



Financial Statements

Halifax Regional Water Commission

March 31, 2023



Contents

	Page
Independent auditor's report	1-2
Statement of financial position	3
Statement of earnings and comprehensive earnings	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7-20
Schedules	
A Schedule of utility plant in service	
Water	21
Wastewater	22
Stormwater	23
B Schedule of long term debt	24
C Schedule of earnings	
Water	25
Wastewater	26
Stormwater	27
D Schedule of earnings	
Regulated activities	28
Unregulated activities	29
E Nova Scotia Utility and Review Board information	30

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, 2023, 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, 2023, 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, 2023.

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.



Halifax, Canada
June 22, 2023

Chartered Professional Accountants

Halifax Regional Water Commission

Statement of financial position

March 31 (in thousands)

2023

2022

Assets

Current

Cash and cash equivalents	\$ 44,596	\$ 65,586
Receivables (Note 8)		
Customer charges and contractual	17,824	15,900
Unbilled service revenues	19,265	18,838
Halifax Regional Municipality	11,287	851
Inventory	3,517	2,042
Prepays	1,282	2,408
	<u>97,771</u>	<u>105,625</u>

Intangible assets (Note 10)	22,807	20,805
Capital work in progress	79,447	51,013
Utility plant in service (Note 11)	1,302,514	1,277,393
Total assets	<u>1,502,539</u>	<u>1,454,836</u>

Regulatory deferral account (Note 5)	2,236	2,428
Total assets and regulatory deferral account	\$ 1,504,775	\$ 1,457,264

Liabilities

Current

Payables and accruals	\$ 33,826	\$ 23,288
Trade	4,717	5,060
Non-trade	2,205	2,038
Interest on long term debt	2,841	2,705
Contractor and customer deposits	18,836	14,614
Current portion of deferred contributed capital (Note 12)	45,962	46,272
Current portion of long term debt (Note 13)	76	80
Unearned revenue	<u>108,463</u>	<u>94,057</u>

Deferred contributed capital (Note 12)	919,422	893,975
Long term debt (Note 13)	172,489	177,910
Employee benefit obligations (Note 4)	8,078	41,950
Total liabilities	<u>1,208,452</u>	<u>1,207,892</u>

Equity

Accumulated other comprehensive income	51,651	11,225
Accumulated surplus	244,672	238,147
Total equity	<u>296,323</u>	<u>249,372</u>

Total liabilities and equity	\$ 1,504,775	\$ 1,457,264
-------------------------------------	---------------------	---------------------

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)	2023	2022
Operating revenues		
Water	\$ 49,160	\$ 48,189
Wastewater	82,622	80,646
Stormwater	11,406	10,129
Public fire protection	7,744	7,628
Private fire protection	1,377	1,270
Other operating revenue	2,780	2,640
	<u>155,089</u>	<u>150,502</u>
Operating expenditures (Note 14)		
Water supply and treatment	11,646	10,760
Water transmission and distribution	11,757	11,316
Wastewater collection	13,691	12,988
Stormwater collection	4,719	4,566
Wastewater treatment	23,420	21,774
Engineering and technology services	13,677	13,719
Regulatory services	4,434	4,392
Customer services	4,447	4,811
Corporate services	3,075	3,062
Administration services	5,578	5,359
Pension services	6,851	9,229
Depreciation and amortization	51,438	49,572
	<u>154,733</u>	<u>151,548</u>
Income (loss) from operations before financial and other revenues and expenditures	<u>356</u>	<u>(1,046)</u>
Financial and other revenues		
Interest	429	178
Amortization of deferred contributed capital	18,793	18,592
Other	870	837
	<u>20,092</u>	<u>19,607</u>
Financial and other expenditures		
Interest on long term debt	6,851	6,859
Amortization of debt issue costs	227	228
Dividend/grant in lieu of taxes (Note 6)	6,524	6,466
Other	129	129
	<u>13,731</u>	<u>13,682</u>
Earnings for the year before regulatory deferral account depreciation	6,717	4,879
Regulatory deferral account depreciation	<u>(192)</u>	<u>(192)</u>
Earnings for the year	<u>6,525</u>	<u>4,687</u>
Other comprehensive earnings		
Items that will not be reclassified subsequently to earnings:		
Re-measurement on defined benefit plans	40,426	40,907
Total comprehensive earnings for the year	<u>\$ 46,951</u>	<u>\$ 45,594</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, 2021	\$ (29,682)	\$ 233,460	\$ 203,778
Earnings for the year	-	4,687	4,687
Other comprehensive earnings	40,907	-	40,907
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
Earnings for the year	-	6,525	6,525
Other comprehensive earnings	40,426	-	40,426
Comprehensive earnings for the year	<u>40,426</u>	<u>6,525</u>	<u>46,951</u>
Balance, March 31, 2023	\$ 51,651	\$ 244,672	\$ 296,323

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of cash flows

Year ended March 31 (in thousands)

2023

2022

Increase (decrease) in cash and cash equivalents

	2023	2022
Operating		
Comprehensive earnings for the year	\$ 46,951	\$ 45,594
Depreciation and amortization	33,836	32,492
Employee benefit obligation	(33,872)	(31,846)
Gain on disposal of utility plant in service	-	(219)
	<u>46,915</u>	<u>46,021</u>
Change in non-cash operating working capital items		
Receivables, customer charges and contractual	(1,924)	1,255
Receivables, unbilled service revenues	(427)	(592)
Receivable from Halifax Regional Municipality	(10,436)	1,860
Inventory	(1,475)	(39)
Prepays	1,126	(838)
Payables and accruals, trade	10,538	10,611
Payables and accruals, non-trade	(343)	(1,132)
Payables and accruals, accrued interest on long term debt	167	(27)
Contractor and customer deposits	136	590
Unearned revenue	(4)	(25)
	<u>(2,642)</u>	<u>11,663</u>
	<u>44,273</u>	<u>57,684</u>
Financing		
Proceeds from issuance of long term debt	15,749	20,000
Contributed capital and interest	29,962	20,958
Amortization of debt issue costs	(71)	75
Principal repayment on Halifax Regional Municipality long term debt	(6,500)	(6,500)
Principal repayments on long term debt	(14,909)	(14,058)
	<u>24,231</u>	<u>20,475</u>
Investing		
Proceeds from sale of utility plant in service	-	940
Purchase of capital work in progress	(53,832)	(34,203)
Purchase of utility plant in service and intangible assets	(35,662)	(27,538)
	<u>(89,494)</u>	<u>(60,801)</u>
Net (decrease) increase in cash and cash equivalents	(20,990)	17,358
Cash and cash equivalents, beginning of year	<u>65,586</u>	<u>48,228</u>
Cash and cash equivalents, end of year	<u>\$ 44,596</u>	<u>\$ 65,586</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (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 22, 2023.

(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, 2023 (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, 2023 (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, 2023 (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 subsequently 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.

Subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method. All interest charges are included in interest costs or revenues within the statement of earnings and comprehensive earnings.

(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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

2. Summary of significant accounting policies (continued)

(o) Impairments (continued)

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.

(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
-------------------	----------------

(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 Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

2. Summary of significant accounting policies (continued)

(q) Employee benefit obligations (continued)

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.

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 has reviewed 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.

There are 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's 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 2023, Halifax Water funded \$458 (2022 - \$532) in contributions to the HRM Pension Plan. The number of employees included in this plan is 48 (2022 - 53) 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 2023, Halifax Water funded \$28 (2022 - \$23) in contributions to these plans. The number of employees included in these plans is 6 (2022 - 6).

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

4. Employee benefit obligations (continued)

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% (10.34% to December 31, 2021) of pensionable 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 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, 2023, is as follows:

	Defined benefit pension plan		Post-retirement benefits		Pre-retirement benefits		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Change in accrued benefit obligation								
Balance, April 1	\$ 208,627	\$ 227,572	\$ 310	\$ 395	\$ 1,637	\$ 1,718	\$ 210,574	\$ 229,685
Current service cost	11,628	13,648	-	-	89	100	11,717	13,748
Interest cost	8,450	7,877	10	10	62	52	8,522	7,939
Benefit payments	(6,407)	(5,433)	(45)	(53)	(273)	(92)	(6,725)	(5,578)
Re-measurements – actuarial (gains)/ losses from changes in financial/experience assumptions	(35,551)	(35,037)	15	(42)	(158)	(141)	(35,694)	(35,220)
Balance, March 31	<u>186,747</u>	<u>208,627</u>	<u>290</u>	<u>310</u>	<u>1,357</u>	<u>1,637</u>	<u>188,394</u>	<u>210,574</u>
Change in fair value of plan assets								
Balance, April 1	168,624	155,889	-	-	-	-	168,624	155,889
Investment income	6,746	5,326	-	-	-	-	6,746	5,326
Administrative expenses	(149)	(80)	-	-	-	-	(149)	(80)
Actual return on plan assets	4,872	5,869	-	-	-	-	4,872	5,869
Benefit payments	(6,407)	(5,433)	(45)	(53)	(273)	(92)	(6,725)	(5,578)
Contributions: Employee	3,377	3,581	-	-	-	-	3,377	3,581
Employer	3,253	3,472	45	53	273	92	3,571	3,617
Balance, March 31	<u>180,316</u>	<u>168,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,316</u>	<u>168,624</u>
Accrued benefit liability, March 31	\$ 6,431	\$ 40,003	\$ 290	\$ 310	\$ 1,357	\$ 1,637	\$ 8,078	\$ 41,950

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

4. Employee benefit obligations (continued)

Included in the statement of earnings and comprehensive earnings is pension expense of \$10,628 (2022 - \$13,066).

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

	2023	2022	2023	2022	2023	2022
	Defined benefit pension plan	Defined benefit Pension plan	Post- retirement benefits	Post- retirement benefits	Pre- retirement benefit	Pre- retirement benefit
Discount rate	4.90%	4.00%	4.75%	3.7%	4.90%	3.90%
Expected return on plan assets	4.90%	4.00%	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	6.06%	6.18%	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, 2023. The most recent actuarial valuation for the defined benefit pension plan was January 1, 2022, with the next actuarial valuation scheduled for January 1, 2025. Going concern extrapolations of the defined benefit pension plan occur annually between the actuarial valuation dates.

The estimated employer contributions expected to be paid to the pension plans for the next fiscal year are \$3,916.

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 2023 is \$192 (2022 - \$192).

	<u>2023</u>	<u>2022</u>
Balance, April 1	\$ 2,428	\$ 2,620
Depreciation	<u>(192)</u>	<u>(192)</u>
Balance, March 31	<u>\$ 2,236</u>	<u>\$ 2,428</u>

6. Commitments

The three-year agreement with HRM for the dividend/grant in lieu of taxes (dividend) expired on March 31, 2023 and a new agreement for a five-year period from April 1, 2023 through March 31, 2028 has been approved by the NSUARB. Dividend payments are approved as part of revenue requirements by the NSUARB. The total amount payable will be calculated based on Property Valuation Services Corporation's (PVSC) assessed value of Halifax Water properties and the property tax rates set by HRM each fiscal year. To phase in this new approach to calculating the payment, the assessed value of Halifax Water properties will be reduced by a declining percentage over the five-year period. In addition, the agreement states that the amount payable by Halifax Water to HRM in the fiscal year ending March 31, 2024 shall not exceed \$6,589. The payment will be allocated to each service based on no more than 1.56% times the water rate base, at least 0.25% times the wastewater rate base, and at least 0.25% times the stormwater rate base. In the event these allocations are not sufficient to fund the payment in any given fiscal year, the allocations for wastewater and stormwater will be increased to an amount sufficient to fund the payment.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (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>2023</u>	<u>2022</u>
Long term debt	\$ 218,451	\$ 224,182
Equity	<u>296,323</u>	<u>249,372</u>
Capital under management	<u>\$ 514,774</u>	<u>\$ 473,554</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.

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.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

8. Financial instruments and risk management (continued)

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

	<u>2023</u>	<u>2022</u>
Receivables		
Customer charges, contractual, and unbilled service revenues	\$ 40,141	\$ 37,969
Less: allowance for doubtful accounts	<u>(3,052)</u>	<u>(3,231)</u>
	<u>\$ 37,089</u>	<u>\$ 34,738</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.

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>2023</u>	<u>2022</u>
Revenue for provision of Water, Wastewater and Stormwater Services	\$ 6,029	\$ 4,987
Public fire protection revenue	7,744	7,628
Dividend	(6,524)	(6,466)
Operating expenditures	<u>(1,015)</u>	<u>(1,537)</u>
Net revenue and expenditures	<u>\$ 6,234</u>	<u>\$ 4,612</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, 2023 is 18.94% (2022 - 18.98%).

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

9. Related party transactions (continued)

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>2023</u>	<u>2022</u>
Regular compensation and benefits	\$ 1,364	\$ 1,370
Post-employment benefits	<u>123</u>	<u>132</u>
Total compensation	<u>\$ 1,487</u>	<u>\$ 1,502</u>

10. Intangible assets

	<u>2023</u>	<u>2022</u>
Cost		
Balance, April 1	\$ 31,967	\$ 29,498
Additions	<u>4,456</u>	<u>2,469</u>
Balance, March 31	<u>36,423</u>	<u>31,967</u>
Accumulated amortization		
Balance, April 1	11,162	8,910
Amortization	<u>2,454</u>	<u>2,252</u>
Balance, March 31	<u>13,616</u>	<u>11,162</u>
Net book value, March 31	<u>\$ 22,807</u>	<u>\$ 20,805</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

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, 2022	\$ 25,771	\$ 272,587	\$ 282,749	\$ 990,615	\$ 35,554	\$ 1,607,276
Additions	-	12,243	10,120	46,434	6,307	75,104
Disposals	-	-	-	-	-	-
Balance, March 31, 2023	<u>25,771</u>	<u>284,830</u>	<u>292,869</u>	<u>1,037,049</u>	<u>41,861</u>	<u>1,682,380</u>
Accumulated depreciation						
Balance, April 1, 2022	\$ -	\$ 81,781	\$ 102,153	\$ 130,694	\$ 15,255	\$ 329,883
Depreciation	-	9,084	16,031	18,763	6,105	49,983
Depreciation retired	-	-	-	-	-	-
Balance, March 31, 2023	<u>-</u>	<u>90,865</u>	<u>118,184</u>	<u>149,457</u>	<u>21,360</u>	<u>379,866</u>
Net book value, March 31, 2023	<u>\$ 25,771</u>	<u>\$ 193,965</u>	<u>\$ 174,685</u>	<u>\$ 887,592</u>	<u>\$ 20,501</u>	<u>\$ 1,302,514</u>

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tools and work equipment	Total
Cost						
Balance, April 1, 2021	\$ 25,989	\$ 268,188	\$ 276,444	\$ 958,640	\$ 33,492	\$ 1,562,753
Additions	-	4,731	6,523	32,137	3,047	46,438
Disposals	(218)	(332)	(218)	(162)	(985)	(1,915)
Balance, March 31, 2022	<u>25,771</u>	<u>272,587</u>	<u>282,749</u>	<u>990,615</u>	<u>35,554</u>	<u>1,607,276</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	-	(54)	(149)	(11)	(980)	(1,194)
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>\$ 190,806</u>	<u>\$ 180,596</u>	<u>\$ 859,921</u>	<u>\$ 20,299</u>	<u>\$ 1,277,393</u>

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

12. Deferred contributed capital	<u>2023</u>	<u>2022</u>
Balance, April 1	\$ 908,589	\$ 898,952
Assets contributed during the year	18,500	7,271
Contributions and interest	29,962	20,958
Amortization	<u>(18,793)</u>	<u>(18,592)</u>
Balance, March 31	938,258	908,589
Less: current portion	<u>(18,836)</u>	<u>(14,614)</u>
	<u>\$ 919,422</u>	<u>\$ 893,975</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>2023</u>	<u>2022</u>
Payable to Municipal Finance Corporation (MFC)			
Water	0.400% to 4.221%	\$ 86,712	\$ 79,286
HHSP	2.015% to 2.561%	4,550	5,200
Wastewater	0.400% to 4.116%	89,859	96,915
Stormwater	0.400% to 3.782%	<u>25,252</u>	<u>24,132</u>
		206,373	205,533
Payable to Halifax Regional Municipality			
Wastewater/Stormwater	1.200% to 5.940%	<u>13,000</u>	<u>19,500</u>
		219,373	225,033
Less: debt issue costs		<u>(92)</u>	<u>(851)</u>
		218,451	224,182
Less: amount payable within one year		<u>(45,962)</u>	<u>(46,272)</u>
		<u>\$ 172,489</u>	<u>\$ 177,910</u>

During the year Halifax Water acquired \$15,749 in new debt with a ten year term and thirty year amortization period.

The debentures are repayable in fixed annual principal instalments plus interest payable semi-annually. Interest paid during the year was \$6,851 (2022 - \$6,859). Principal instalments for the next five years are as follows:

2023/24	\$ 45,962
2024/25	\$ 36,076
2025/26	\$ 26,428
2026/27	\$ 13,010
2027/28	\$ 13,931
Thereafter	\$ 83,966

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2023 (in thousands)

14. Operating expenditures by nature

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 42,473	\$ 43,817
Pension	6,851	9,229
Training	681	432
Contract services	15,791	13,938
Electricity	7,090	7,160
Operating supplies	15,351	13,081
Professional services	5,351	5,953
Chemicals	8,708	7,046
Depreciation on assets allocated to departments	999	1,320
Depreciation and amortization	<u>51,438</u>	<u>49,572</u>
	<u>\$ 154,733</u>	<u>\$ 151,548</u>

15. 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, 2023 (in thousands)

Schedule A

Water

Cost	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
Balance, April 1, 2022												
Cost	\$ 18,215	\$ 122,825	\$ 10,778	\$ 29,411	\$ 11,293	\$ 418,465	\$ 45,052	\$ 19,234	\$ 22,447	\$ 10,048	\$ 35,131	\$ 742,899
Additions	-	9,012	-	2,695	892	15,831	3,967	138	853	-	4,739	38,127
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2023	18,215	131,837	10,778	32,106	12,185	434,296	49,019	19,372	23,300	10,048	39,870	781,026
Accumulated depreciation												
Balance, April 1, 2022	-	35,665	8,468	21,069	5,375	105,279	9,850	6,717	5,581	4,296	19,490	221,790
Depreciation	-	2,235	303	1,379	544	5,398	828	904	377	330	3,713	16,011
Depreciation retired	-	-	-	-	-	-	-	-	-	-	-	-
Total accumulated depreciation, March 31, 2023	-	37,900	8,771	22,448	5,919	110,677	10,678	7,621	5,958	4,626	23,203	237,801
Net book value, March 31, 2023	\$ 18,215	\$ 93,937	\$ 2,007	\$ 9,658	\$ 6,266	\$ 323,619	\$ 38,341	\$ 11,751	\$ 17,342	\$ 5,422	\$ 16,667	\$ 543,225

Cost	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
Balance, April 1, 2021												
Cost	\$ 18,433	\$ 121,564	\$ 10,745	\$ 28,232	\$ 11,371	\$ 411,533	\$ 43,158	\$ 19,147	\$ 21,990	\$ 10,048	\$ 32,162	\$ 728,383
Additions	-	1,593	33	1,179	19	7,086	1,894	208	457	-	3,514	15,983
Disposals	(218)	(332)	-	-	(97)	(154)	-	(121)	-	-	(545)	(1,467)
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

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, 2023 (in thousands)

Schedule A

Wastewater

Cost	Land	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Meters	Aerotech and small systems	Tools and work equipment	Total
Balance, April 1, 2022											
Cost	\$ 7,083	\$ 199,497	\$ 26,142	\$ 178,188	\$ 15,954	\$ 349,151	\$ 32,279	\$ 8,971	\$ 12,784	\$ 46,900	\$ 876,949
Additions	-	3,445	3,009	2,311	86	6,511	4,928	138	-	5,423	25,851
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2023	7,083	202,942	29,151	180,499	16,040	355,662	37,207	9,109	12,784	52,323	902,800
Accumulated depreciation											
Balance, April 1, 2022	-	73,004	10,834	90,122	5,146	80,026	4,227	1,407	5,209	24,127	294,102
Depreciation	-	4,341	1,159	9,247	903	4,901	705	450	391	4,106	26,203
Depreciation retired	-	-	-	-	-	-	-	-	-	-	-
Total accumulated depreciation, March 31, 2023	-	77,345	11,993	99,369	6,049	84,927	4,932	1,857	5,600	28,233	320,305
Net book value, March 31, 2023	\$ 7,083	\$ 125,597	\$ 17,158	\$ 81,130	\$ 9,991	\$ 270,735	\$ 32,275	\$ 7,252	\$ 7,184	\$ 24,090	\$ 582,495

Cost	Land	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Meters	Aerotech and small systems	Tools and work equipment	Total
Balance, April 1, 2021											
Cost	\$ 7,083	\$ 196,408	\$ 23,273	\$ 176,639	\$ 15,954	\$ 336,514	\$ 31,433	\$ 8,763	\$ 12,784	\$ 45,649	\$ 854,500
Additions	-	3,089	2,869	1,549	-	12,637	846	208	-	1,691	22,889
Disposals	-	-	-	-	-	-	-	-	-	(440)	(440)
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	-	66,574	9,814	81,043	4,222	75,282	3,581	963	4,815	20,604	268,998
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

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

Schedule A

Year ended March 31, 2023 (in thousands)

Stormwater

	Land	Structures and improvements	Collection system	Laterals	Aerotech and small systems	Total
Cost						
Balance, April 1, 2022	\$ 473	\$ 12,732	\$ 279,900	\$ 5,525	\$ 6,388	\$ 305,018
Cost Additions	-	-	15,141	259	531	15,931
Disposals	-	-	-	-	-	-
Balance, March 31, 2023	473	12,732	295,041	5,784	6,919	320,949
Accumulated depreciation						
Balance, April 1, 2022	-	2,444	67,865	812	3,691	74,812
Depreciation	-	237	6,954	113	740	8,044
Depreciation retired	-	-	-	-	-	-
Total accumulated depreciation, March 31, 2022	-	2,681	74,819	925	4,431	82,856
Net book value, March 31, 2023	\$ 473	\$ 10,051	\$ 220,222	\$ 4,859	\$ 2,488	\$ 238,093
Cost						
Balance, April 1, 2021	\$ 473	\$ 12,683	\$ 270,385	\$ 5,374	\$ 6,076	\$ 294,991
Cost Additions	-	49	9,523	151	312	10,035
Disposals	-	-	(8)	-	-	(8)
Balance, March 31, 2022	473	12,732	279,900	5,525	6,388	305,018
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, 2021	-	2,444	67,865	812	3,691	74,812
Net book value, March 31, 2022	\$ 473	\$ 10,288	\$ 212,035	\$ 4,713	\$ 2,697	\$ 230,206

	Water	Wastewater	Stormwater	Total
Cumulative utility plant in service				
Net book value, March 31, 2023	\$ 543,225	\$ 582,495	\$ 238,093	\$ 1,363,813
Net book value, March 31, 2022	\$ 521,109	\$ 582,847	\$ 230,206	\$ 1,334,162

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, 2023 (in thousands)

	Interest rate	Maturity	Balance Remaining	
			2023	2022
Payable to Municipal Finance Corporation				
Water				
Debenture 32 A 1	1.636% to 3.480%	2022	\$ -	\$ 200
Debenture 32 C 1	1.510% to 3.160%	2022	-	5,904
Debenture 33 A 1	1.330% to 2.979%	2023	5,562	6,067
Debenture 33 B 1	1.285% to 3.614%	2023	4,077	4,447
Debenture 34 B 1	1.200% to 3.190%	2024	8,203	8,887
Debenture 35 A 1	1.040% to 2.894%	2025	8,754	9,427
Debenture 36 A 1	1.150% to 2.925%	2026	800	1,000
Debenture 36 B 1	1.150% to 2.506%	2026	3,036	3,254
Debenture 37 A 1	1.734% to 3.073%	2027	2,625	2,800
Debenture 38 A 1	2.060% to 3.295%	2028	700	900
Debenture 38 B 1	2.490% to 3.389%	2028	4,800	5,100
Debenture 39 A 1	2.015% to 2.561%	2029	9,350	9,900
Debenture 40 A 1	0.678% to 1.879%	2030	10,800	11,400
Debenture 40 B 1	0.400% to 2.376%	2031	9,500	10,000
Debenture 42 A 1	2.575% to 3.782%	2032	13,138	-
Debenture 42 B 1	4.177% to 4.116%	2032	5,367	-
Wastewater				
Debenture 32 A 1	1.636% to 3.480%	2022	-	1,318
Debenture 32 B 1	1.380% to 3.156%	2022	-	17,600
Debenture 32 C 1	1.510% to 3.160%	2022	-	2,527
Debenture 33 A 1	1.330% to 2.979%	2023	9,275	10,116
Debenture 33 B 1	1.285% to 3.614%	2023	5,991	6,536
Debenture 34 A 1	1.245% to 3.347%	2024	3,342	3,620
Debenture 34 B 1	1.200% to 3.190%	2024	5,151	5,581
Debenture 35 A 1	1.040% to 2.894%	2025	9,172	9,877
Debenture 36 B 1	1.150% to 2.506%	2026	1,268	1,360
Debenture 37 A 1	1.734% to 3.073%	2027	4,575	4,880
Debenture 38 B 1	2.490% to 3.389%	2028	5,120	5,440
Debenture 39 A 1	2.015% to 2.561%	2029	12,750	13,500
Debenture 40 A 1	0.678% to 1.879%	2030	8,020	8,560
Debenture 40 B 1	0.400% to 2.376%	2031	5,700	6,000
Debenture 42 A 1	2.575% to 3.782%	2032	17,198	-
Debenture 42 B 1	4.177% to 4.116%	2032	2,297	-
HHSP				
Debenture 39 A 1	2.015% to 2.561%	2029	4,550	5,200
Stormwater				
Debenture 33 A 1	1.330% to 2.979%	2023	297	324
Debenture 33 B 1	1.285% to 3.614%	2023	1,452	1,584
Debenture 34 B 1	1.200% to 3.190%	2024	3,542	3,837
Debenture 35 A 1	1.040% to 2.894%	2025	2,100	2,261
Debenture 36 B 1	1.150% to 2.506%	2026	630	676
Debenture 37 A 1	1.734% to 3.073%	2027	300	320
Debenture 38 B 1	2.490% to 3.389%	2028	2,080	2,210
Debenture 39 A 1	2.015% to 2.561%	2029	3,400	3,600
Debenture 40 A 1	0.678% to 1.879%	2030	5,040	5,320
Debenture 40 B 1	0.400% to 2.376%	2031	3,800	4,000
Debenture 42 A 1	2.575% to 3.782%	2032	2,611	-
			206,373	205,533
Payable to Halifax Regional Municipality				
Wastewater/Stormwater				
Debenture 24 B 1	2.840% to 5.940%	2024	11,000	16,500
Debenture 34 B 1	1.200% to 3.190%	2024	2,000	3,000
			13,000	19,500
			219,373	225,033
Less: debt issue costs			(922)	(851)
			218,451	224,182
Less: amount payable within one year			(45,962)	(46,272)
			\$ 172,489	\$ 177,910

Halifax Regional Water Commission

Schedule of earnings

Schedule C

Year ended March 31, 2023 (in thousands)

Water

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water	\$ 49,160	\$ 48,189
Public fire protection	7,744	7,628
Private fire protection	1,377	1,270
Other operating revenue		
Bulk water stations	352	317
Late payment and connection fees	214	275
Miscellaneous	264	333
	<u>59,111</u>	<u>58,012</u>
Operating expenditures		
Water supply and treatment	11,646	10,760
Water transmission and distribution	11,757	11,316
Engineering and technology services	4,724	6,188
Regulatory services	1,446	1,220
Customer services	2,218	2,505
Corporate services	1,622	1,454
Administration services	2,974	3,429
Depreciation and amortization	12,186	11,489
	<u>48,573</u>	<u>48,361</u>
Earnings from operations before financial and other revenues and expenditures	<u>10,538</u>	<u>9,651</u>
Financial and other revenues		
Interest	343	123
Other	446	467
	<u>789</u>	<u>590</u>
Financial and other expenditures		
Interest on long term debt	2,434	2,113
Repayment of long term debt	6,148	5,808
Amortization of debt issue costs	87	81
Dividend/grant in lieu of taxes	5,608	5,553
Other	119	114
	<u>14,396</u>	<u>13,669</u>
Loss for the year	<u>\$ (3,069)</u>	<u>\$ (3,428)</u>

With the 2022 General Rate Application, the NSUARB approved the usage of accumulated Water surplus' to cover the current year deficit within Water up to \$3,000 therefore the current year loss of \$3,068 will be reduced.

Halifax Regional Water Commission

Schedule of earnings

Schedule C

Year ended March 31, 2023 (in thousands)

Wastewater

	<u>2023</u>	<u>2022</u>
Operating revenues		
Wastewater	\$ 82,622	\$ 80,646
Other operating revenue		
Leachate and other contract revenue	454	483
Septage tipping fees	598	490
Over strength surcharge	8	-
Airplane effluent	79	3
Late payment and connection fees	202	209
Miscellaneous	233	234
	<u>84,196</u>	<u>82,065</u>
Operating expenditures		
Wastewater collection	13,691	12,988
Wastewater treatment	23,420	21,774
Engineering and technology services	6,846	6,014
Regulatory services	1,491	1,584
Customer services	2,044	2,032
Corporate services	1,308	1,383
Administration services	2,344	1,660
Depreciation and amortization	16,698	15,882
	<u>67,842</u>	<u>63,317</u>
Earnings from operations before financial and other revenues and expenditures	<u>16,354</u>	<u>18,748</u>
Financial and other revenues		
Interest	139	36
Other	424	151
	<u>563</u>	<u>187</u>
Financial and other expenditures		
Interest on long term debt	3,668	4,019
Repayment of long term debt	14,021	13,610
Amortization of debt issue costs	116	125
Dividend/grant in lieu of taxes	778	777
Other	10	15
	<u>18,593</u>	<u>18,546</u>
Earnings (loss) for the year	<u>\$ (1,676)</u>	<u>\$ 389</u>

Schedule C is presented in accordance with the NSUARB Handbook.

Halifax Regional Water Commission

Schedule of earnings

Schedule C

Year ended March 31, 2023 (in thousands)

Stormwater

	<u>2023</u>	<u>2022</u>
Operating revenues		
Stormwater site generated service	\$ 6,931	\$ 6,294
Stormwater right-of-way service	4,475	3,835
Other operating revenue		
Late payment and connection fees	258	170
Miscellaneous	118	126
	<u>11,782</u>	<u>10,425</u>
Operating expenditures		
Stormwater collection	4,719	4,566
Engineering and technology services	2,107	1,517
Regulatory services	1,497	1,588
Customer services	185	274
Corporate services	145	225
Administration services	260	270
Depreciation and amortization	2,710	2,403
	<u>11,623</u>	<u>10,843</u>
Loss from operations before financial and other revenue and expenditures	<u>159</u>	<u>(418)</u>
Financial and other revenues		
Interest	<u>(53)</u>	<u>19</u>
Financial and other expenditures		
Interest on long term debt	749	727
Repayment of long term debt	2,210	2,059
Amortization of debt issue costs	24	22
Dividend/grant in lieu of taxes	138	136
	<u>3,121</u>	<u>2,944</u>
Loss for the year	<u>\$ (3,015)</u>	<u>\$ (3,343)</u>

Schedule C is presented in accordance with the NSUARB Handbook.

Halifax Regional Water Commission

Schedule of earnings

Schedule D

Year ended March 31, 2023 (in thousands)

Regulated activities

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water	\$ 49,160	\$ 48,189
Wastewater	82,622	80,646
Stormwater	11,406	10,129
Public fire protection	7,744	7,628
Private fire protection services	1,377	1,270
Other operating revenue	1,620	1,625
	<u>153,929</u>	<u>149,487</u>
Operating expenditures		
Water supply and treatment	11,619	10,720
Water transmission and distribution	11,757	11,316
Wastewater collection	13,631	12,965
Stormwater collection	4,719	4,566
Wastewater treatment	22,670	21,053
Engineering and technology services	13,677	13,719
Regulatory services	4,434	4,392
Customer services	4,402	4,777
Corporate services	3,057	3,044
Administration services	5,422	5,244
Depreciation and amortization	31,575	29,756
	<u>126,963</u>	<u>121,552</u>
Earnings from operations before financial and other revenues and expenditures	<u>26,966</u>	<u>27,935</u>
Financial and other revenues		
Interest	429	178
Other	32	28
	<u>461</u>	<u>206</u>
Financial and other expenditures		
Interest on long term debt	6,851	6,859
Repayment of long term debt	22,379	21,477
Amortization of debt issue costs	227	228
Dividend/grant in lieu of taxes	6,524	6,466
	<u>35,981</u>	<u>35,030</u>
Loss for the year	<u>\$ (8,554)</u>	<u>\$ (6,889)</u>

Halifax Regional Water Commission

Schedule of earnings

Schedule D

Year ended March 31, 2023 (in thousands)

Unregulated activities

	<u>2023</u>	<u>2022</u>
Operating revenues		
Septage tipping fees	\$ 598	\$ 490
Leachate treatment and contract revenue	454	483
Airplane effluent	79	3
Other operating revenue	29	39
	<u>1,160</u>	<u>1,015</u>
Operating expenditures		
Water supply and treatment	27	40
Wastewater treatment	750	721
Wastewater collection	60	23
Customer services	45	34
Corporate services	18	18
Administration services	156	115
Depreciation and amortization	19	18
	<u>1,075</u>	<u>969</u>
Earnings from operations before financial and other revenues and expenditures	<u>85</u>	<u>46</u>
Financial and other revenues		
Other	<u>838</u>	<u>590</u>
Financial and other expenditures		
Other	<u>129</u>	<u>129</u>
Earnings for the year	<u>\$ 794</u>	<u>\$ 507</u>

Halifax Regional Water Commission Nova Scotia Utility and Review Board information

Schedule E

Year ended March 31, 2023 (in thousands)

Return on rate base	2023	2022
Rate of return on rate base for Water Service	1.32%	1.13%
Rate of return on rate base for Wastewater Service	4.90%	5.77%
Rate of return on rate base for Stormwater Service	0.03%	0.24%

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	2023 Total	2022 Total
Reserve, April 1	\$ 1,964	\$ 3,005	\$ 64,113	\$ 879	\$ 69,961	\$ 54,056
Contributions and interest	-	6,834	21,052	33	27,919	22,612
Expenditures	-	(4,003)	-	-	(4,003)	(6,707)
Reserve, March 31	\$ 1,964	\$ 5,836	\$ 85,165	\$ 912	\$ 93,877	\$ 69,961

Summarized consolidated operating results

	2023	2022
Operating revenues	\$ 155,089	\$ 150,502
Operating expenditures	128,038	122,521
Earnings from operations before financial and other revenues and expenditures	27,051	27,981
Financial and other revenues	1,299	796
Financial and other expenditures	36,110	35,159
Loss for the year	\$ (7,760)	\$ (6,382)

Schedule E is presented in accordance with the NSUARB Handbook.