

HALIFAX

P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada



Item No.

Halifax Regional Council

TO: Mayor Savage and Members of the Halifax Regional Council

SUBMITTED BY: Colleen Rollings

Digitally signed by
Colleen Rollings
Date: 2023.08.29
21:43:56 -03'00'

Colleen Rollings, Chair, Halifax Water Board

DATE: August 18, 2023

SUBJECT: Halifax Regional Water Commission Accountability Report

INFORMATION REPORT

ORIGIN

Annual reporting requirement.

LEGISLATIVE AUTHORITY

Section 17(1) of the Administrative Order, as approved by Halifax Regional Council on March 20, 2018.

BACKGROUND

In conjunction with the Administrative Order approved by Halifax Regional Council on March 20, 2018, the Halifax Regional Water Commission is to prepare an Annual Accountability Report and submit financial statements within three months of the end of the fiscal year. The Accountability Report is to include:

- a) an Accountability Statement.
- b) a message from the Board Chair and the General Manager.
- c) actions taken by the Commission on strategic objectives through the prior fiscal year and,

- d) Corporate Balanced Scorecard results for the fiscal year showing the Commission's performance and the metrics used to measure such performance, any new or changed measures used to measure performance in the upcoming fiscal year.

ACCOUNTABILITY STATEMENT

Halifax Water meets all its obligations under the *Halifax Regional Water Commission Act* and the *Public Utilities Act*. In addition to legislative obligations, the utility also complies with all of its operating permits for its water and wastewater systems for the fiscal year ending March 31, 2023.

Year after year, achieving compliance in water and wastewater systems requires staff's continued dedication and perseverance. Last year was Year Two of the Water Supply Enhancement Program, which requires more than \$300 million over ten years to provide greater resilience and enable the utility to adapt to changing source water quality.

For wastewater systems, achieving compliance is an ongoing challenge balancing weather influences, equipment efficiency, and customer compliance with Halifax Water Regulations. Halifax Water achieved 96% sample compliance with Nova Scotia Environment and Climate Change requirements at the wastewater treatment facilities, consistent with the prior year. Halifax Water continues with ongoing research on optimizing the treatment processes for drinking water and wastewater via a research partnership with Dalhousie University (through the Natural Sciences and Engineering Research Council Alliance grant). This research focuses on climate adaptive technologies, process optimization and emerging contaminants.

In October 2022, the Nova Scotia Utility and Review Board (NSUARB) approved Halifax Water's General Rate Application (GRA). As a result, on December 1, 2022, rates increased for water, wastewater, and stormwater services. This increase helps support the utility's overall financial health, improves the utility's ability to recover the annual cost of providing the services, and funds continuing investment in infrastructure to serve customers.

From an external perspective, Halifax Water continues to be challenged by issues beyond its control that place added cost pressures on the utility. An increasingly tight or heated labour market is affecting the ability to hire, not only for the utility, but also for the major construction and engineering contractors that do work for Halifax Water.

The net operating loss for 2022/23 is \$7.8 million under the NSUARB Accounting Handbook, compared to a net loss of \$6.4 million in the prior year. Financial performance during 2022/23 was better than anticipated from a budget perspective, as the loss of \$7.8 million is lower than the budgeted operating loss of \$10.9 million on an NSUARB Handbook basis. The attached report to the Halifax Water Board on year-end financial results explains the financial results in more detail on both an International Financial Reporting Standards (IFRS) basis and an NSUARB basis.

Operating revenues of \$155.1 million were higher than budgeted for 2022/23 by \$2.3 million due to the budget not including potential rate increases. Operating revenues were \$4.6 million greater than the prior year, primarily because of higher consumption and the volumetric charge for water consumption and wastewater discharge increasing on December 1, 2022, along with the stormwater site-generated service rates and right-of-way charges. Total expenses of \$164.1 million were \$0.2 million below budget and increased by \$6.4 million from the prior year's expenses of \$157.7 million. Halifax Water's long-term debt was \$218.5 million on March 31, 2023, \$5.7 million less than the previous fiscal year. The debt service ratio for combined water, wastewater, and stormwater services was 18.94% for 2022/23 (18.98% for 2021/22), well below the approved benchmark of 35.0% and slightly less than the prior year.

Plant in-service assets, net of accumulated depreciation, total \$1.4 billion. Numerous capital projects were capitalized as assets during the year, totalling \$79.6 million. Projects such as the Cowie Hill Reservoir Renewal (\$8.7million), Albro Lake Road Sewer Separation (\$7.2 million), and South Park Cathedral Lane Sewer Separation (\$5.1 million) were all completed during the year. As of March 31, 2023, there was also \$79.4 million of capital assets under construction compared to the \$51.0 million in progress last year. Capital expenditures of \$93.5 million were less than planned in 2022/23 but increased over the prior year's expenditures of \$65.3 million. Improving the organizational capacity to deliver an increasing capital program is an ongoing challenge for Halifax Water. To address this, we have hired more staff and are conducting an Institutional Capacity study.

In addition to meeting obligations under the *Halifax Regional Water Commission Act* and the *Public Utilities Act*, Halifax Water is focused on maintaining high employee and customer satisfaction. The overall rating in the 2022 Employee Survey was a B+, consistent with last year. The overall rating in the 2022 Customer Survey increased to 97% of customers being very/generally satisfied with service delivery. Customer satisfaction with water quality remained consistent at 88%.

MESSAGE FROM THE BOARD CHAIR AND GENERAL MANAGER

In fiscal 2022/23, Halifax Water introduced a more integrated approach to business planning to support the "One Team – One Water" vision. This approach places key business initiatives within the organization's four pillars (themes): ***People; Health, Safety & Environment; Financial & Regulatory Accountability; and Operational Excellence.***

This approach helps every employee understand Halifax Water's priorities for the upcoming year and removes silos by highlighting a collective responsibility for all employees to achieve these results.

This past year, Halifax Water experienced a change in its leadership, as Cathie O'Toole left the General Manager role to become the Chief Administrative Officer at HALIFAX effective January

1, 2023. Ms. O’Toole played a significant leadership role at the utility and is an excellent addition for HALIFAX. The Board thanks Ms. O’Toole for her service to Halifax Water and wishes her even greater success in her new role.

While a search was underway for Ms. O’Toole’s permanent replacement, Halifax Water was fortunate to have Louis de Montbrun step in as Acting CEO and General Manager. Through his leadership, the Halifax Water team remained focused on delivering high quality services for the ratepayers. We want to thank Mr. de Montbrun for his stewardship of the utility until the new CEO and General Manager, Dr. Tareq Al-Zabet, moved into his new role in July 2023.

This past year saw some significant decisions from the NSUARB related to Halifax Water. In addition to approving a GRA in October, the NSUARB also approved applications to expand stormwater services and create a new District Energy System in the Cogswell Redevelopment Area.

Last year, Halifax Water focused on safely maintaining its services, its people, and its capital work. Halifax Water employs approximately 560 employees, and the \$106.5 million capital budget and \$164.4 million operating budget in 2022/23 provided a significant local economic benefit for HALIFAX.

The services provided by Halifax Water are vital to this region. By investing in critical water, wastewater, and stormwater infrastructure, residents and businesses will benefit from the infrastructure that provides the economic and environmental backbone for the region now and into the future.

STRATEGIC OBJECTIVES

The following outlines the strategic priorities for 2022/23 and a status update on their progress:

People

Halifax Water attracts and retains high-quality team members in an inclusive and respectful work environment. Halifax Water is committed to its ratepayers and the communities where they live and work and is determined to provide a high level of service and a sustainable future through ongoing engagement.

- Enhance workforce planning (talent management, meeting staff resource requirements, training, etc.)
 - Attracting and retaining talent remains challenging in a very tight labour market, which makes meeting the utility’s staffing resource requirements difficult. Halifax Water is considering all options to make hiring more straightforward and accessible.

- Build a positive and diverse workplace
 - The Diversity, Equity, and Inclusion (DEI) framework was approved in March 2022 and a Fair Hiring Policy is being rolled out in fiscal 2023/24. All employees have now received unconscious bias training. The 2022 employee survey, conducted by Narrative Research, provided the organization with an overall B+ score, consistent with the previous year when compared with similar organizations across the region. The results were presented to employees, and the General Manager circulated an Action Plan.
- Increase stakeholder and customer engagement
 - The 2022/23 Engagement Plan was completed early in Q1 and focused on stakeholders associated with the Regional Development Charge. Additionally, stakeholder engagement expanded to include watershed management and stormwater service. The focus of Halifax Water's plan for stakeholder engagement is now expanding to encompass the full scope of the business and decision-making processes.
- Support effective governance by the Halifax Water Board
 - Work plans have been developed and approved by each committee. A new Board member orientation checklist will be developed in 2023/24. Board members participated in a tour of the ongoing capital project at Sullivan's Pond in Q1. Moving forward, more of these tours will be used to help the Board members better understand our infrastructure and the services we provide to the ratepayers.
- Ensure that major initiatives have communication and stakeholder engagement plans
 - The 2022/23 Communications Plan for all capital projects to ensure stakeholders were engaged and aware of Halifax Water work was completed. The Plan comprised gathering feedback and collaborating with stakeholders on significant issues such as mitigating project effects on traffic, businesses, and access to various locations throughout the city. It included using in-person communications, such as public information sessions, mailouts, and both traditional and social media, to deliver messages.
- Enhance information available to customers through Customer Connect and bill redesign
 - Customer Connect enhancements have been completed, and focus groups for bill redesign were completed in March 2023.

Health, Safety & Environment

We are focused on a safety-first culture, working to provide healthy, safe, sustainable, and reliable services for our community.

- Continue to enhance our safety and security culture, starting with Safety Leadership training
 - Safety Leadership training pilot was implemented and updating the Occupational Health & Safety (OHS) manual will be an ongoing activity into 2023/24.
- Secure approval for a new biosolids strategy and execute a contract for the new Biosolids Processing Facility (BPF)
 - RFQ was completed in 2022/23 and three proponents were selected for the RFP stage. The RFP process has been delayed allowing for a more robust procurement process and to address comments from the NSUARB consultants. The RFP will be issued in the summer of 2023.
- Develop a Climate Action Plan
 - Halifax Water's Consultant provided a preliminary report in March 2023 which was presented to the Halifax Water Board in Q2 2023.
- Align green initiatives for fleets and buildings with Climate Action Plan
 - Lighting control upgrades were completed at 450 and 455 Cowie Hill Road buildings in March 2023.
- Maintain regulatory compliance and enhance reporting
 - Halifax Water has enhanced reporting to Environment Canada and Climate Change and Nova Scotia Environment and Climate Change, and it has been operationalized.
- Launch a new service compliance program
 - A program charter was developed to map an implementation strategy and identify internal and external stakeholders with associated engagement plans and preliminary future resource requirements. Internal stakeholder engagement was completed. The external engagement will start in Q3 of 2023/24, and there will be further refinement of financial requirements (cost and staff) to implement the program.
- Implement a corporate Environmental Management System (EMS)
 - The EMS program was advanced to include additional facilities, 450 and 455 Cowie Hill Road and the Beechville Lakeside Timberlea Wastewater Treatment Facility, receiving certification from SGS Canada. All remaining Halifax Water facilities that completed internal audits by Duerden and Keene Environmental are awaiting external audits for final certification.
- Execute the Get the Lead Out Program
 - The 2022/23 Program was delivered. The program is coordinated with HALIFAX's street paving and renewal schedule to minimize disruption to the community and

be cost-efficient for ratepayers. This year Halifax Water surpassed the target of replacing 200 private lead services.

Financial & Regulatory Accountability

Ensuring that Halifax Water can fund existing and future infrastructure, we prudently manage assets and operate our business by balancing value and customer service.

- Optimize capital project planning and delivery
 - A new Engineering Department structure was implemented on April 1, 2023, and a new governance process for capital projects will be developed in 2023/24; this will include the implementation of a new Capital Planning and Management Information System initiative planning to go live by early 2024.
- Progress asset management and infrastructure planning initiatives
 - A new Asset Management Policy was approved in September 2022, and a new Combined Sewer Overflow (CSO) or Sanitary Sewer Overflow (SSO) management program charter was finalized in March 2023. The Benefit to Existing methodology was also refined in March 2023, while an initiative to update the Level of Service was moved to 2023/24.
- Complete an actuarial valuation of the Halifax Water Employees' Pension Plan and implement recommendations
 - The actuarial valuation was completed, and it determined that the Plan had a surplus of \$28.4 million, resulting in a funded ratio on a going concern basis of 119.6%.
- Complete a Cost of Service (COS) update and a General Rate Application (GRA)
 - The NSUARB approved the GRA in October 2022, and rates were in place by December 1, 2022. The COS Manual (the manual that provides the methodology for calculating the rates) contained modest updates and was approved by the NSUARB as part of the GRA and subsequently implemented.
- Complete System Assessment Reports and Water Safety Plans for all drinking water systems
 - The overall intent of the System Assessments is to verify that Municipal Public Drinking Water Supplies meet the following:
 - Current environmental standards which are frequently updated and enhanced for public health protection; and
 - The minimum requirements set out in the Nova Scotia Treatment Standards for Municipal Drinking Water Systems.
 - The water safety plan framework was completed, and work will continue through 2023/24. Water Safety Plans use a Risk Management Process to ensure the delivery of high-quality potable water to protect public health.

- Secure Regulatory approval for:
 - Stormwater Service Expansion
 - Approved by the NSUARB in April 2022.
 - Cogswell District Energy System
 - Approved by the NSUARB in February 2023.
 - Burnside Operations Depot
 - Preferred proponent was identified at the end of Q4. Contract negotiations for the design validation phase of the Integrated Project Delivery process started.
 - Mill Cove Wastewater Treatment Facility Upgrade
 - Drafting of RFP for a design consultant has begun.

Operational Excellence

We are committed to service, reliability, and quality for our customers. By remaining focused on safely and efficiently building, operating, and maintaining our critical infrastructure, we ensure a more sustainable community.

- Implement a plan for expanded stormwater service in June 2022
 - Service was expanded to the approved areas; however, limited information was available about the infrastructure's condition and operational records prior to the takeover. As a result, we will continue to refine operations and renewal plans as more information is acquired on the systems.
- Develop an operating plan for the Burnside Operations Depot
 - Work continued to progress in 2022/23. A planning structure was created, combining teams from the four existing depots. In addition, several joint-team projects were successfully planned and executed this year to respond to issues such as water main breaks. Workshops were hosted to follow up on the results of an internal workplace culture survey.
- Year Two: Water Supply Enhancement Program
 - The J. Douglas Kline Water Supply Plant clarifier predesign was completed in September 2022 and preliminary work began on including water quality and quantity data acquisition. Design considerations for the Clearwell design are underway.
- Incorporate Digital Water Strategy into IT Five-Year Strategic Plan
 - A draft strategy is complete and was finalized in March 2023.
- Optimize Water Supply Plant & Wastewater Treatment Facility processes through the Dalhousie research partnership
 - Halifax Water's \$1.48 million investment in bench, pilot, and full-scale treatment technology, over five years from 2022 to 2027, is focused on developing climate-adapted technologies and data-driven decision making. This includes ongoing benchmarking and piloting work on selecting advanced water treatment options.

Additionally, a research pilot skid at the Dartmouth Wastewater Treatment Facility was commissioned in April 2023. Ultraviolet (UV) Light Emitting Diode (LED) research continues to investigate the UV performance at the Halifax Wastewater Treatment Facility and the Dartmouth Wastewater Treatment Facility, comparing UVLED to conventional low-pressure UV technology.

- Implement Corporate Enterprise Risk Management (ERM)
 - An ERM Framework document was completed and finalized, and internal audit processes were conducted in 2022/23. A Business Unit Risk Register has also been developed to help business units manage operational risk.
- Implement Enterprise Resource Planning (ERP) project to improve operational efficiency
 - The project is on track to go live in August 2023.
- Maintaining a high level of day-to-day service
 - Work continues on the development of Level of Service guidelines. The Asset Management Plan was presented to the Board in September 2022.

CORPORATE BALANCED SCORECARD

Halifax Water has been utilizing a Corporate Balanced Scorecard since 2001 which covers a broad range of critical success factors to support the utility's mission. Attached is a complete overview of the Corporate Balanced Scorecard results for the 2022/23 fiscal year, as contained in a staff report to the June 22, 2023, Halifax Water Board meeting. The attachment also indicates the targets for the upcoming 2023/24 fiscal year.

ALIGNMENT AND COOPERATION WITH HALIFAX

Halifax Water worked closely with HALIFAX on several initiatives this year, including the ongoing Cogswell Redevelopment Project, the transfer of Provincial roadway infrastructure, Regional Planning, and Emergency Response coordination during extreme weather events. Many of the collaborative initiatives with HALIFAX require approval from the NSUARB. An overview of joint initiatives and the status of the NSUARB process is provided below.

Cogswell Redevelopment - A significant volume of existing and proposed water, wastewater, and stormwater infrastructure must be relocated or constructed within the project limits. Halifax Water actively supports this project to ensure the design is appropriate for future water, wastewater, and stormwater requirements and ensures that existing customers maintain service continuity during construction. In 2022/23, Halifax Water and HALIFAX agreed to a cost-sharing formula for relocating water, wastewater, and stormwater infrastructure. Based on the cost-sharing agreement, NSUARB approved Halifax Water's capital funding application in January 2023.

Cogswell District Energy Project – A cost-sharing agreement for approval to construct and operate an ambient temperature district energy system was submitted to the NSUARB on June 3, 2022. Halifax Water received approval in February 2023.

Integrated Projects – The alignment of capital programs and integrated utility/municipal project delivery occurs annually. Halifax Water also provides technical support to HALIFAX concerning service extensions. HALIFAX is responsible for service extensions. Halifax Water works closely with HALIFAX on water, wastewater, and stormwater projects as part of integrated projects and on full integration of lead service line replacements with municipal street projects. Any integrated projects with a cost to Halifax Water of more than \$1 million require NSUARB approval. The NSUARB recently approved integrated projects on Charlotte Drive/Jayden Drive, Vienna Street, Langevin Drive, and Briarwood Crescent/Briar Place. Halifax Water and HALIFAX staff are also working in an integrated manner on the upcoming Sawmill Creek Phase II projects, including significant municipal park and traffic components.

Stormwater Service Expansion – Halifax Water continues to work closely with HALIFAX to expand stormwater service into areas transferred from the Province on June 1, 2022. The new customers were identified, and educational information materials were sent in advance of bills. Since the issuance of the bills, approximately eight hundred notices of objection have been submitted for review by staff.

FINANCIAL IMPLICATIONS

Halifax Water is a regulated utility and operates on a cost-recovery basis and in compliance with the *Public Utilities Act*.

Halifax Water and HALIFAX exchange services regularly and work cooperatively together. The relationship, and the terms for the exchange of services, are detailed in a formal Service Level Agreement that is currently being updated. One key guiding principle governing the relationship is that there should be no cross-subsidization between taxpayers or utility ratepayers. Consistent with this principle, in 2022/23, Halifax Water and HALIFAX staff negotiated a five-year renewal of the Dividend Agreement (grant in lieu of taxes), which the NSUARB approved in May 2023. The total amount payable will be calculated based on Property Valuation Services Corporation's assessed value of Halifax Water properties and the property tax rates set by HALIFAX each fiscal year. To phase in this new approach to calculating the payment, the assessed value of Halifax Water properties will be increased gradually over the next five years. In addition, the agreement states that the amount payable by Halifax Water to HALIFAX in the fiscal year ending March 31, 2024, shall not exceed \$6.6 million.

ATTACHMENTS

1. Report to Halifax Water Board: 2022/23 Corporate Balanced Scorecard Results, June 22, 2023
 2. Report to Halifax Water Board: 2022/23 Audited Financial Statements and Year-End Results, June 22, 2023
 3. Report to Halifax Water Board: Halifax Regional Water Commission Employees' Pension Plan Financial Statements for the Year Ended December 31, 2022, June 22, 2023
-


A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Presented by: _____

Tareq Al-Zabet, Ph.D., CRSP, P.Geo
Chief Executive Officer and General Manager, Halifax Water

Report Approved by: _____

Colleen
Rollings

 Digitally signed by
Colleen Rollings
Date: 2023.08.29
21:43:23 -03'00'

Colleen Rollings, Chair, Halifax Water Board

Organizational Indicators	Organization Award	2021/22	2022/23		2023/24
		Results	Target	Results	Target
Financial and Regulatory Accountability					
Operating expense/revenue ratio percentage	Gateway	81.2%	83%	82.4%	80%
ADJUSTED Operating expense/revenue ratio percentage (excluding depreciation)	Gateway	61.4%	63%	62.0%	60%
Annual cost per customer connection – Water		\$540	\$543	\$539	\$579
ADJUSTED Annual cost per customer connection – Water (excluding depreciation)		\$412	\$407	\$403	\$438
Annual cost per customer connection – Wastewater		\$741	\$782	\$786	\$830
ADJUSTED Annual cost per customer connection – Wastewater (excluding depreciation)		\$554	\$595	\$592	\$627
New Total capital spend in the fiscal year (Reid needs to confirm)				\$93.5m	\$135m
Capital budget expenditures - Percentage of budget spend by end of fiscal year		28.6%	70-80%	35.3%	70-80%
Organizational Indicators					
Organizational Indicators	Organization Award	2021/22	2022/23		2023/24
		Results	Target	Results	Target
Health Safety & Environment					
Average score on internal safety audits		96.7%	85-95%	98%	90%
NS Labour and Advanced Education compliance – Number of Incidents with written compliance orders		0	0-2	0	0-2
Lost time accidents -Number of accidents resulting in lost time per 100 employees	Gateway	2	3.5	0.91	3
Safe driving - Number of traffic Accidents per 1,000,000 km driven (maximum of 5)	Org. Award	3.36	4	4.31	4
Training - Number of employees trained or re-certified before due date		70%	80-90%	89%	85%
Percentage of completed safety talks		85%	80-90%	90%	85%
Percentage of public health and environmental regulatory infractions resulting in a summary offense tickets		0	0-2	0	0-2
Percentage of WWTFs complying with NSE approval permits	Org. Award	96.2%	95-100%	96.6%	95%
Number of ICI properties engagements by Pollution Prevention each year		361	250	251	250
Organizational Indicators					
Organizational Indicators	Organization Award	2021/22	2022/23		2023/24
		Results	Target	Results	Target
Operational Excellence					
Adherence with 5 objectives of Water Safety Plan for all water systems - Percentage of sites achieving targets	Org. Award	70	80	93	80
Bacteriological tests - Percentage free from Total Coliform		99.94%	99.9%	99.97%	99.9%
Water service outages - Number of connection hours/1000 customers		192.42	200	125.74	200
Wastewater service outages – Number of connection hours/1000 customers		0.93	4	1.03	4
Average speed of answer – Percentage of calls answered within 20 seconds		60.4%	70%	71.1%	70%
NEW Response time for service connection permits – percentage of formal responses provided from Halifax Water within 3 days or less		N/A	N/A	N/A	80%
NEW Response time for subdivisions involving system extensions – percentage of formal responses from Halifax Water provided within 4 weeks or less review		N/A	N/A	N/A	80%
Water leakage control – target leakage allowance of 160 litres/service connection/day		220	160-170	219	165
I&I reduction - Number of inspections to identify private property discharge of stormwater into the wastewater system		1502	1200	1387	1200
Peak flow reduction from wet weather management capital projects	Org. Award	n/a**	5-10 l/sec**	N/A**	5-10 l/sec**
Percentage of time GIS and Cityworks are available	Org. Award	99.99%	96-98%	99.95%	97%
Adjusted Energy management kwh/m ³ reduction associated with capital projects	Org. Award	7.76%	3%	14.10%	10%
Bio-solids residual handling - percentage of sludge meeting bio-solids concentration targets		98.5%	92-97%	99.5%	95%
Organizational Indicators					
Organizational Indicators	Organization Award	2021/22	2022/23		2023/24
		Results	Target	Results	Target
People					
Customer satisfaction about water quality - Percentage from customer survey	Org. Award	89%	85%	88%	85%
Customer satisfaction with service - Percentage from customer survey	Org. Award	96%	95%	97%	95%
Number of arbitrations divided by total number of grievances		0	0	0	0
Percentage of jobs filled with internal candidates		68.00%	80%	64%	80%
Employee satisfaction survey result		B+	A	B+	A
Average number of days absenteeism		7.16	<7	9.81	<7

Notes:

** **Peak flow reduction** - The program has been completed, however the analysis of the flow data has not been completed by our external contractor. This measure will be updated when the data becomes available.



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	<u>2,780</u>	<u>2,640</u>
	<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	<u>51,438</u>	<u>49,572</u>
	<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	<u>870</u>	<u>837</u>
	<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	<u>129</u>	<u>129</u>
	<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	<u>40,426</u>	<u>40,907</u>
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	<u>\$ 51,651</u>	<u>\$ 244,672</u>	<u>\$ 296,323</u>

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 Defined benefit pension plan	2022 Defined benefit Pension plan	2023 Post- retirement benefits	2022 Post- retirement benefits	2023 Pre- retirement benefit	2022 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).

	2023	2022
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	268,898
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

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, 2023 (in thousands)

Schedule A

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	-	-	15,141	259	531	15,931
Additions	-	-	-	-	-	-
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	-	49	9,523	151	312	10,035
Additions	-	-	(8)	-	-	(8)
Disposals	-	-	-	-	-	-
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

Cumulative utility plant in service
Net book value, March 31, 2023
Net book value, March 31, 2022

	Water	Wastewater	Stormwater	Total
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	<u>128,038</u>	<u>122,521</u>
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	<u>36,110</u>	<u>35,159</u>
Loss for the year	\$ <u>(7,760)</u>	\$ <u>(6,382)</u>

Schedule E is presented in accordance with the NSUARB Handbook.



Financial Statements

Halifax Regional Water Commission

Employees' Pension Plan

December 31, 2022

Contents

	Page
Independent auditor's report	1-2
Statement of financial position	3
Statement of changes in net assets available for benefits	4
Statement of changes in pension obligations	5
Notes to the financial statements	6-18

Independent Auditor's report

To the Board of Trustees of the
Halifax Regional Water Commission
Employees' Pension Plan

Grant Thornton LLP
Nova Centre, North Tower
Suite 1000, 1675 Grafton Street
Halifax, NS
B3J 0E9
T +1 902 421 1734
F +1 902 420 1068

Opinion

We have audited the financial statements of Halifax Regional Water Commission Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2022, and the statements of changes in net assets available for benefits and changes in pension obligations 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 Regional Water Commission Employees' Pension Plan as at December 31, 2022, and its changes in net assets available for benefits and its changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

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 Regional Water Commission Employees' Pension Plan 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, 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 Regional Water Commission Employees' Pension Plan'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 Regional Water Commission Employees' Pension Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Halifax Regional Water Commission Employees' Pension Plan'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 Regional Water Commission Employees' Pension Plan'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 Regional Water Commission Employees' Pension Plan'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 Regional Water Commission Employees' Pension Plan 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

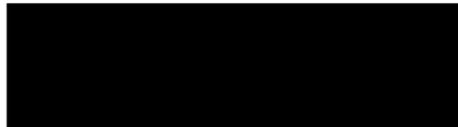
Chartered Professional Accountants

**Halifax Regional Water Commission
Employees' Pension Plan
Statement of financial position**

December 31	2022	2021
Assets		
Investment assets	\$ 175,005,842	\$ 174,426,797
Contributions receivable	<u>264,544</u>	<u>269,675</u>
	175,270,386	174,696,472
Liabilities		
Payables and accruals		
Trade	<u>30,383</u>	<u>60,109</u>
Net assets available for benefits (Note 4)	175,240,003	174,636,363
Pension obligations	<u>154,048,139</u>	<u>144,611,949</u>
Surplus	<u>\$ 21,191,864</u>	<u>\$ 30,024,414</u>

On behalf of the Board of Trustees

 Trustee

 Trustee

See accompanying notes to the financial statements.

Halifax Regional Water Commission
Employees' Pension Plan
Statement of changes in net assets available for benefits
Year Ended December 31 2022 2021

Revenue		
Net investment income (Note 6)	\$ 2,918,862	\$ 3,356,629
Changes in the fair value of investment assets	<u>(2,763,692)</u>	<u>15,414,684</u>
	<u>155,170</u>	<u>18,771,313</u>
Contributions (Note 7)		
Participants	3,375,425	3,391,324
Sponsor	<u>3,277,595</u>	<u>3,301,346</u>
	<u>6,653,020</u>	<u>6,692,670</u>
Expenses		
Benefit payments (Note 8)	5,999,210	5,587,527
Administrative (Note 9)	<u>205,340</u>	<u>196,250</u>
	<u>6,204,550</u>	<u>5,783,777</u>
Increase in net assets available for benefits	<u>\$ 603,640</u>	<u>\$ 19,680,206</u>
<hr/>		
Net assets available for benefits, beginning of year	\$ 174,636,363	\$ 154,956,157
Increase in net assets available for benefits	<u>603,640</u>	<u>19,680,206</u>
Net assets available for benefits, end of year	<u>\$ 175,240,003</u>	<u>\$ 174,636,363</u>

See accompanying notes to the financial statements.

**Halifax Regional Water Commission
Employees' Pension Plan**

Statement of changes in pension obligations

Year Ended December 31	2022	2021
Pension obligations, beginning of year	<u>\$ 144,611,949</u>	<u>\$ 141,762,849</u>
Change in pension obligations		
Changes in actuarial assumptions (Note 5)	613,700	(4,242,900)
Miscellaneous sources of decrease	-	(2,220,173)
Interest accrued on benefits	8,592,800	8,252,800
Benefits accrued	6,228,900	6,646,900
Benefits paid (Note 8)	<u>(5,999,210)</u>	<u>(5,587,527)</u>
	<u>9,436,190</u>	<u>2,849,100</u>
Pension obligations, end of year	<u>\$ 154,048,139</u>	<u>\$ 144,611,949</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

1. Description of the Plan

The Halifax Regional Water Commission Employees' Pension Plan (the "Plan") is registered under the Pension Benefits Act of Nova Scotia (Registration Number 0344614). The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan agreement restated as at January 1, 2021 as amended and consolidated.

(a) General

The Halifax Regional Water Commission maintains a contributory defined benefit pension plan for all employees, and participation in the Plan is compulsory for full-time and part-time employees. The pension plan provides pensions based upon length of service and best seven consecutive years' earnings.

The employees who transferred to the Halifax Regional Water Commission on August 1, 2007 with the transfer of the wastewater/stormwater operations have remained members of the Halifax Regional Municipality Pension Plan. The Halifax Regional Water Commission is responsible for funding the employer share of the contributions for these employees. All new employees hired after August 1, 2007 join the Halifax Regional Water Commission Employees' Pension Plan.

(b) Funding policy

Employees' required contributions in 2022 were 9.60% (2021 - 10.34%) of pensionable earnings with the Halifax Regional Water Commission matching employee contributions. Basic contributions from employers and members due to the Plan at the end of the year are recorded on an accrual basis. Pensionable earnings are capped temporarily to a maximum of \$140,945 to December 31, 2023 and will be indexed at a rate of 1% per annum thereafter.

In addition, the Plan and the Pension Benefits Act of Nova Scotia require that the Halifax Regional Water Commission, from time to time, make contributions to the Plan of such amounts which are required as special payments in accordance with the provisions of the Plan as determined by the actuary (see Note 5).

Nova Scotia funding regulations require a "Provision for Adverse Deviation" (PfAD), which is an explicit level of conservatism added to the going concern liabilities of the Plan. The PfAD is based on the riskiness of the asset mix of the Plan, and for the actuarial valuation of January 1, 2022, the PfAD is reported at 7%. As a result, total liabilities are required to be increased 7% in the determination of the Plan's surplus (funded liability/deficit) position. (Note 5).

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

1. Description of the Plan (continued)

(c) Retirement benefits

Employees are entitled to annual pension benefits of an amount equal to 2.0% of their best earnings averaged over the highest seven consecutive years of earnings for each year of credited service up to the maximum permitted by the Canada Revenue Agency. For credited service prior to January 1, 2016, the best average earnings cannot be less than the best average five consecutive years of earnings paid to an employee prior to 2016.

Benefits are adjusted each year. Adjustments are based on the increase in the Consumer Price Index over the previous calendar year to a maximum of 2% for benefits earned prior to January 1, 2016, and to a maximum of 1% for benefits earned after December 31, 2015.

(d) Disability pensions

Disabled employees continue to accrue credited service without having to continue their contributions. The employer and employees fund the actuarial cost of the pensions for disabled employees annually. Disabled employees are eligible for a pension if they meet the following criteria:

- a) they have completed 10 years of continuous participation in the Plan;
- b) they are not in receipt of a salary continuance benefit under an insured plan to which the Halifax Regional Water Commission contributes; and
- c) they are totally and permanently disabled as certified by a medical practitioner.

(e) Death benefits

In the event a pensioner dies after the commencement of their pension payments, the death benefit will be in accordance with the normal or optional form of pension elected at the time of retirement.

In the event a member dies before their retirement date, a survivor pension is payable to the member's surviving spouse at the rate of 60% of the member's pension credits accrued prior to June 1, 1998. The beneficiary of a single employee who dies before retirement will be entitled to the member's contributions and interest up to the month preceding death during that same period. In respect of pension credits accrued after June 1, 1998, the commuted value of the normal retirement benefits shall be paid to the member's surviving spouse, beneficiary or estate. For pension credits accrued between January 1, 1988 and May 31, 1998 whereby a survivor pension payable to the member's surviving spouse is calculated as the greater of: 1) 60% of the survivor pension, or 2) the commuted value of the normal retirement benefits. The beneficiary or estate of a single employee who dies during this same period, January 1, 1988 and May 31, 1998, would be entitled to the commuted value of the normal retirement benefits.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

1. Description of the Plan (continued)

(f) Termination of employment

Subject to any statutory limitations, Plan members become vested immediately upon joining the Plan. Vesting previously occurred after two years of Plan membership. Members may elect to receive one of the following options upon termination:

- a) a paid-up deferred pension commencing on the member's normal retirement date in an amount equal to the pension accrued to date of termination; or
- b) transfer the value of benefit to the member's new employer's pension plan, a Retirement Savings Plan, or purchase a deferred annuity.

(g) Voluntary contributions

Members of the Plan may make additional voluntary contributions up to the deductible limit provided under the Income Tax Act. The non locked-in additional voluntary contributions may be withdrawn from the Plan by a member prior to termination or retirement, either in the form of a lump sum cash payment or transferred directly to the member's Retirement Savings Plan.

Members of the Plan may transfer non locked-in or locked-in benefits from a previous employer. Non locked-in benefits are administered as outlined in the previous paragraph. Locked-in benefits can be withdrawn within ten years of the normal retirement date. Upon retirement, the locked-in and non locked-in contributions may be used to purchase an annuity.

(h) Income taxes

The Plan is not subject to income taxes since it is a Registered Pension Trust as defined by the Income Tax Act.

(i) Surplus

Where the Plan is continuing and there is a surplus resulting from an actuarial review, the Halifax Regional Water Commission may decide how the surplus is to be treated. However, no amounts can be paid out of the fund to the employer without prior approval of the Superintendent of Pensions. This was reinforced with Memorandums of Understanding between the Halifax Regional Water Commission and each of the union groups, November 14, 2007, whereby the Halifax Regional Water Commission had to assume responsibility to fund any unfunded liability and/or solvency deficiency arising under the Plan, as required by the Pension Benefits Act of Nova Scotia. Subsequently, special payments required to fund any unfunded liability resulting from an actuarial review, were deposited into a separate fund, to track the unique nature of these contributions into the Plan. As at December 31, 2022, the balance of this fund totals \$30,952,000, consisting of contributions in the amount of \$15,289,000 and investment income/gains (net of expenses) totalling \$15,663,000.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

1. Description of the Plan (continued)

(i) Surplus (continued)

Pursuant to the Memorandums of Understanding (Pensions) between the Halifax Regional Water Commission and each of the two union groups dated June 7, 2019, indexing of pensions to a maximum of 2% would be reinstated once the going concern special payments made by the Halifax Regional Water Commission, and subject to the Plan:

- Having a going concern funded ratio of 108% (or above);
- No solvency deficit; and
- So long as the implementation can be affected while maintaining a going concern funded ratio of 108%.

A surplus resulting from the wind-up of the Plan will be used to increase the benefits to the living Members of the Plan (including pensioners) and their beneficiaries to the extent permitted by the Income Tax Act and Regulations. Any balance remaining will be returned to the Halifax Regional Water Commission, however no amounts can be paid out of the fund to the employer without prior approval of the Superintendent of Pensions.

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies

The financial statements are presented in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants of Canada (CPA) Handbook, Section 4600 – Pension Plans. Section 4600 provides specific accounting guidance on pension obligations and investments, with investments complying with international financial reporting standards ("IFRS") in Part I of the CPA Canada Handbook. For accounting policies that do not relate to either investments or pension obligations, the plan must consistently comply with either IFRS or Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Canada Handbook. The Plan has elected to comply on a consistent basis with ASPE. To the extent that ASPE is inconsistent with Section 4600, Section 4600 takes precedence.

(a) Financial Instruments

Financial assets and financial liabilities are recognized when the Plan 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 assets expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial assets and liabilities are subsequently measured as described below:

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

(a) Financial Instruments (continued)

Investment assets

All investment assets are measured at fair value at the date of the statement of financial position in accordance with IFRS 13: Fair Value Measurement Part I of the CPA Canada Handbook. Fair values of investment assets are determined as follows:

- Pooled funds are valued at the unit value supplied by the Master Trust administrator and which represent the Plan's proportionate share of underlying net assets at fair value determined using closing bid prices.

Transaction costs are not included in the fair value of investment assets either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of expenses incurred in the period.

Investment income, excluding changes in the fair value of investment assets, is presented in the statement of changes in net assets available for benefits.

Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(b) Pension obligations

The Plan is a defined benefit plan established for members. The pension obligations recognized in the statements of financial position are the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services.

(c) Net investment income

Income from investments is recognized on an accrual basis and includes dividend income (recognized on ex-dividend date), interest income, and is net of investment manager fees.

(d) Changes in the fair value of investment assets and liabilities

This includes both realized gains or losses on sale of investments and unrealized gains or losses on investments.

Realized gains or losses on sale of investments are the difference between the proceeds received and the average cost of investments sold.

Unrealized gains or losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

(e) Contributions

Required employee and employer contributions are recorded the month following when the payroll deductions are made. Employee and employer contributions and special payments due to the Plan at the end of the year are recorded on an accrual basis. Cash received from pension plan transfers or members for service purchases are recorded when received.

(f) Benefits

Benefit payments to retired members, commuted value payments and refunds to former members are recorded in the period paid. Accrued benefits are recorded as part of the accrued pension benefit obligation.

(g) Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, revenue, and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue, and expenses are discussed below:

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Pension obligations

Management estimates the pension obligations annually with the assistance of an independent actuary; however, the actual outcome may vary due to estimation uncertainties. The estimate of the pension obligation of \$154,048,139 (2021 - \$144,611,949) is based on assumed rates of retirement, mortality, breaks in service and contributory hours. Discount factors are determined at or near year-end to reflect the long-term expectation of investment returns that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Halifax Regional Water Commission Employees' Pension Plan Notes to the financial statements

December 31, 2022

3. Investment assets

The investment in the Halifax Regional Municipality Master Trust (the "HRM Master Trust") is recorded at its fair value. The Plan's interest in the HRM Master Trust represents 6.56% (December 31, 2021 - 6.50%) of the HRM Master Trust units. The remaining units are held by the Halifax Regional Municipality Pension Plan. The co-mingling of investments does not affect the actuarial liabilities or the net assets available for benefits of the Plan.

The fair value of the investment in the HRM Master Trust is determined as at the date of the statements of financial position as described in note 2(a). The fair value of the investment in the HRM Master Trust is categorized as a Level 2 investment under fair value hierarchy measurement (Note 11).

Section 67 (3) of the *Pension Benefits Act Regulations* requires disclosure of each investment asset that has a fair value greater than two percent (2%) of the fair value of all the investment assets of the Plan. The following schedule reports all investments having a fair value greater than 2% of the fair value of all investment assets of the Plan.

Investment	Asset Class	Market Value
Wellington Management Global Total Return Fund	Foreign Bonds	\$ 8,105,611
BlackRock Canadian World Index Fund	Global Equities	\$ 7,860,021
BlackRock Alpha Advantage Global Fund	Global Equities	\$ 7,243,410
BlackRock Active Canadian Equity Fund	Canadian Equities	\$ 6,310,557
UBS (UK) Real Estate Funds Selection Global Ex Canada, L.P.	Real Estate - Limited Partnership	\$ 4,835,982
Mawer International Equity Pooled Fund	International Equities	\$ 4,785,884
Marathon International Equity Fund	International Equities	\$ 4,106,884
Minto Multi-Residential Income Partners I, L.P.	Real Estate - Limited Partnership	\$ 4,092,479
		\$ 47,340,829

4. Net assets available for benefits 2022 2021

Allocation of net assets available for benefits

To pension plan	\$ 174,333,194	\$ 173,777,663
To extra voluntary contribution benefits	638,584	589,577
To individual locked in amounts	<u>268,225</u>	<u>269,123</u>
	<u>\$ 175,240,003</u>	<u>\$ 174,636,363</u>

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

5. Pension obligations

An actuarial valuation of The Plan was performed as at January 1, 2022 by Eckler Ltd.

The actuarial value of accrued benefits, determined periodically by the Plan's actuary, is the amount that results from applying actuarial assumptions to adjust the Plan benefits to reflect the time value of money between the valuation date and the expected date of payment. The significant actuarial assumptions used include:

- a) 40% of members will retire at the age of 65, and 60% will retire at the earliest date of eligibility for an unreduced pension;
- b) interest rate assumption of 6.35% per annum (2019 - 5.80%);
- c) salary scale assumption of 3.90% per annum (2019 - 3.90%); and
- d) life expectancy of participants based upon the CPM-2014 Combined mortality table, with Scale CPM-B (post retirement), no mortality in pre-retirement.

The 2019 interest rate assumption of 5.80% referenced above included an implicit margin for conservatism of 0.60% as determined by the Plan. As a result of the new funding Regulations effective April 1, 2020, the Plan's implicit margin for conservatism has been removed for the actuarial valuation of January 1, 2022, as an explicit level of conservatism has been added through legislation (Note 1).

As a result of the January 1, 2022 actuarial valuation, special payments in respect of going concern liabilities are not required. The next actuarial valuation for the Plan is required to be performed no later than January 1, 2025.

6. Net investment income

	<u>2022</u>	<u>2021</u>
Income from investment funds	\$ 3,307,029	\$ 3,657,805
Investment manager fees	<u>(388,167)</u>	<u>(301,176)</u>
	<u>\$ 2,918,862</u>	<u>\$ 3,356,629</u>

**Halifax Regional Water Commission
Employees' Pension Plan
Notes to the financial statements**

December 31, 2022

7. Contributions	<u>2022</u>	<u>2021</u>
Participants' contributions		
Required	\$ 3,276,762	\$ 3,301,346
Voluntary	<u>98,663</u>	<u>89,978</u>
	<u>3,375,425</u>	<u>\$ 3,391,324</u>
Sponsor's contributions		
Required	<u>\$ 3,277,595</u>	<u>\$ 3,301,346</u>

8. Benefit payments	<u>2022</u>	<u>2021</u>
Retirement benefit payments	\$ 5,089,704	\$ 4,739,794
Termination benefit payments	909,506	783,885
Death benefit payment	<u>-</u>	<u>63,848</u>
	<u>\$ 5,999,210</u>	<u>\$ 5,587,527</u>

During 2022, there were 16 termination benefit payments (2021 - 13) and 0 death benefit payments (2021 - 1). Termination benefits are paid out as described in Note 1(f).

9. Administrative expenses	<u>2022</u>	<u>2021</u>
Actuarial and consulting fees	\$ 99,522	\$ 83,773
Audit and accounting fees	9,446	10,027
Bank custodian fees	20,941	27,576
Insurance	10,600	10,600
Miscellaneous	21,449	18,083
Professional fees	40,534	43,529
Registration fees	<u>2,848</u>	<u>2,662</u>
	<u>\$ 205,340</u>	<u>\$ 196,250</u>

10. Related party transactions

The Halifax Regional Water Commission, the Plan's sponsor, collects the Plan's contributions and pays certain expenses on behalf of the Plan. These items are then credited or charged back to the Plan.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

11. Financial instruments

Financial instruments risk exposure and management

The Plan is exposed to various risks in relation to its investment in the HRM Master Trust, consisting of investment assets. The Plan's financial assets are categorized in Level 2. The main types of risks are market risk, credit risk and liquidity risk.

The Plan's risk management policy is derived from the HRM Master Trust in which the Plan holds units. The HRM Master Trust has set formal policies and operating procedures that establish an asset mix among equity, fixed income investments, public market alternatives, private debt, private equity, real estate and infrastructure that require diversification of investments within categories, a set limit on the size of exposure to individual investments, and a requirement to use A-rated counterparties.

The Plan does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Plan is exposed are described below:

(a) Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Plan segregates market risk into three categories: interest rate risk, currency risk and other price risk.

i. Interest rate risk

Interest rate risk refers to the fact that the value of the Plan's assets is affected by changes in nominal interest rates and equity markets.

ii. Currency risk

The Plan's functional currency is Canadian dollars and all the Plan's transactions are carried out in Canadian dollars.

iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

All investments have a risk of loss of capital. The maximum risk resulting from the investments is determined by the fair value of the instruments, which total \$175,005,842 at December 31, 2022 (2021 - \$174,426,797). A one percent change (1%) in market risk (holding all variables constant) will impact the fair value of these instruments by approximately \$1,750,000 (2021 - \$1,744,000).

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

11. Financial instruments (continued)

(b) Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Plan. The Plan's credit risk is primarily attributable to the underlying assets of the HRM Master Trust. Credit risk is mitigated through the management of the HRM Master Trust assets with generally accepted parameters of safety and prudence, using a diversified investment program. Investments in the HRM Master Trust must adhere to specific limitations as outlined in the Halifax Regional Municipality's Statement of Investment Policies and Procedures for the Defined Benefit Pension Plan ("the Statement of Investment Policies and Procedures").

(c) Liquidity risk

Liquidity risk is the risk of not being able to meet the Plan's cash requirements in a timely and cost-effective manner. Liquidity requirements are managed through income generated from investments and monthly contributions made by members and participating employers. The sources of funds are used to pay pension benefits, make additional investments, and fund operating expenses. The Plan's primary future liabilities include the accrued benefit obligation of the Plan. The Plan's main asset, the investment in the HRM Master Trust, is liquid as cash is available to make required payments.

The following are the contractual maturities of financial liabilities:

Payments due year ending December 31, 2022:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>After 5 years</u>
Payables and accruals	<u>\$ 30,383</u>	<u>\$ 30,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Payments due year ending December 31, 2021

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>After 5 years</u>
Payables and accruals	<u>\$ 60,109</u>	<u>\$ 60,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

11. Financial instruments (continued)

Fair value disclosure

The financial instruments recognized at fair value on the statement of financial position must be classified as one of three fair value hierarchy levels. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

Financial assets at fair value as at December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Pooled fund	\$ -	\$ 175,005,842	\$ -	\$ 175,005,842

Financial assets at fair value as at December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Pooled fund	\$ -	\$ 174,426,797	\$ -	\$ 174,426,797

There were no transfers between the three levels between December 31, 2021 and December 31, 2022.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2022

12. Capital management

The Plan defines its capital as the deficiency of the Plan, as determined annually based on the fair value of net assets and actuarial liabilities, provided by the actuarial valuation prepared by the Plan's independent actuary (Note 5).

The overall objectives in investing the assets of the Plan are to ensure sufficient liquidity to support its financial obligations, to continue to provide benefits in the best interest of its members, to remain financially self-sufficient and to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk. The Plan holds units in the HRM Master Trust which has formal policies and procedures that establish asset mix, require diversification within different categories, set a limit on the exposure to individual investments and provides a requirement to use A-rated counterparties.