



Financial Statements

Halifax Regional Water Commission

March 31, 2022



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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 ("Halifax Water"), which comprise the statement of financial position as at March 31, 2022, 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 Halifax Water as at March 31, 2022, 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 Water Utility Accounting and Reporting Handbook. 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, 2022.

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.



Chartered Professional Accountants

Halifax, Canada
June 23, 2022

Halifax Regional Water Commission

Statement of financial position

March 31 (in thousands)

2022

2021

Assets

Current

Cash and cash equivalents	\$	65,586	\$	48,228
Receivables (Note 8)				
Customer charges and contractual		15,900		17,155
Unbilled service revenues		18,838		18,246
Halifax Regional Municipality		851		2,711
Inventory		2,042		2,003
Prepays		2,408		1,570
		<u>105,625</u>		<u>89,913</u>

Intangible assets (Note 10)		20,805		20,588
Capital work in progress		51,013		30,908
Utility plant in service (Note 11)		1,277,360		1,280,283
Total assets		<u>1,454,803</u>		<u>1,421,692</u>

Regulatory deferral account (Note 5)		2,428		2,620
Total assets and regulatory deferral account	\$	<u>1,457,231</u>	\$	<u>1,424,312</u>

Liabilities

Current

Payables and accruals				
Trade	\$	23,255	\$	12,644
Non-trade		5,060		6,192
Interest on long term debt		2,038		2,065
Contractor and customer deposits		2,705		2,115
Current portion of deferred contributed capital (Note 12)		14,614		14,580
Current portion of long term debt (Note 13)		46,272		20,559
Unearned revenue		80		105
		<u>94,024</u>		<u>58,260</u>

Deferred contributed capital (Note 12)		893,975		884,372
Long term debt (Note 13)		177,910		204,106
Employee benefit obligations (Note 4)		41,950		73,796
Total liabilities		<u>1,207,859</u>		<u>1,220,534</u>

Equity

Accumulated other comprehensive income (loss)		11,225		(29,682)
Accumulated surplus		238,147		233,460
Total equity		<u>249,372</u>		<u>203,778</u>

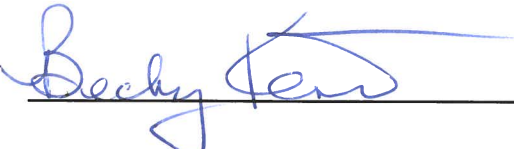
Total liabilities and equity	\$	<u>1,457,231</u>	\$	<u>1,424,312</u>
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Contingent liabilities (Note 3)

Commitments (Note 6)

Approved by the Halifax Regional Water Commission Board

 Chair

 Vice Chair

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of earnings and comprehensive earnings

Year ended March 31 (in thousands)

	2022	2021
Operating revenues		
Water	\$ 48,189	\$ 47,631
Wastewater	80,646	69,605
Stormwater	10,129	8,962
Public fire protection	7,628	7,336
Private fire protection	1,270	1,001
Other operating revenue	<u>2,640</u>	<u>2,034</u>
	<u>150,502</u>	<u>136,569</u>
Operating expenditures (Note 14)		
Water supply and treatment	10,760	9,987
Water transmission and distribution	11,316	10,960
Wastewater collection	12,988	12,710
Stormwater collection	4,566	4,700
Wastewater treatment	21,774	20,623
Engineering and technology services	13,719	11,171
Regulatory services	4,392	3,981
Customer services	4,811	5,081
Corporate services	3,062	-
Administration services	5,359	7,067
Pension services	9,229	7,086
Depreciation and amortization	<u>49,572</u>	<u>48,607</u>
	<u>151,548</u>	<u>141,973</u>
Loss from operations before financial and other revenues and expenditures	<u>(1,046)</u>	<u>(5,404)</u>
Financial and other revenues		
Interest	178	215
Amortization of deferred contributed capital	18,592	18,810
Other	<u>837</u>	<u>2,229</u>
	<u>19,607</u>	<u>21,254</u>
Financial and other expenditures		
Interest on long term debt	6,859	7,118
Amortization of debt issue costs	228	209
Dividend/grant in lieu of taxes (Note 6)	6,466	5,951
Other	<u>129</u>	<u>70</u>
	<u>13,682</u>	<u>13,348</u>
Earnings for the year before regulatory deferral account depreciation	4,879	2,502
Regulatory deferral account depreciation	<u>(192)</u>	<u>(192)</u>
Earnings for the year	<u>4,687</u>	<u>2,310</u>
Other comprehensive earnings (loss)		
Items that will not be reclassified subsequently to earnings:		
Re-measurement on defined benefit plans	<u>40,907</u>	<u>(3,229)</u>
Total comprehensive earnings (loss) for the year	<u>\$ 45,594</u>	<u>\$ (919)</u>

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, April 1, 2020	\$ (26,453)	\$ 231,150	\$ 204,697
Earnings for the year	-	2,310	2,310
Other comprehensive loss	<u>(3,229)</u>	<u>-</u>	<u>(3,229)</u>
Comprehensive earnings (loss) for the year	<u>(3,229)</u>	<u>2,310</u>	<u>(919)</u>
Balance, March 31, 2021	\$ (29,682)	\$ 233,460	\$ 203,778
Earnings for the year	-	4,687	4,687
Other comprehensive earnings	<u>40,907</u>	<u>-</u>	<u>40,907</u>
Comprehensive earnings for the year	<u>40,907</u>	<u>4,687</u>	<u>45,594</u>
Balance, March 31, 2022	\$ 11,225	\$ 238,147	\$ 249,372

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of cash flows

Year ended March 31 (in thousands)

2022

2021

Increase (decrease) in cash and cash equivalents

Operating		
Comprehensive earnings (loss) for the year	\$ 45,594	\$ (919)
Depreciation and amortization	32,492	31,592
Employee benefit obligation	(31,846)	10,431
Gain on disposal of utility plant in service	(219)	(1,481)
	<u>46,021</u>	<u>39,623</u>
Change in non-cash operating working capital items		
Receivables, customer charges and contractual	1,255	1,250
Receivables, unbilled service revenues	(592)	(879)
Receivable from Halifax Regional Municipality	1,860	957
Inventory	(39)	(267)
Prepays	(838)	(568)
Payables and accruals, trade	10,611	(9,303)
Payables and accruals, non-trade	(1,132)	808
Payables and accruals, accrued interest on long term debt	(27)	(74)
Contractor and customer deposits	590	493
Unearned revenue	(25)	(473)
	<u>11,663</u>	<u>(8,056)</u>
	<u>57,684</u>	<u>31,567</u>
Financing		
Proceeds from issuance of long term debt	20,000	26,700
Contributed capital and interest	20,958	16,226
Amortization of debt issue costs	75	3
Principal repayment on Halifax Regional Municipality long term debt	(6,500)	(6,500)
Principal repayments on long term debt	(14,058)	(14,684)
	<u>20,475</u>	<u>21,745</u>
Investing		
Proceeds from sale of utility plant in service	940	1,576
Purchase of capital work in progress	(34,203)	(23,031)
Purchase of utility plant in service and intangible assets	(27,538)	(33,582)
	<u>(60,801)</u>	<u>(55,037)</u>
Net increase (decrease) in cash and cash equivalents	17,358	(1,725)
Cash and cash equivalents, beginning of year	<u>48,228</u>	<u>49,953</u>
Cash and cash equivalents, end of year	<u>\$ 65,586</u>	<u>\$ 48,228</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

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 of Commissioners on June 23, 2022.

(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 and other charges, capital expenditures, depreciation rates and accounting matters, Halifax Water is subject to the jurisdiction of the Nova Scotia Utility and Review Board (NSUARB). Rates and other charges charged to and collected from customers are designed to recover the cost of providing the regulated services. Halifax Water is required to prepare submissions in accordance with the Water Utility Accounting and Reporting Handbook (the NSUARB 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. These assets are described as the "regulatory deferral account" and 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. Losses or gains related to assets retired, demolished or sold are charged or credited to the statement of earnings.

(e) Leased assets

Halifax Water makes use of lease arrangements for office space and equipment, and assesses whether a contract is, or contains a lease at the inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

At lease commencement date, Halifax Water assess whether the recognition of a right-of-use asset and lease liability would have a material impact on the financial statements.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

2. Summary of significant accounting policies (continued)

(e) Leased assets (continued)

A 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). A 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. A 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.

Halifax Water maintains very few lease arrangements and management will assess future leases as they arise to determine whether the impact of the recognition of a right-of-use asset and lease liability on the statements of financial position, where Halifax Water is acting as a lessee, is material to the financial statements. All existing leases have been assessed and recognition in the financial statements has been deemed immaterial.

(f) Deferred contributed capital

Contributions towards capital projects 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.

(g) Cash and cash equivalents

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

(h) Depreciation of utility plant in service

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
Supervisory control and data acquisition (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

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

2. Summary of significant accounting policies (continued)

(h) Depreciation of utility plant in service (continued)

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 establishing a depreciation fund as long as net depreciable additions to utility plant in service exceed the depreciation expense included within the rates.

(i) Inventory

Inventory is comprised of direct materials and supplies. Inventory is valued at the lower of cost and net realizable value with cost being determined on the weighted average cost method.

(j) 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 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.

(k) Long term debt

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

(l) 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, unbilled service revenues from Water, Wastewater and Stormwater Services have been earned, but not yet billed due to the timing of the billing cycles. Management estimates the unbilled service revenues 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 based on expected patterns of usage and historical information.
- Recognition and measurement of provisions and contingencies.

Actual results could differ from these estimates.

(m) 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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

2. Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

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.

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

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.

(n) 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.

(o) 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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

2. Summary of significant accounting policies (continued)

(o) Impairments (continued)

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.

(p) Intangible assets

Intangible assets include land rights, 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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(q) Employee benefit obligations

Halifax Water accrues 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 pension plan; 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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

2. Summary of significant accounting policies (continued)

(q) Employee benefit obligations (continued)

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.

(r) 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.

3. Contingent liabilities

As a condition of sale in 2004 of a property, Halifax Water 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.

Halifax Water is currently reviewing environmental risk factors at other owned properties to determine whether there is an obligation for reclamation. As of the date of issue of the financial statements the likelihood of any related liability is not determinable.

Halifax Water has been named in lawsuits that are ongoing and a liability has been accrued for legal fees and the insurance deductible.

There are other active claims against Halifax Water; however, the likelihood of actual liability is not determinable at this time. If Halifax Water's defence 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

For employees that transferred from HRM, Halifax Water records an expense for the employer share of the contributions to the Halifax Regional Municipality Pension Plan (HRM Pension Plan) in the period when Halifax Water is obligated to make contributions for services rendered by the employee. During 2022, Halifax Water funded \$532 (2021 – \$543) in contributions to the HRM Pension Plan. The number of employees included in this plan is 53 (2021 – 55) and this number is reducing over time. As former HRM employees retire, they are replaced with employees in the Halifax Regional Water Commission Employee Pension Plan (the 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 2022, Halifax Water funded \$23 (2021 – \$23) in contributions to these plans. The number of employees included in these plans is 6 (2021 – 7).

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 consecutive years' earnings. The defined benefit pension plan is funded by employer and employee contributions with employees contributing 9.60% of pensionable employee earnings (10.34% to December 31, 2021), and Halifax Water matching employee contributions. The defined benefit pension plan assets are managed by the HRM Pension Committee.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

4. Employee benefit obligations (continued)

Employees, who retired prior to July 1, 1998, have extended health benefits coverage for life and drug coverage until age 65. Employees, who retired after July 1, 1998 and before December 31, 2008, have coverage for drug, extended health, dental and life insurance until age 65 on a 50/50 cost shared basis and a 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. 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, and June 20, 2019 for non-union employees, 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.

Information about Halifax Water's plans, based on an actuarial extrapolation of the defined benefit pension plan, and an actuarial valuation of the pre-retirement benefits and the post-retirement benefits as at March 31, 2022, is as follows:

	Defined benefit pension plan		Post-retirement benefits		Pre-retirement benefits		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Change in accrued benefit obligation								
Balance, April 1	\$ 227,572	\$ 195,904	\$ 395	\$ 460	\$ 1,718	\$ 1,536	\$ 229,685	\$ 197,900
Current service cost	13,648	11,036	-	-	100	91	13,748	11,127
Interest cost	7,877	7,549	10	15	52	57	7,939	7,621
Benefit payments	(5,433)	(5,514)	(53)	(53)	(92)	(106)	(5,578)	(5,673)
Re-measurements – actuarial (gains)/ losses from changes in financial/experience assumptions	(35,037)	18,597	(42)	(27)	(141)	140	(35,220)	18,710
Balance, March 31	<u>208,627</u>	<u>227,572</u>	<u>310</u>	<u>395</u>	<u>1,637</u>	<u>1,718</u>	<u>210,574</u>	<u>229,685</u>
Change in fair value of plan assets								
Balance, April 1	155,889	134,535	-	-	-	-	155,889	134,535
Investment income	5,326	5,129	-	-	-	-	5,326	5,129
Administrative expenses	(80)	(69)	-	-	-	-	(80)	(69)
Actual return on plan assets	5,869	15,362	-	-	-	-	5,869	15,362
Benefit payments	(5,433)	(5,514)	(53)	(53)	(92)	(106)	(5,433)	(5,673)
Contributions: Employee	3,581	3,287	-	-	-	-	3,581	3,287
Employer	3,472	3,159	53	53	92	106	3,472	3,318
Balance, March 31	<u>168,624</u>	<u>155,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,624</u>	<u>155,889</u>
Accrued benefit liability, March 31	<u>\$ 40,003</u>	<u>\$ 71,683</u>	<u>\$ 310</u>	<u>\$ 395</u>	<u>\$ 1,637</u>	<u>\$ 1,718</u>	<u>\$ 41,950</u>	<u>\$ 73,796</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

4. Employee benefit obligations (continued)

Included in the statement of earnings and comprehensive earnings is pension expense of \$13,066 (2021 - \$10,903).

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

	2022	2021	2022	2021	2022	2021
	Defined benefit pension plan	Defined benefit Pension plan	Post- retirement benefits	Post- retirement benefits	Pre- retirement benefit	Pre- retirement benefit
Discount rate	4.00%	3.40%	3.70%	2.75%	3.90%	2.90%
Expected return on plan assets	4.00%	3.40%	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	9.36%	9.36%	N/A	N/A
Health benefit trending per year	N/A	N/A	6.18%	6.26%	N/A	N/A
Dental benefit trending per year	N/A	N/A	4.00%	4.00%	N/A	N/A

The measurement date used to determine the plan assets and the accrued benefit obligation was March 31, 2022. The most recent actuarial valuation for the defined benefit pension plan was January 1, 2022, with the next going concern extrapolation scheduled for January 1, 2023.

The estimated employer contributions expected to be paid to the pension plans for the next fiscal year are \$3,831.

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 2022 is \$192 (2021 - \$192).

	<u>2022</u>	<u>2021</u>
Balance, April 1	\$ 2,620	\$ 2,812
Depreciation	<u>(192)</u>	<u>(192)</u>
Balance, March 31	<u>\$ 2,428</u>	<u>\$ 2,620</u>

6. Commitments

An agreement with HRM for the dividend/grant in lieu of taxes (dividend) for fiscal years 2020/21 to 2022/23 was signed in the prior fiscal year. Dividend payments are approved as part of revenue requirements by the NSUARB. For the Water System, the dividend is equal to 1.56% of Halifax Water's rate base assets allocated to the Water System at March 31 of the previous fiscal year. For the Wastewater System and Stormwater System, the dividends are 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 dividends have been capped at 1% more than the dividend amounts for 2020/21 that would have been payable had the dividend amounts for 2020/21 been for a full year. The dividends paid in 2020/21 were prorated from the effective date of the agreement of October 1, 2020. The dividends payable for 2022/23 will be capped at 1% more than the dividends payable in the preceding fiscal year.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

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>2022</u>	<u>2021</u>
Long term debt	\$ 224,182	\$ 224,665
Equity	<u>249,372</u>	<u>203,778</u>
Capital under management	<u>\$ 473,554</u>	<u>\$ 428,443</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.

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 fixed rate long-term debt is assumed to approximate its carrying value given the limitations where Halifax Water can obtain long-term debt.

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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

8. Financial instruments and risk management (continued)

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 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>2022</u>	<u>2021</u>
Receivables		
Customer charges, contractual, and unbilled service revenues	\$ 37,969	\$ 38,654
Less: allowance for doubtful accounts	<u>(3,231)</u>	<u>(3,253)</u>
	<u>\$ 34,738</u>	<u>\$ 35,401</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.

Interest risk

Interest risk arises from the possibility that changes in interest rates will cause fluctuations in expenses and/or cash flows associated with Halifax Water's long term debt. 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 Plan and consequently the Plan's surplus. The risk is mitigated by the 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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

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:

	<u>2022</u>		<u>2021</u>
Revenue for provision of Water, Wastewater and Stormwater Services	\$ 4,987	\$	4,808
Public fire protection revenue	7,628		7,336
Dividend	(6,466)		(5,951)
Operating expenditures	<u>(1,537)</u>		<u>(1,694)</u>
Net revenue and expenditures	<u>\$ 4,612</u>	\$	<u>4,499</u>

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, 2022 is 18.98% (2021 – 20.29%).

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>2022</u>		<u>2021</u>
Regular compensation and benefits	\$ 1,370	\$	1,428
Post-employment benefits	<u>132</u>		<u>163</u>
Total compensation	<u>\$ 1,502</u>	\$	<u>1,591</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

10. Intangible assets	<u>2022</u>	<u>2021</u>
Cost		
Balance, April 1	\$ 29,498	\$ 25,933
Additions	<u>2,469</u>	<u>3,565</u>
Balance, March 31	<u>31,967</u>	<u>29,498</u>
Accumulated amortization		
Balance, April 1	8,910	6,982
Amortization	<u>2,252</u>	<u>1,928</u>
Balance, March 31	<u>11,162</u>	<u>8,910</u>
Net book value, March 31	<u>\$ 20,805</u>	<u>\$ 20,588</u>

11. Utility plant in service

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tools and work equipment	Total
Cost						
Balance, April 1, 2021	\$ 25,989	\$ 268,236	\$ 276,330	\$ 958,673	\$ 33,492	\$ 1,562,720
Additions	-	4,731	6,523	32,137	3,047	46,438
Disposals	<u>(218)</u>	<u>(332)</u>	<u>(218)</u>	<u>(162)</u>	<u>(985)</u>	<u>(1,915)</u>
Balance, March 31, 2022	<u>25,771</u>	<u>272,635</u>	<u>282,635</u>	<u>990,648</u>	<u>35,554</u>	<u>1,607,243</u>
Accumulated depreciation						
Balance, April 1, 2021	\$ -	\$ 72,724	\$ 86,766	\$ 112,483	\$ 10,464	\$ 282,437
Depreciation	-	9,111	15,536	18,222	5,771	48,640
Depreciation retired	<u>-</u>	<u>(54)</u>	<u>(149)</u>	<u>(11)</u>	<u>(980)</u>	<u>(1,194)</u>
Balance, March 31, 2022	<u>-</u>	<u>81,781</u>	<u>102,153</u>	<u>130,694</u>	<u>15,255</u>	<u>329,883</u>
Net book value, March 31, 2022	<u>\$ 25,771</u>	<u>\$ 190,854</u>	<u>\$ 180,482</u>	<u>\$ 859,954</u>	<u>\$ 20,299</u>	<u>\$ 1,277,360</u>

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tools and work equipment	Total
Cost						
Balance, April 1, 2020	\$ 21,603	\$ 263,360	\$ 271,047	\$ 934,692	\$ 33,892	\$ 1,524,594
Additions	4,386	4,925	5,477	23,981	8,881	47,650
Disposals	<u>-</u>	<u>(49)</u>	<u>(194)</u>	<u>-</u>	<u>(9,281)</u>	<u>(9,524)</u>
Balance, March 31, 2021	<u>25,989</u>	<u>268,236</u>	<u>276,330</u>	<u>958,673</u>	<u>33,492</u>	<u>1,562,720</u>
Accumulated depreciation						
Balance, April 1, 2020	\$ -	\$ 62,646	\$ 71,773	\$ 94,691	\$ 14,474	\$ 243,584
Depreciation	-	10,120	15,104	17,792	5,266	48,282
Depreciation retired	<u>-</u>	<u>(42)</u>	<u>(111)</u>	<u>-</u>	<u>(9,276)</u>	<u>(9,429)</u>
Balance, March 31, 2021	<u>-</u>	<u>72,724</u>	<u>86,766</u>	<u>112,483</u>	<u>10,464</u>	<u>282,437</u>
Net book value, March 31, 2021	<u>\$ 25,989</u>	<u>\$ 195,512</u>	<u>\$ 189,564</u>	<u>\$ 846,190</u>	<u>\$ 23,028</u>	<u>\$ 1,280,283</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

12. Deferred contributed capital	<u>2022</u>	<u>2021</u>
Balance, April 1	\$ 898,952	\$ 894,130
Assets contributed during the year	7,271	7,406
Contributions and interest	20,958	16,226
Amortization	<u>(18,592)</u>	<u>(18,810)</u>
Balance, March 31	908,589	898,952
Less: current portion	<u>(14,614)</u>	<u>(14,580)</u>
	<u>\$ 893,975</u>	<u>\$ 884,372</u>

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.

13. Long-term debt	<u>Interest rates</u>	<u>2022</u>	<u>2021</u>
Payable to Municipal Finance Corporation (MFC)			
Water	0.400% to 4.221%	\$ 79,286	\$ 74,648
HHSP	2.015% to 2.561%	5,200	5,850
Wastewater	0.400% to 3.614%	96,915	97,670
Stormwater	0.400% to 3.614%	<u>24,132</u>	<u>21,423</u>
		205,533	199,591
Payable to Halifax Regional Municipality			
Wastewater/Stormwater	1.200% to 5.940%	<u>19,500</u>	<u>26,000</u>
		225,033	225,591
Less: debt issue costs		<u>(851)</u>	<u>(926)</u>
		224,182	224,665
Less: amount payable within one year		<u>(46,272)</u>	<u>(20,559)</u>
		<u>\$ 177,910</u>	<u>\$ 204,106</u>

During the year Halifax Water acquired \$20,000 in new debt with a ten year term and twenty year amortization period.

The debentures are repayable in fixed annual principal instalments plus interest payable semi-annually. Interest paid during the year was \$6,859 (2021 - \$7,118). Principal instalments for the next five years are as follows:

2022/23	\$ 46,272
2023/24	\$ 42,951
2024/25	\$ 33,065
2025/26	\$ 23,417
2026/27	\$ 9,999
Thereafter	\$ 69,329

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2022 (in thousands)

14. Operating expenditures by nature	<u>2022</u>	<u>2021</u>
Salaries and benefits	\$ 43,817	\$ 42,007
Pension	9,229	7,086
Training	432	325
Contract services	13,938	13,182
Electricity	7,160	6,868
Operating supplies	13,081	10,672
Professional services	5,953	5,650
Chemicals	7,046	5,973
Depreciation on assets allocated to departments	1,320	1,603
Depreciation and amortization	<u>49,572</u>	<u>48,607</u>
	<u>\$ 151,548</u>	<u>\$ 141,973</u>

15. Subsequent event

On April 13, 2022, the NSUARB approved the Stormwater Service Expansion application filed on October 13, 2021. With that approval, Halifax Water will assume responsibility for Stormwater infrastructure in several new areas effective June 1, 2022 from HRM. A comprehensive assessment of the existing infrastructure will be required to determine the value of assets acquired in order to recognize the assets within the financial statements. Halifax Water will not compensate HRM for the transfer of these assets. In addition, an assessment of properties will be required to determine which are connected to the Stormwater system and will receive services.

16. Comparative figures

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

Halifax Regional Water Commission Schedule of utility plant in service

Year ended March 31, 2022 (in thousands)

Schedule A

Water

	Land improvements	Structures and improvements	Pumping equipment	Purification equipment	SCADA equipment	Transmission and distribution mains	Services	Meters	Hydrants	Aerotech and small systems	Tools and work equipment	Total
Cost												
Balance, April 1, 2021	\$ 18,433	\$ 121,564	\$ 10,745	\$ 28,232	\$ 11,371	\$ 411,533	\$ 43,158	\$ 19,147	\$ 21,990	\$ 10,048	\$ 32,162	\$ 728,383
Cost	-	1,593	33	1,179	19	7,086	1,894	208	457	-	3,514	15,983
Additions	(218)	(332)	-	-	(97)	(154)	1,894	(121)	-	-	(545)	(1,467)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2022	18,215	122,825	10,778	29,411	11,293	418,465	45,052	19,234	22,447	10,048	35,131	742,899
Accumulated depreciation												
Balance, April 1, 2021	-	33,572	8,167	19,863	4,931	100,002	9,081	5,874	5,216	3,963	16,695	207,364
Depreciation	-	2,125	301	1,206	536	5,287	769	900	365	333	3,340	15,162
Depreciation retired	-	(32)	-	-	(92)	(10)	-	(57)	-	-	(545)	(736)
Total accumulated depreciation, March 31, 2022	-	35,665	8,468	21,069	5,375	105,279	9,850	6,717	5,581	4,296	19,490	221,790
Net book value, March 31, 2022	\$ 18,215	\$ 87,160	\$ 2,310	\$ 8,342	\$ 5,918	\$ 313,186	\$ 35,202	\$ 12,517	\$ 16,866	\$ 5,752	\$ 15,641	\$ 521,109
Cost												
Balance, April 1, 2020	\$ 16,240	\$ 118,167	\$ 10,686	\$ 27,775	\$ 10,996	\$ 399,537	\$ 41,546	\$ 18,799	\$ 21,497	\$ 10,054	\$ 33,048	\$ 708,345
Cost	2,193	3,546	59	474	375	11,996	1,612	542	483	-	5,712	27,002
Additions	-	(149)	-	(17)	-	-	-	(194)	-	(6)	(6,598)	(6,964)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2021	18,433	121,564	10,745	28,232	11,371	411,533	43,158	19,147	21,990	10,048	32,162	728,383
Accumulated depreciation												
Balance, April 1, 2020	-	31,504	7,869	18,699	4,405	94,804	8,347	5,082	4,860	3,627	20,393	199,590
Depreciation	-	2,082	298	1,166	526	5,198	734	895	356	337	2,856	14,448
Depreciation retired	-	(14)	-	(2)	-	-	-	(103)	-	(1)	(6,554)	(6,674)
Total accumulated depreciation, March 31, 2021	-	33,572	8,167	19,863	4,931	100,002	9,081	5,874	5,216	3,963	16,695	207,364
Net book value, March 31, 2021	\$ 18,433	\$ 87,992	\$ 2,578	\$ 8,369	\$ 6,440	\$ 311,531	\$ 34,077	\$ 13,273	\$ 16,774	\$ 6,085	\$ 15,467	\$ 521,019

Schedule A is presented in accordance with the NSUARB Water Utility Accounting and Reporting Handbook (NSUARB Handbook).

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

Halifax Regional Water Commission Schedule of utility plant in service

Year ended March 31, 2022 (in thousands)

Schedule A

Wastewater

	Land	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Meters	Aerotech and small systems	Tools and work equipment	Total
Cost											
Balance, April 1, 2021	\$ 7,083	\$ 196,408	\$ 23,273	\$ 176,639	\$ 15,954	\$ 336,514	\$ 31,433	\$ 8,763	\$ 12,784	\$ 45,649	\$ 854,500
Cost	-	3,089	2,869	1,549	-	12,637	846	208	-	1,691	22,889
Additions	-	-	-	-	-	-	-	-	-	(440)	(440)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2022	7,083	199,497	26,142	178,188	15,954	349,151	32,279	8,971	12,784	46,900	876,949
Accumulated depreciation											
Balance, April 1, 2021	-	68,574	9,814	81,043	4,222	75,282	3,581	963	4,815	20,604	268,898
Depreciation	-	4,430	1,020	9,079	924	4,744	646	444	394	3,958	25,639
Depreciation retired	-	-	-	-	-	-	-	-	-	(435)	(435)
Total accumulated depreciation, March 31, 2022	-	73,004	10,834	90,122	5,146	80,026	4,227	1,407	5,209	24,127	294,102
Net book value, March 31, 2022	7,083	126,493	15,308	88,066	10,808	269,125	28,052	7,564	7,575	22,773	582,847
Cost											
Balance, April 1, 2020	\$ 5,329	\$ 194,939	\$ 22,110	\$ 174,761	\$ 15,761	\$ 332,994	\$ 29,258	\$ 8,440	\$ 12,784	\$ 42,137	\$ 838,513
Cost	1,754	1,599	1,340	1,991	193	3,930	2,175	323	-	6,023	19,328
Additions	-	(130)	(177)	(113)	-	(410)	-	-	-	(2,511)	(3,341)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2021	7,083	196,408	23,273	176,639	15,954	336,514	31,433	8,763	12,784	45,649	854,500
Accumulated depreciation											
Balance, April 1, 2020	-	64,252	8,947	72,195	3,298	70,660	2,966	532	4,402	19,458	246,710
Depreciation	-	4,383	897	8,879	924	4,639	615	431	413	3,650	24,831
Depreciation retired	-	(61)	(30)	(31)	-	(17)	-	-	-	(2,504)	(2,643)
Total accumulated depreciation, March 31, 2021	-	68,574	9,814	81,043	4,222	75,282	3,581	963	4,815	20,604	268,898
Net book value, March 31, 2021	7,083	127,834	13,459	95,596	11,732	261,232	27,852	7,800	7,969	25,045	585,602

Schedule A is presented in accordance with the NSUARB Handbook.

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

Halifax Regional Water Commission

Schedule of utility plant in service

Year ended March 31, 2022 (in thousands)

Schedule A

Stormwater

	Land	Structures and improvements	Collection system	Laterals	Aerotech and small systems	Total
Cost						
Balance, April 1, 2021	\$ 473	\$ 12,683	\$ 270,385	\$ 5,374	\$ 6,076	\$ 294,991
Cost	-	49	9,523	151	312	10,035
Additions	-	-	(8)	-	-	(8)
Disposals	-	-	-	-	-	-
Balance, March 31, 2022	<u>473</u>	<u>12,732</u>	<u>279,900</u>	<u>5,525</u>	<u>6,388</u>	<u>305,018</u>
Accumulated depreciation						
Balance, April 1, 2021	-	2,208	61,212	703	2,970	67,093
Depreciation	-	236	6,655	109	721	7,721
Depreciation retired	-	-	(2)	-	-	(2)
Total accumulated depreciation, March 31, 2022	-	2,444	67,865	812	3,691	74,812
Net book value, March 31, 2022	<u>\$ 473</u>	<u>\$ 10,288</u>	<u>\$ 212,035</u>	<u>\$ 4,713</u>	<u>\$ 2,697</u>	<u>\$ 230,206</u>
Cost						
Balance, April 1, 2020	\$ 34	\$ 12,672	\$ 265,896	\$ 5,190	\$ 5,537	\$ 289,329
Cost	439	11	4,779	184	769	6,182
Additions	-	-	(290)	-	(230)	(520)
Disposals	-	-	-	-	-	-
Balance, March 31, 2021	<u>473</u>	<u>12,683</u>	<u>270,385</u>	<u>5,374</u>	<u>6,076</u>	<u>294,991</u>
Accumulated depreciation						
Balance, April 1, 2020	-	1,972	54,702	597	2,469	59,740
Depreciation	-	236	6,520	106	731	7,593
Depreciation retired	-	-	(10)	-	(230)	(240)
Total accumulated depreciation, March 31, 2021	-	2,208	61,212	703	2,970	67,093
Net book value, March 31, 2021	<u>\$ 473</u>	<u>\$ 10,475</u>	<u>\$ 209,173</u>	<u>\$ 4,671</u>	<u>\$ 3,106</u>	<u>\$ 227,898</u>

	Water	Wastewater	Stormwater	Total
Cumulative utility plant in service				
Net book value, March 31, 2022	\$ 521,109	\$ 582,847	\$ 230,206	\$ 1,334,162
Net book value, March 31, 2021	\$ 521,019	\$ 585,602	\$ 227,898	\$ 1,334,519

Schedule A is presented in accordance with the NSUARB Handbook.

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

Halifax Regional Water Commission

Schedule of long term debt

Schedule B

Year ended March 31, 2022 (in thousands)

	Interest rate	Final Maturity	Balance Remaining	
			2022	2021
Payable to Municipal Finance Corporation				
Water				
Debenture 31 A 1	1.630% to 4.221%	2021	\$ -	\$ 150
Debenture 32 A 1	1.636% to 3.480%	2022	200	400
Debenture 32 C 1	1.510% to 3.160%	2022	5,904	6,440
Debenture 33 A 1	1.330% to 2.979%	2023	6,067	6,573
Debenture 33 B 1	1.285% to 3.614%	2023	4,447	4,818
Debenture 34 B 1	1.200% to 3.190%	2024	8,887	9,571
Debenture 35 A 1	1.040% to 2.894%	2025	9,427	10,100
Debenture 36 A 1	1.150% to 2.925%	2026	1,000	1,200
Debenture 36 B 1	1.150% to 2.506%	2026	3,254	3,471
Debenture 37 A 1	1.734% to 3.073%	2027	2,800	2,975
Debenture 38 A 1	2.060% to 3.295%	2028	900	1,100
Debenture 38 B 1	2.490% to 3.389%	2028	5,100	5,400
Debenture 39 A 1	2.015% to 2.561%	2029	9,900	10,450
Debenture 40 A 1	0.678% to 1.879%	2030	11,400	12,000
Debenture 40 B 1	0.400% to 2.376%	2031	10,000	-
Wastewater				
Debenture 32 A 1	1.636% to 3.480%	2022	1,318	1,438
Debenture 32 B 1	1.380% to 3.156%	2022	17,600	19,200
Debenture 32 C 1	1.510% to 3.160%	2022	2,527	2,757
Debenture 33 A 1	1.330% to 2.979%	2023	10,116	10,959
Debenture 33 B 1	1.285% to 3.614%	2023	6,536	7,080
Debenture 34 A 1	1.245% to 3.347%	2024	3,620	3,898
Debenture 34 B 1	1.200% to 3.190%	2024	5,581	6,010
Debenture 35 A 1	1.040% to 2.894%	2025	9,877	10,583
Debenture 36 B 1	1.150% to 2.506%	2026	1,360	1,450
Debenture 37 A 1	1.734% to 3.073%	2027	4,880	5,185
Debenture 38 B 1	2.490% to 3.389%	2028	5,440	5,760
Debenture 39 A 1	2.015% to 2.561%	2029	13,500	14,250
Debenture 40 A 1	0.678% to 1.879%	2030	8,560	9,100
Debenture 40 B 1	0.400% to 2.376%	2031	6,000	-
HHSP				
Debenture 39 A 1	2.015% to 2.561%	2029	5,200	5,850
Stormwater				
Debenture 33 A 1	1.330% to 2.979%	2023	324	351
Debenture 33 B 1	1.285% to 3.614%	2023	1,584	1,715
Debenture 34 B 1	1.200% to 3.190%	2024	3,837	4,132
Debenture 35 A 1	1.040% to 2.894%	2025	2,261	2,423
Debenture 36 B 1	1.150% to 2.506%	2026	676	722
Debenture 37 A 1	1.734% to 3.073%	2027	320	340
Debenture 38 B 1	2.490% to 3.389%	2028	2,210	2,340
Debenture 39 A 1	2.015% to 2.561%	2029	3,600	3,800
Debenture 40 A 1	0.678% to 1.879%	2030	5,320	5,600
Debenture 40 B 1	0.400% to 2.376%	2031	4,000	-
			205,533	199,591
Payable to Halifax Regional Municipality				
Wastewater/Stormwater				
Debenture 24 B 1	2.840% to 5.940%	2024	16,500	22,000
Debenture 34 B 1	1.200% to 3.190%	2024	3,000	4,000
			19,500	26,000
			225,033	225,591
Less: debt issue costs			(851)	(926)
			224,182	224,665
Less: amount payable within one year			(46,272)	(20,559)
			\$ 177,910	\$ 204,106

Halifax Regional Water Commission

Schedule of earnings

Schedule C

Year ended March 31, 2022 (in thousands)

Water

	<u>2022</u>	<u>2021</u>
Operating revenues		
Water	\$ 48,189	\$ 47,631
Public fire protection	7,628	7,336
Private fire protection	1,270	1,001
Other operating revenue		
Bulk water stations	317	318
Late payment and connection fees	275	155
Miscellaneous	333	204
	<u>58,012</u>	<u>56,645</u>
Operating expenditures		
Water supply and treatment	10,760	9,987
Water transmission and distribution	11,316	10,960
Engineering and technology services	6,188	4,725
Regulatory services	1,220	1,091
Customer services	2,505	2,614
Corporate services	1,454	-
Administration services	3,429	3,620
Depreciation and amortization	11,489	10,879
	<u>48,361</u>	<u>43,876</u>
Earnings from operations before financial and other revenues and expenditures	<u>9,651</u>	<u>12,769</u>
Financial and other revenues		
Interest	123	127
Other	467	572
	<u>590</u>	<u>699</u>
Financial and other expenditures		
Interest on long term debt	2,113	2,028
Repayment of long term debt	5,808	5,331
Amortization of debt issue costs	81	74
Dividend/grant in lieu of taxes	5,553	5,498
Other	114	44
	<u>13,669</u>	<u>12,975</u>
Earnings (loss) for the year	<u>\$ (3,428)</u>	<u>\$ 493</u>

Schedule C is presented in accordance with the NSUARB Handbook.

Halifax Regional Water Commission

Schedule of earnings

Schedule C

Year ended March 31, 2022 (in thousands)

Wastewater

	<u>2022</u>	<u>2021</u>
Operating revenues		
Wastewater	\$ 80,646	\$ 69,605
Other operating revenue		
Leachate and other contract revenue	483	416
Septage tipping fees	490	486
Over strength surcharge	-	1
Airplane effluent	3	33
Late payment and connection fees	209	118
Miscellaneous	234	163
	<u>82,065</u>	<u>70,822</u>
Operating expenditures		
Wastewater collection	12,988	12,710
Wastewater treatment	21,774	20,623
Engineering and technology services	6,014	5,096
Regulatory services	1,584	1,385
Customer services	2,032	2,189
Corporate services	1,383	-
Administration services	1,660	2,965
Depreciation and amortization	15,882	15,019
	<u>63,317</u>	<u>59,987</u>
Earnings from operations before financial and other revenues and expenditures	<u>18,748</u>	<u>10,835</u>
Financial and other revenues		
Interest	36	55
Other	151	176
	<u>187</u>	<u>231</u>
Financial and other expenditures		
Interest on long term debt	4,019	4,405
Repayment of long term debt	13,610	13,242
Amortization of debt issue costs	125	117
Dividend/grant in lieu of taxes	777	386
Other	15	26
	<u>18,546</u>	<u>18,176</u>
Earnings (loss) for the year	<u>\$ 389</u>	<u>\$ (7,110)</u>

Schedule C is presented in accordance with the NSUARB Handbook.

Halifax Regional Water Commission

Schedule of earnings

Schedule C

Year ended March 31, 2022 (in thousands)

Stormwater

	<u>2022</u>	<u>2021</u>
Operating revenues		
Stormwater site generated service	\$ 6,294	\$ 5,127
Stormwater right-of-way service	3,835	3,835
Other operating revenue		
Late payment and connection fees	170	38
Miscellaneous	126	102
	<u>10,425</u>	<u>9,102</u>
Operating expenditures		
Stormwater collection	4,566	4,700
Engineering and technology services	1,517	1,288
Regulatory services	1,588	1,350
Customer services	274	278
Corporate services	225	-
Administration services	270	482
Depreciation and amortization	2,403	2,198
	<u>10,843</u>	<u>10,513</u>
Loss from operations before financial and other revenue and expenditures	<u>(418)</u>	<u>(1,411)</u>
Financial and other revenues		
Interest	19	33
Financial and other expenditures		
Interest on long term debt	727	685
Repayment of long term debt	2,059	1,806
Amortization of debt issue costs	22	18
Dividend/grant in lieu of taxes	136	67
	<u>2,944</u>	<u>2,576</u>
Loss for the year	<u>\$ (3,343)</u>	<u>\$ (3,954)</u>

In 2017, the NSUARB approved the inclusion of a percentage of depreciation on contributed Stormwater assets within expenditures. This depreciation was not previously reported within Schedules C and D, although reported for IFRS purposes. The current fiscal year includes depreciation of \$0.7 and the comparative figures have been restated to include the prior year amount of \$0.7.

Halifax Regional Water Commission

Schedule of earnings

Schedule D

Year ended March 31, 2022 (in thousands)

Regulated activities

	<u>2022</u>	<u>2021</u>
Operating revenues		
Water	\$ 48,189	\$ 47,631
Wastewater	80,646	69,605
Stormwater	10,129	8,962
Public fire protection	7,628	7,336
Private fire protection services	1,270	1,001
Other operating revenue	1,625	1,061
	<u>149,487</u>	<u>135,596</u>
Operating expenditures		
Water supply and treatment	10,720	9,970
Water transmission and distribution	11,316	10,960
Wastewater collection	12,965	12,664
Stormwater collection	4,566	4,700
Wastewater treatment	21,053	20,060
Engineering and technology services	13,719	11,171
Regulatory services	4,392	3,981
Customer services	4,777	5,026
Corporate services	3,044	-
Administration services	5,244	7,029
Depreciation and amortization	29,756	28,078
	<u>121,552</u>	<u>113,639</u>
Earnings from operations before financial and other revenues and expenditures	<u>27,935</u>	<u>21,957</u>
Financial and other revenues		
Interest	178	215
Other	28	88
	<u>206</u>	<u>303</u>
Financial and other expenditures		
Interest on long term debt	6,859	7,118
Repayment of long term debt	21,477	20,379
Amortization of debt issue costs	228	209
Dividend/grant in lieu of taxes	6,466	5,951
	<u>35,030</u>	<u>33,657</u>
Loss for the year	<u>\$ (6,889)</u>	<u>\$ (11,397)</u>

Schedule D is presented in accordance with the NSUARB Handbook.

Halifax Regional Water Commission

Schedule of earnings

Schedule D

Year ended March 31, 2022 (in thousands)

Unregulated activities

	<u>2022</u>	<u>2021</u>
Operating revenues		
Septage tipping fees	\$ 490	\$ 486
Leachate treatment and contract revenue	483	416
Airplane effluent	3	33
Other operating revenue	<u>39</u>	<u>38</u>
	<u>1,015</u>	<u>973</u>
Operating expenditures		
Water supply and treatment	40	17
Wastewater treatment	721	563
Wastewater collection	23	46
Customer services	34	55
Corporate services	18	-
Administration services	115	38
Depreciation and amortization	<u>18</u>	<u>18</u>
	<u>969</u>	<u>737</u>
Earnings from operations before financial and other revenues and expenditures	<u>46</u>	<u>236</u>
Financial and other revenues		
Other	<u>590</u>	<u>660</u>
Financial and other expenditures		
Other	<u>129</u>	<u>70</u>
Earnings for the year	<u>\$ 507</u>	<u>\$ 826</u>

Halifax Regional Water Commission Nova Scotia Utility and Review Board information

Schedule E

Year ended March 31, 2022 (in thousands)

Return on rate base	<u>2022</u>	<u>2021</u>
Rate of return on rate base for Water Service	1.13%	1.99%
Rate of return on rate base for Wastewater Service	5.77%	3.09%
Rate of return on rate base for Stormwater Service	0.24%	0.09%

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 and Stormwater Reserves	Regional Development Charge Water Reserve	Regional Development Charge Wastewater Reserve	Other Capital Reserves	<u>2022 Total</u>	<u>2021 Total</u>
Reserve, April 1	\$ 1,964	\$ 3,125	\$ 48,359	\$ 608	\$ 54,056	\$ 46,001
Contributions and interest	-	3,609	18,732	271	22,612	15,466
Expenditures	-	(3,729)	(2,978)	-	(6,707)	(7,411)
Reserve, March 31	\$ 1,964	\$ 3,005	\$ 64,113	\$ 879	\$ 69,961	\$ 54,056

Summarized consolidated operating results

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 150,502	\$ 136,569
Operating expenditures	<u>122,521</u>	<u>114,376</u>
Earnings from operations before financial and other revenues and expenditures	27,981	22,193
Financial and other revenues	796	963
Financial and other expenditures	<u>35,159</u>	<u>33,727</u>
Loss for the year	<u>\$ (6,382)</u>	<u>\$ (10,571)</u>

Schedule E is presented in accordance with the NSUARB Handbook.