Dividend/grant in lieu of taxes	5,078	4,999
Other	32	24
	<u>11,724</u>	<u>14,213</u>
Earnings for the year	<u>\$ 5,205</u>	<u>\$ 2,759</u>

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

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule C

Year ended March 31, 2020 (in thousands)

### Wastewater

	<u>2020</u>	<u>2019</u>
Operating revenues		
Wastewater	\$ 70,494	\$ 69,901
Other operating revenue		
Leachate and other contract revenue	453	417
Septage tipping fees	514	764
Over strength surcharge	14	75
Airplane effluent	98	143
Customer late payment fees	123	186
Miscellaneous	141	185
	<u>71,837</u>	<u>71,671</u>
Operating expenditures		
Wastewater collection	13,963	13,125
Wastewater treatment	20,633	19,789
Engineering and information services	4,478	3,783
Regulatory services	1,432	886
Customer service	2,277	2,061
Administration and pension	3,024	3,242
Depreciation	14,038	12,986
	<u>59,845</u>	<u>55,872</u>
Earnings from operations before financial and other revenues and expenditures	<u>11,992</u>	<u>15,799</u>
Financial and other revenues		
Interest	191	520
Other	155	183
	<u>346</u>	<u>703</u>
Financial and other expenditures		
Interest on long term debt	4,706	4,939
Repayment of long term debt	12,522	12,015
Amortization of debt discount	110	103
Other	35	21
	<u>17,373</u>	<u>17,078</u>
Loss for the year	<u>\$ (5,035)</u>	<u>\$ (576)</u>

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

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule C

Year ended March 31, 2020 (in thousands)

### Stormwater

	<u>2020</u>	<u>2019</u>
Operating revenues		
Stormwater site generated service	\$ 5,361	\$ 5,906
Stormwater right-of-way service	3,835	3,835
Other operating revenue		
Customer late payment fees	81	118
Miscellaneous	94	120
	<u>9,371</u>	<u>9,979</u>
Operating expenditures		
Stormwater collection	4,808	4,950
Engineering and information services	728	624
Regulatory services	1,490	1,587
Customer service	370	335
Administration and pension	484	522
Depreciation	1,222	974
	<u>9,102</u>	<u>8,992</u>
Earnings from operations before financial and other revenue and expenditures	<u>269</u>	<u>987</u>
Financial and other revenues		
Interest	<u>99</u>	<u>116</u>
Financial and other expenditures		
Interest on long term debt	610	567
Repayment of long term debt	1,475	1,320
Amortization of debt discount	13	11
	<u>2,098</u>	<u>1,898</u>
Loss for the year	<u>\$ (1,730)</u>	<u>\$ (795)</u>

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

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule D

Year ended March 31, 2020 (in thousands)

### Regulated activities

	<u>2020</u>	<u>2019</u>
Operating revenues		
Water	\$ 47,918	\$ 48,040
Wastewater	70,494	69,901
Stormwater	9,196	9,741
Public fire protection	7,074	7,074
Private fire protection services	881	869
Other operating revenue	1,085	1,216
	<u>136,648</u>	<u>136,841</u>
Operating expenditures		
Water supply and treatment	9,541	9,746
Water transmission and distribution	10,843	10,903
Wastewater collection	13,963	13,125
Stormwater collection	4,808	4,950
Wastewater treatment	19,868	19,427
Engineering and information services	8,436	8,156
Regulatory services	3,781	3,152
Customer service	5,128	4,885
Administration and pension	7,007	7,713
Depreciation	25,060	22,988
	<u>108,435</u>	<u>105,045</u>
Earnings from operations before financial and other revenues and expenditures	<u>28,213</u>	<u>31,796</u>
Financial and other revenues		
Interest	512	1,157
Other	143	213
	<u>655</u>	<u>1,370</u>
Financial and other expenditures		
Interest on long term debt	7,144	7,430
Repayment of long term debt	18,719	20,516
Amortization of debt discount	187	199
Dividend/grant in lieu of taxes	5,078	4,999
	<u>31,128</u>	<u>33,144</u>
Earnings (loss) for the year	<u>\$ (2,260)</u>	<u>\$ 22</u>

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

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule D

Year ended March 31, 2020 (in thousands)

### Unregulated activities

	<u>2020</u>	<u>2019</u>
Operating revenues		
Septage tipping fees	\$ 514	\$ 764
Leachate treatment and contract revenue	453	417
Airplane effluent	98	143
Other operating revenue	37	37
	<u>1,102</u>	<u>1,361</u>
Operating expenditures		
Water supply and treatment	32	21
Wastewater treatment	765	362
Customer service	39	35
Administration and pension	37	43
Depreciation	18	18
	<u>891</u>	<u>479</u>
Earnings from operations before financial and other revenues and expenditures	<u>211</u>	<u>882</u>
Financial and other revenues		
Other	<u>556</u>	<u>529</u>
Financial and other expenditures		
Other	<u>67</u>	<u>45</u>
Earnings for the year	<u>\$ 700</u>	<u>\$ 1,366</u>

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



# Halifax Regional Water Commission

## Nova Scotia Utility and Review Board information

## Schedule E

Year ended March 31, 2020 (in thousands)

<b>Return on rate base</b>	<b>2020</b>	<b>2019</b>
Rate of return on rate base for water service	<b>3.15%</b>	2.38%
Rate of return on rate base for wastewater service	<b>3.87%</b>	4.29%
Rate of return on rate base for stormwater service	<b>0.50%</b>	1.38%

Return on rate base is calculated based on earnings from operations before financial and other revenues and expenditures divided by the net book value of funded utility plant in service.

### Special purpose reserves

	Wastewater & Stormwater Reserves	RDC Water Reserve	RDC Wastewater Reserve	Other Capital Reserves	<b>2020 Total</b>	<b>2019 Total</b>
Reserve, April 1	\$ 3,606	\$ 3,220	\$ 34,718	\$ 208	<b>\$ 41,752</b>	\$ 27,861
Contributions and interest	-	514	11,781	200	<b>12,495</b>	13,689
Expenditures	-	-	(11,644)	-	<b>(11,644)</b>	202
Reserve, March 31	<u>\$ 3,606</u>	<u>\$ 3,734</u>	<u>\$ 34,855</u>	<u>\$ 408</u>	<u><b>\$ 42,603</b></u>	<u>\$ 41,752</u>

### Summarized consolidated operating results

	<b>2020</b>	<b>2019</b>
Operating revenues	<b>\$ 137,750</b>	\$ 138,202
Operating expenditures	<u><b>109,326</b></u>	<u>105,524</u>
Earnings from operations before financial and other revenues and expenditures	<b>28,424</b>	32,678
Financial and other revenues	<b>1,211</b>	1,899
Financial and other expenditures	<u><b>31,195</b></u>	<u>33,189</u>
Earnings (loss) for the year	<u><b>\$ (1,560)</b></u>	<u>\$ 1,388</u>

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