

HALIFAX

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Item No. 5

**Halifax Regional Council
August 13, 2019**

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:

Darlene Fenton, Chair, Halifax Water Board

DATE: August 13, 2019

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 HRM Council on March 20, 2018.

BACKGROUND

In conjunction with the Administrative Order approved by 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 Commissions performance and the metrics used to measure such performance, any new or changed measures used to measure performance in the upcoming fiscal year.

DISCUSSION

Accountability Statement

Halifax Water continues to meet all its obligations under the Halifax Regional Water Commission Act and the Public Utilities Act. In addition to Legislation obligations, the utility is also in compliance with all of its operating permits for its water and 95% compliance of the parameters across the wastewater systems for the fiscal year ending March 31, 2019.

Of particular note, with respect to wastewater operations, in January 2019 for the first time, Halifax Water was able to report to the Halifax Water Board that all wastewater treatment facilities were in compliance with all parameters regulated by Nova Scotia Environment. This represents a significant achievement at a specific point in time, but achieving compliance is an on-going challenge for staff, managing the influences of weather; efficiency of equipment; business processes; and customer compliance with Halifax Water Rules and Regulations.

The Commission has been able to maintain the same rates for water and wastewater service since April 1, 2016, but financial performance has declined compared to the prior year. The net operating surplus for 2018/19 excluding Other Comprehensive Income (OCI) and Pension Plan Expense is \$0.4 million under the Nova Scotia Utility and Review Board (NSUARB) Accounting Handbook. The Net Surplus for the year is a loss of \$1.1 million, a decline of \$3.1 million from the prior year, but a significant improvement over the approved budgeted loss of \$12.1 million.

Operating Revenues of \$138.4 million are on par with the prior year. Operating expenses of \$106.7 million are \$7.3 million higher than the prior year, but \$4.3 million better than budget. In regard to long-term debt, the utility debt stood at \$183.6 million at March 31, 2019; a decrease of \$8.2 million from the previous fiscal year. The debt service ratio for combined water, wastewater, and stormwater services was 20.3% for 2018/19, well below the approved benchmark of 35% and slightly less than prior year.

One notable achievement is that Plant in Service assets, net of Accumulated Depreciation, total \$1.27 billion, an increase of \$43.3 million. Numerous capital projects were completed during the year, totalling \$80.7 million and including projects such as the Aerotech Wastewater Treatment Facility (\$24.0 million); the Fall River Water Servicing project (\$10.2 million) and the installation of \$6.6 million in Advanced Metering Infrastructure (AMI) meters. As of March 31, 2019, there was \$34.3 million dollars of capital assets under construction including the Lake Major Dam replacement, Ellenvale Run Retaining Wall System, and JD Kline Filtration Replacement.

Message from the Board Chair and General Manager

The 2018/19 fiscal year brought many challenges and opportunities for the utility in the pursuit of its mission to provide world class services to customers and the environment. Last year Halifax Water continued to focus on delivery of capital projects funded through the Clean Water and Wastewater Fund with an emphasis on renewal of aging infrastructure. These projects had tight timelines that the Commission was able to achieve or seek extensions where appropriate to ensure full utilization of external funds. The utility will continue to pursue these opportunities to mitigate impact on rates to ensure affordability for customers.

Recognizing that Halifax Water has extensive investments to make in aging infrastructure, focus for the next several years will be placed on renewal. In addition, the utility will continue to conduct research with Dalhousie University to take a long-term view on optimization of its water and wastewater systems, with a particular focus on adjusting to the unintended consequences of lake recovery in response to a decrease in acid rain and meeting the wastewater system effluent regulations in 2040. The Commission continues to adopt best practices to operate effectively and efficiently, including continued high performance with leakage reduction in the distribution system and a reduction of inflow and infiltration into the wastewater

system. The latter has benefited tremendously from efforts over the last two years, with a multi-pronged approach by all departments of the Commission.

Halifax Water also continues to pursue compliance with all wastewater treatment facilities, and with the completion of the Aerotech Wastewater Treatment Facility this year, puts it in position to achieve one of the long-term goals set as part of the 2007 merger that saw Halifax Water become the first regulated water, wastewater and stormwater utility in Canada.

Cost containment remains a focus of the utility with an intentional focus on sustainable results over the long term. New cost containment initiatives implemented during the 2018/19 fiscal year resulted in cost savings amounting to \$0.4 million. Through ongoing efforts with procurement, human resources, information technology, treatment process, and technology and business process strategies, cumulative estimated savings of \$5.4 million dollars were achieved through cost containment for the 2018/19 fiscal year. These savings have contributed to the continued strong financial performance that has delayed applications for rate increases.

Strategic Objectives

The following outlines the strategic priorities for 2018/19 and a status update on their progress:

- Customer Connect [expected to have close to 50,000 meters installed].
 - ✓ 50,000 milestone achieved.
- Wet weather management [approx. \$6 M in capital for trenchless technology to reduce Inflow & Infiltration (I&I); expanding efforts with particular focus in Clayton Park/Fairview/Bridgeview].
 - ✓ \$2.56 M expended for an I&I reduction of 162 litres/second; and an additional \$3.2 M spent on other trenchless technology projects.
- Construct new dam at Lake Major.
 - ✓ The concrete structure is complete, and the project will end in October.
- Application to NSUARB to update Regional Development Charge.
 - ✓ The update is underway and stakeholder consultations have started.
- Complete first phase of website [static content] and get second phase underway [Customer Characteristics via Web Portal].
 - ✓ First phase was launched on April 3rd. Second and Third phases are being combined and project is underway.
- Develop Biosolids Strategy [Contract with Walker Environmental is up at March 31/19].
 - ✓ Existing contract extended and Request for Proposal planned for 2019/20.
- Complete second generation of the Integrated Resource Plan.
 - ✓ Integrated Resource Plan V2 will be complete by October 31, 2019.
- Negotiate new Collective Agreements.
 - ✓ Five year Collective Agreements negotiated and signed.
- Conduct Actuarial Valuation of HRWC Employees' Pension Plan.
 - ✓ Valuation completed and pension plan is in a surplus position for first time since 2000 and Employer and Employee costs are reduced.

- Align projects to secure funding from the federal-provincial bilateral infrastructure program [Total of \$828 million federal funding over 10 years].
 - ✓ \$10 M Water Transmission Main application submitted in January. Funding announcements are pending.
- Get wastewater research plan underway with Dalhousie University with Natural Sciences and Engineering Research Council [NSERC] application.
 - ✓ MOU signed, and wastewater research plan has been initiated.
- Continue with NSERC research chair for water [focus on source water quality].
 - ✓ Research is ongoing with Dalhousie University, and a new Tailored Collaboration with the Water Research Foundation on Lake Recovery is underway.
- Amend policies to include aspects of cannabis laws.
 - ✓ Fit for Duty Policy implemented May 2019, and other Halifax Water policies amended as required to reflect impact of legalization of cannabis.
- Complete Design and Business Plan for District Energy System in relation to Cogswell Redevelopment and subject to HRM Council decision, seek approval from NSUARB to implement as a regulated service.
 - ✓ Report expected to go to Halifax Water Board September 2019.
 - ✓ Halifax Water signed a lease with Halifax to lease land at Halifax WWTF to provide additional green public space, as part of the Cogswell Redevelopment Project.
- Continue to embed safety culture throughout organization.
 - ✓ Improvement in Corporate Balanced Scorecard safety indicators.
- Obtain certification of Environmental Management System to new ISO 14001 standard and expand EMS to Dartmouth WWTF.
 - ✓ The registration audit was successful.
- Develop Enterprise Risk Management System.
 - ✓ Completed, and Phase 2 work initiated.

Corporate Balance Scorecard

Halifax Water has been utilizing a corporate Balanced Scorecard since 2001 and covers a broad range of critical success factors to support the utility mission. Attached is a full overview of the Corporate Balanced Scorecard results for the 2018/19 fiscal year, as contained in a staff report to the Halifax Water Board for its meeting on June 20, 2019. The attachment also indicates the revised targets and new measures for the upcoming 2019/20 fiscal year.

Alignment and Cooperation with the Municipality

Halifax Water is engaged in the Cogswell Redevelopment project in two distinct areas. Firstly, Halifax Water is proposing the installation and operation of an Ambient Temperature District Energy System (ATDES) within the new Cogswell area; and secondly, Halifax Water has a significant volume of existing and proposed water, wastewater and stormwater infrastructure to be relocated or constructed within the project limits. Halifax Water actively supports this project with a view to ensuring the design is appropriate for

future water, wastewater and stormwater requirements, and to ensure continuity of service to existing customers during construction. Halifax Water also leased land at the Halifax WWTF to the municipality, to facilitate additional green public space as part of the Cogswell Redevelopment project.

Halifax Water worked closely with the municipality in 2018/19 on many initiatives including an integrated stormwater policy, deep storm funding, and joint green infrastructure standards. That work is ongoing in 2019/20.

Alignment of capital programs and delivery of integrated utility/municipal projects occurs every year. 2018/19 was unusual in that Halifax Water delivered the Fall River water service extension on behalf of the municipality. The municipality is responsible for service extensions.

Halifax Water is working closely with the municipality to target replacement of lead service lines in conjunction with the municipality's renewal of streets.

During 2018/19 Halifax Water worked closely with the municipality to collect outstanding site-related stormwater charges owed to the utility, and stormwater right of way charges owed to the municipality. The utility collects stormwater right of way charges on behalf of the municipality.

FINANCIAL IMPLICATIONS

Halifax Water is a regulated utility with cost recovery in compliance with the Public Utilities Act.

ATTACHMENTS

1. Report to Halifax Water Board; 2018/19 Corporate Balanced Scorecard Results, June 20, 2019.
2. Halifax Water Board Report -2018/19 Audited Financial Statements and Year End Results, June 20, 2019.
3. Halifax Water Board Report – Halifax Regional Water Commission Employees' Pension Plan Financial Statements for the year ended December 31, 2018.

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 Prepared by: Original Signed
Cathie O'Toole, General Manager, Halifax Water, 902.490.4840

Report Approved by: Original Signed
Darlene Fenton, Chair, Halifax Water Board, 902.717.4853

TO: Darlene Fenton, Chair and Members of the Halifax Regional Water Commission Board

SUBMITTED BY: *Original Approved By:*
James Campbell, Communications and PR Coordinator

APPROVED: *Original Approved By:*
Carl Yates, M.A.Sc., P.Eng., General Manager

DATE: June 18, 2019

SUBJECT: Corporate Balanced Scorecard - 2018/19 Results

INFORMATION REPORT

ORIGIN

Annual Corporate Performance Measurement.

BACKGROUND

Halifax Water has been utilizing a corporate balanced scorecard (CBS) to measure performance since 2001. With the merger in 2007, Halifax Water developed an expanded CBS to include wastewater and stormwater measurements. As well, this provided an opportunity to refine measurements related to water service delivery. This report provides a reconciliation of final results for the 2018/19 fiscal year.

DISCUSSION

As part of the CBS refinement in 2007, staff developed new mission and vision statements, as follows:

Our Mission:

- To provide world-class services for our customers and our environment.

Our Vision:

- We will provide our customers with high quality water, wastewater and stormwater services.
- Through the adoption of best practices, we will place the highest value on public health, customer service, fiscal responsibility, workplace safety and security, asset management, regulatory compliance, and stewardship of the environment.
- We will fully engage employees through teamwork, innovation, and professional development.

With the vision statement entrenched, Halifax Water staff defined eight Critical Success Factors (CSFs) derived from the vision statement as follows:

1. High Quality Drinking Water
2. Service Excellence
3. Responsible Financial Management
4. Effective Asset Management
5. Workplace Safety and Security
6. Regulatory Compliance
7. Environmental Stewardship
8. Motivated and Satisfied Employees

Under each of the CSFs, staff developed organizational indicators to track performance and allow for the establishment of targets. The following lists the CSFs and corresponding results for the organizational indicators under each category.

High Quality Drinking Water

Under the category of High Quality Drinking Water, we are continuing to seek adherence to five key objectives associated with our Water Quality Masterplan. Performance was measured through our ability to maintain a disinfection residual throughout the distribution system, control disinfection byproducts like trihalomethanes and haloacetic acids, ensure particle removal through our filtration systems, and ensure corrosion control in the distribution system, as measured by the level of lead at the customers' taps. Our results in these five categories scored 0.62 out of a total maximum score of 1.00, a reduction from last year's result of 0.87. The main difference from the previous year is associated with THM and HAAs results which were challenged by the phenomenon of source lake recovery. It should be noted that THM and HAA results were still within the prescribed levels of our operating permits.

As for water safety, our bacteriological test results were 99.97%, matching last year's result of 99.97%, and above our target of 99.3% of our samples free of total coliform for the fiscal year.

Results from our annual customer survey indicate that 89% of our customers rated their drinking water quality as good to excellent, an improvement from last year's figure of 85%, exceeding the top end of the target of 80%-85%.

Service Excellence

Under the Service Excellence CSF, the annual customer survey indicated that 96% of our customers are satisfied or very satisfied with our overall service, surpassing the target of 90%, and matching last year's result of 96%.

In terms of service outages for water and wastewater services, results were down significantly for water compared to last year with outages of 203 connection hours per 1,000 customers this year compared to 361 connection hours per 1,000 customers last year, with a target of 200. Wastewater results were similar to last year with 2.06 connection hours per 1,000 customers, as compared to a target of 8 connection hours per 1,000 customers, remaining well below the target.

Also under Service Excellence, our call centre had an average call wait time of 84 seconds, compared with the target of 80 seconds. This matches last year's number of 84 seconds.

At the March 28, 2019 Halifax Water Board meeting, a new Organizational Indicator (OI) was approved. The new OI measures an average speed of answer with a target of 60 – 65% of calls answered within 20 seconds.

Responsible Financial Management

Under Responsible Financial Management, the expense to revenue ratio was recorded as 0.764, compared to the benchmark of 0.797 for the fiscal year. Also tied to the theme of Responsible Financial Management is the annual cost per connection for water and wastewater service. For water, the annual cost per connection increased to \$477 from \$439 in 2017/18, compared to a target of \$482.

For wastewater, the annual cost increased to \$684 from \$653 per connection, but remained below the target of \$687.

Effective Asset Management

The leakage performance measure for 2018/19 was 172 litres per service connection per day, a decrease from 199 last year and well below the target range of 180 - 190 litres per connection per day.

On the wastewater side, reduction of inflow and infiltration is a key measurement of performance, and as such, 932 inspections were carried out on private property, down from 1,100 last year, but remaining above the target of 900 inspections.

In recognition of the importance of keeping extraneous flows out of the wastewater system, a new OI has been developed for 2019/20 targeting peak flow reductions in the Clayton

Park/Fairview sewershed where a concerted effort is being made to reduce inflow & infiltration into the wastewater system. The new OI has a target range reduction of 34 – 38l/sec.

Updating and maintaining our GIS database is crucial to our Asset Management Program. With the database in a mature state last year with 99.3% of linear infrastructure embedded in GIS, the OI was revised to focus on minimizing the number of hours of unplanned outages of the GIS database. The 2018/2019 target was 90% - 85% of the 2017/2018 actual outage number. For 2018/2019 the unplanned outage time was reduced by 70.85% of the 2017/2018 figure, a significant improvement in system reliability and availability. At the March 28, 2019 Halifax Water Board meeting, a new OI was approved based on the percentage of time GIS and CityWorks is in service on a 24/7 operational protocol. The target range is 95% - 97%.

Also under Effective Asset Management is Capital Budget Expenditures, recognizing that we need to maximize spending of the annual funds approved by the NSUARB. The target for this OI is 80%-90%. The 2018/19 result for percentage of capital funds spent is currently being finalized with a number anticipated by the end of June/19.

Workplace Safety and Security

Under the theme of Workplace Safety and Security, the organization saw 1 infraction resulting in a written warning from NS Labour and Advanced Education, down from 2 in 2017/2018. The target range for this OI is 0 - 2. With the safety program in a more mature and stable state, at the March 28, 2019 Halifax Water Board meeting, a revised OI was approved based on the average score of internal safety audits. The target range for this revised OI is 85% - 95%.

With regard to lost-time accidents, which are a key indicator for workplace safety, the organization saw 2.5 accidents per 100 employees as compared to a target of 2.5-3.5 (with a maximum of 4.5) per 100 employees, which is an improvement from the 2017/18 figure of 2.8. This OI is a Gateway Indicator for the Organizational Performance Award program.

Halifax Water has a large fleet to delivery its services. Accordingly, the organization tracks the number of traffic accidents per million kilometers driven. For 2018/19, 4.3 traffic accidents per million km were recorded. This is a reduction from 2017/2018's number of 4.38, and falls within the target range of 4 (maximum of 5).

Regulatory Compliance

Under the critical success factor of Regulatory Compliance, 2018/19 saw three written warnings from NS Environment, up from one for 2017/2018 and exceeding the target of 0 – 2 (maximum).

Also under regulatory compliance, we tracked the percentage of wastewater treatment facilities meeting discharge requirements of their operating permits for the 2018/19 fiscal year. Our wastewater treatment facilities met their discharge requirements 94.9% of the time, up from 94.6% in 2017/2018 and placing well within the target range of 93-98%. Remaining compliant with federal wastewater system effluent regulations [WSER] is a key aspect of our strategic plan and shows a continued focus on stewardship of the environment.

Environmental Stewardship

During the 2018/19 fiscal year, our Pollution Prevention division of Regulatory Services inspected 528 businesses in the Halifax municipality, an increase from 507 in 2017/18. The target for this OI was 500.

We also continued to focus on energy management associated with our water and wastewater treatment facilities with an energy reduction of 4.7% in 2018/2019 in association with capital upgrade projects. This figure significantly exceeds the target of 3.0%. As one of the Utility's largest expenses, these on-going energy reductions represent real savings on the capital and operational sides of the business, as well as continued reductions in our environmental foot print.

Under biosolids residuals handling, 99.5% of the biosolids residuals met the desired solids concentration in 2018/2019, as compared to a target of 97%. This result is up from the 2017/2018 figure of 98.3%.

Motivated and Satisfied Employees

There are several organizational indicators under this category, including filling jobs with Halifax Water incumbents. For the 2018/19 fiscal year, 63% of jobs were filled from within as compared to a target of 80%. This is a slight improvement from the 2017/18 figure of 62%.

To promote harmonious labour management relations, an organizational indicator was chosen to recognize the number of grievances and arbitrations throughout the fiscal year. There were 26 grievances and zero (0) arbitrations filed during the 2018/19 fiscal year as compared to the 2017/18 numbers of 12 grievances and 1 arbitration.

The Corporate Balanced Scorecard also includes an indicator of employee satisfaction which is derived from a survey that is carried out in the fall of the year. The 2018/19 survey result was a B, down slightly from B+ in 2017/18. The target for this OI is an A-. With 5 year contracts in place for unionized staff, it is hoped this figure will improve to meet the target of A-.

The number of days of absenteeism for employees is also a measure of satisfaction and motivation. Accordingly, the average number of days that an employee was absent this year stood at 7.8, up from 7.35 in 2017/18, and just above the target of less than 7 days. This result compares favourably with the private sector.

Organizational Award Program

Similar to previous years, 12 organizational indicators were incorporated into an Organizational Award Program. The selected organizational indicators are determined to be the most objective and outward looking to the customers and environment we serve. The following is a summary of our organizational indicators and corresponding award point values for the 2018/19 fiscal year:

Organizational Indicator

| | <u>2018/19 Results</u> |
|---|-------------------------------|
| Water Quality Master Plan Objectives | 0.62 |
| Customer Water Quality Survey Results | 1.0 |
| Customer Service Survey Results | 1.0 |
| Operating Expense/Revenue Ratio (Gateway Indicator) | 1.0 |
| Water Loss Control Reduction | 1.0 |
| Inflow & Infiltration Reduction | 1.0 |
| Percentage that GIS is Operational | 1.0 |
| # of Lost Time Accidents per 100 Employees (Gateway Indicator) | 1.0 |
| # of Accidents per 1,000,000 kms driven | 0.7 |
| Percentage of WWTFs Compliant with NS Environment Permits | 0.7 |
| Energy Management - Water & Wastewater | 1.0 |
| Biosolids Residuals Handling | <u>1.0</u> |
| *TOTAL SCORE | 11.02 |
| *The maximum attainable score is 12.0 | |

In accordance with the Organizational Award Program criteria, eligible employees received \$1,000 each in recognition of the exceptional performance.

BUDGET IMPLICATIONS

With the operating expense-to-revenue ratio less than the target, funds were available within the 2018/19 operations budget for the Organizational Award Program.

ATTACHMENT

Presentation - 2018-19 Corporate Balanced Scorecard – Final Results, June 20, 2019

Report Prepared by: *Original Approved By:* _____

James Campbell, Communications and PR Coordinator
902-490-4604



2019 State of the Utility Address 1 

CSF: High Quality Drinking Water

Organizational Indicator: *

- Adherence with 5 objectives from the Water Quality Master Plan for all water systems; we must own system for one year to include results.

| Objective | Total Sites | Result to March 31/19 (% of Sites Achieving Target) | Target | Distrib. Pts. |
|----------------------------------|-------------|--|-----------------|---------------|
| Disinfection – Chlorine Residual | 65 | 98% | 80 – 100% | 18/20 |
| Disinfection By-products (THMs) | 24 | 76% | < 80 ug/l | 0/20 |
| Disinfection By-products (HAAs) | 25 | 86% | < 60 ug/l | 8/20 |
| Particle Removal | 5 | 98% | <0.2 &< 1.0 NTU | 16/20 |
| Corrosion Control | n/a | 3.96 ug/L | Lead; < 10 ug/l | 20/20 |
| Summary Total | | | | 62/100 |

Disinfection – Achieve 0.2 mg/L at all sites (100% of sites achieving residual of 0.2 on 95% of tests)
 THMs – Annual Avg. of < 80 ug/L at all THM sampling sites
 HAAs - Annual Avg. of < 60 ug/L at all HAA sampling sites
 Particle removal – Surface water plant achieves turbidity of <0.2 NTU 95% of the time and <1.0 100% of the time
 Corrosion Control – Achieve 90th percentile standing lead sample of <10 ug/L for all sample sites



CSF: High Quality Drinking Water

Organizational Indicator:

- Bacteriological tests [monthly target of 99.3% free of Total Coliform]

| | % Samples Free of Coliform | Target |
|---------|----------------------------|--------|
| 2018/19 | 99.97% | 99.3% |



CSF: High Quality Drinking Water

Organizational Indicator:

- Customer satisfaction about water quality [Target of 85% rating water quality as good to excellent]



| | Survey Results (actual) | Target |
|-----------------------|-------------------------|--------|
| From Fall 2018 Survey | 89% | 85% |



CSF: Service Excellence

Organizational Indicator:

- Customer satisfaction with service [Target of 90% satisfied or very satisfied]

| | Survey Result (actual) | Target |
|-----------------------|------------------------|--------|
| From Fall 2018 Survey | 96% | 90% |



CSF: Service Excellence

Organizational Indicator:

- Service outages of water [# connection hours / 1000 customers]

| | Hours (actual) | Target |
|---------|----------------|--------|
| 2018/19 | 203 | 200 |



CSF: Service Excellence

Organizational Indicator:

- Service outages of wastewater [# connection hours / 1000 customers].
(N.B. the clock starts after we know it is our problem)

| | Hours (actual) | Target |
|---------|----------------|--------|
| 2018/19 | 2.06 | 8 |



CSF: Service Excellence

Organizational Indicator:

- Average call wait time over the year

| | Seconds | Target |
|---------|---------|--------|
| 2018/19 | 84 | 70 |



2019 State of the Utility Address 8 

CSF: Responsible Financial Management

Organizational Indicator: *

- Operating Expense/Revenue Ratio [based on annual operating budget]

| | Exp/Rev ratio (actual) | Target |
|---------|------------------------|--------|
| 2018/19 | 0.764 | 0.797 |



2019 State of the Utility Address 9 

CSF: Responsible Financial Management

Organizational Indicator:

- Annual Cost per Customer Connection [Water]

| | Cost/connection | Target |
|---------|-----------------|--------|
| 2018/19 | \$477 | \$482 |



2019 State of the Utility Address 10 

CSF: Responsible Financial Management

Organizational Indicator:

- Annual Cost per Customer Connection [Wastewater]

| | Cost/connection | Target |
|---------|-----------------|--------|
| 2018/19 | \$684 | \$687 |



2019 State of the Utility Address 11 

CSF: Effective Asset Management

Organizational Indicator: *

- Water Loss Control; target leakage allowance of 160 Litres/Service Connection/Day

| | Leakage Actual | Target |
|---------|----------------|-----------|
| 2018/19 | 172 | 160 - 170 |



CSF: Effective Asset Management

Organizational Indicator:

- Inflow and Infiltration [I&I] Reduction; # of inspections on private property in relation to discharge of stormwater into the wastewater system.

| | I&I Inspections | Target |
|---------|-----------------|--------|
| 2018/19 | 932 | 900 |



CSF: Effective Asset Management

Organizational Indicator:

- Hours of unplanned outages of GIS and CityWorks 

| | Outage Hours | Target |
|---------|--------------|-------------------------------|
| 2018/19 | 70.85% | *90% to 85% of 2017/18 actual |



CSF: Effective Asset Management

Organizational Indicator

- Capital Budget Expenditures – Maximize annual funds spent by end of fiscal year

| | Maximize Annual Capital Budget Expenditures | Target |
|---------|---|---------------------|
| 2018/19 | 68.4% | 80% to 90% approved |



CSF: Workplace Safety & Security

Organizational Indicator:

- # of Incidents with written Compliance Orders received from NS Labour and Advanced Education

| | Labour Infractions | Target |
|---------|--------------------|--------------|
| 2018/19 | 1 | 0 – 2 (max.) |



CSF: Workplace Safety & Security

Organizational Indicator:

- Lost Time Accidents [# of accidents resulting in lost time per 100 employees (FTE pro-rated)]

| | Lost time accidents | Target |
|---------|---------------------|---|
| 2018/19 | 2.5 | 2.5 – 3.5 per 100 employees (with a maximum of 4.5) |



CSF: Workplace Safety & Security

Organizational Indicator:

- # of Traffic Accidents per 1,000,000 km

| | Traffic Accidents / 1,000,000 Kms | Target |
|---------|-----------------------------------|-------------------------------------|
| 2018/19 | 4.3 | 4.0 per 1,000,000 km (maximum of 5) |



CSF: Workplace Safety & Security

Organizational Indicator:

- Employees are retrained or recertified before due date

| | % of Employees Retrained or Recertified Before Due Date | Target |
|---------|---|-----------|
| 2018/19 | 81% | 80% - 90% |



CSF: Workplace Safety & Security

Organizational Indicator:

- Supervisors complete weekly or bi-weekly safety talks

| | % of Completed Safety Talks | Target |
|---------|-----------------------------|-----------|
| 2018/19 | 81% | 80% - 90% |



CSF: Regulatory Compliance

Organizational Indicator:

- # of public health and environmental regulatory infractions resulting in an Environmental Warning Report, Summary Offence Ticket, Ministerial Order or prosecution.

| | Public Health & Env. Infract. | Target |
|---------|-------------------------------|--------------|
| 2018/19 | 3 | 0 - 2 (max.) |



CSF: Regulatory Compliance

Organizational Indicator:

- % of WWTFs complying with NSE approval permits.



| | % of WWTF samples meeting NSE discharge limits | Target |
|---------|--|-----------|
| 2018/19 | 94.9% | 93% - 98% |



CSF: Environmental Stewardship

Organizational Indicator:

- # of ICI properties in HRM inspected by Pollution Prevention [P2] Section each year

| | Actual Inspected | Target |
|---------|------------------|--------|
| 2018/19 | 528 | 500 |



CSF: Environmental Stewardship

Organizational Indicator:



- “Energy Management [kwh/m3]; % energy reduction associated with capital projects.

| | % Energy/GHG Reduction | Target |
|---------|------------------------|--------|
| 2018/19 | 4.7% | 3% |



CSF: Environmental Stewardship

Organizational Indicator:

- Bio-solid Residuals Handling; % of sludge meeting solids concentration target - 97% of samples meet a minimum solids concentration of:
 - 25% from HHSP plants
 - 18% from Aerotech Dewatering Facility

| | % Meet Solids Concentration Target | Target |
|---------|------------------------------------|------------|
| 2018/19 | 99.5% | 92% - 97 % |



CSF: Motivated and Satisfied Employees

Organizational Indicator:

- # of arbitrations divided by total # of grievances.

| | Arbitrations/Grievances | Target |
|---------|-------------------------|----------------|
| 2018/19 | 0/26 | 0 Arbitrations |



CSF: Motivated and Satisfied Employees

Organizational Indicator:

- % of jobs filled from within Halifax Water [excluding entry level jobs].

| | % Jobs filled within | Target |
|---------|----------------------|--------|
| 2018/19 | 63% | 80% |



CSF: Motivated and Satisfied Employees

Organizational Indicator:

- Employee satisfaction survey. [2009 was the benchmark year with a B result].

| | Survey Result (actual) | Target |
|----------------|------------------------|--------|
| Survey in 2018 | B | A- |



CSF: Motivated and Satisfied Employees

Organizational Indicator:

- Average number of days of absenteeism

| | Avg. No. of days absenteeism | Target |
|---------|------------------------------|----------|
| 2018/19 | 7.8 | < 7 days |



2018/19 Organizational Award Final Results

| Organizational Indicator | 2018/19 Results |
|---|-----------------|
| Water Quality Master Plan Objectives | 0.62 |
| Customer Water Quality Survey Results | 1.00 |
| Customer Service Survey Results | 1.00 |
| Operating Expense/Revenue Ratio <i>[Gateway Indicator]</i> | 1.00 |
| Water Loss Control Reduction | 1.00 |
| Inflow & Infiltration Reduction | 1.00 |
| Percentage that GIS is Operational | 1.00 |
| Energy Management – Water & Wastewater | 1.00 |
| Biosolids Residual Handling | 1.00 |
| # of Lost Time Accidents per 100 Employees <i>[Gateway Indicator]</i> | 1.00 |
| # of Traffic Accidents per 1,000,000 km | 0.7 |
| Percentage of WWTFs Compliant with NS Environment Permits | 0.7 |
| TOTAL SCORE | 11.02 |



TO: Darlene Fenton, Chair and Members of the Halifax Regional Water Commission Board

SUBMITTED BY: *Original Signed By:*
Cathie O'Toole, CPA, CGA, MBA, ICD.D, Director, Corporate Services

APPROVED: *Original Signed By:*
Carl Yates, M.A.Sc., P.Eng., General Manager

DATE: June 7, 2019

SUBJECT: **2018/19 Audited Financial Statements and Year End Results**

ORIGIN

Operational and Regulatory Requirement.

RECOMMENDATION

It is recommended that the Board approve the March 31, 2019, Halifax Regional Water Commission's Audited Financial Statements prepared using International Financial Reporting Standards.

BACKGROUND

Halifax Regional Water Commission (HRWC) is required to submit Board-approved audited financial statements to the Halifax Regional Municipality (HRM) and the Nova Scotia Utility and Review Board (NSUARB).

DISCUSSION

Attached are the financial statements for the year ended March 31, 2018, presented in two formats.

HRWC is a fully regulated government business enterprise, falling under the jurisdiction of the Nova Scotia Utility and Review Board (NSUARB). The NSUARB requires that HRWC file

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Financial Statements and rate applications with the Board based on the NSUARB Handbook for Accounting and Reporting for Water Utilities. The Accounting Standards Board (AcSB) requires rate regulated entities to conform to International Financial Reporting Standards (IFRS). The Commission maintains the SAP financial records in IFRS for the purposes of the annual audit and consolidation of the financial statements with those of Halifax Regional Municipality (HRM). The budget for the 2018/19 fiscal year was prepared using the NSUARB format and financial results continue to be provided in NSUARB format.

The on-site field work portion of the annual audit by Grant Thornton began May 6th. The audit timing and presentation of results is coordinated with HRM for consolidation with its statements.

The following discussion of the operating results is based on the internal NSUARB format statements except where noted. The results reflect direct operating costs by department and allocations among water, wastewater and stormwater for common costs shared across all the services provided by HRWC.

Summary information is provided for the Balance Sheet on Page 1 and the Income Statement on Page 2. A detailed presentation of the Balance Sheet and Income Statement is provided on Pages 3 and 4. Pages 5 through 8 provide Income Statements by Service and for Regulated and Un-Regulated Services. Pages 9 and 10 provide the Balance Sheet and Income Statement in IFRS format.

Consolidated Income Statement - Page 2

| Summarized Consolidated Operating Results | | | | |
|---|-----------------------|-----------------------|-----------|----------|
| | Actual YTD 2018/19 | Actual YTD 2017/18 | | |
| | '000 | '000 | \$ Change | % Change |
| Operating Revenue | \$138,413 | \$138,145 | \$268 | 0.2% |
| Operating Expenses | \$106,731 | \$99,437 | \$7,294 | 7.3% |
| Operating Profit (Loss) | \$31,682 | \$38,708 | (\$7,027) | -18.2% |
| Non Operating Revenue | \$1,898 | \$4,486 | (\$2,588) | -57.7% |
| Non Operating Expenditure | \$33,190 | \$34,376 | (\$1,186) | -3.5% |
| Net Surplus before OCI | \$390 | \$8,819 | (\$8,429) | -95.6% |
| Pension Plan Expense | (\$5,208) | (\$5,015) | (\$193) | 3.9% |
| OCI | \$3,735 | (\$1,750) | \$5,485 | -313.4% |
| Net Surplus (Deficit) | (\$1,083) | \$2,054 | (\$3,137) | -152.8% |

Figures used in the various tables throughout the report may contain differences due to Excel rounding.

Key items of note:

- Operating revenue of \$138.4 million is on par with the prior year.
- Operating expenses of \$106.7 million are \$7.3 million higher than the prior year.

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- Excluding Other Comprehensive Income (OCI) and Pension Plan Expense, the Net Surplus for the year is \$0.4 million, a decline of \$8.4 million.
- Other Comprehensive Income is a function of the change in the liability for employee benefits, including the Pension Plan. The OCI adjustment at year-end was an improvement (income) of \$3.7 million whereas in the prior year it was a loss of \$1.7 million.
- The Net Surplus for the year is a loss of \$1.1 million, a decline of \$3.1 million from the prior year.
- The approved budget was for a loss of \$12.1 million.

Balance Sheet - Page 3

Key indicators and balances from the Balance Sheet are as follows:

| Cash On Hand | | |
|--------------|-----------------|----------|
| | 2018/19 | 2017/18 |
| Cash On Hand | \$51,603 | \$51,470 |

| Balance Sheet Liquidity (Current Ratio) | | |
|---|-----------------|----------|
| | 2018/19 | 2017/18 |
| Current Assets ('000) | \$94,567 | \$89,095 |
| Current Liabilities ('000) | \$47,447 | \$45,995 |
| Current Ratio | 1.99 | 1.94 |

| Accounts Receivable | | |
|-----------------------|-----------------|----------|
| | 2018/19 | 2017/18 |
| Customer Receivables | \$17,407 | \$18,723 |
| Unbilled Services | \$17,012 | \$16,640 |
| Halifax Regional Mun. | \$3,728 | \$5,275 |
| Total | \$38,148 | \$40,638 |

| Accounts Payable | | |
|-----------------------|-----------------|----------|
| | 2018/19 | 2017/18 |
| Trade Payables | \$23,493 | \$23,944 |
| LT Debt Interest | \$2,051 | \$2,030 |
| Halifax Regional Mun. | \$2,865 | \$2,439 |
| Total | \$28,409 | \$28,413 |

- Cash balances throughout the fiscal year were higher than anticipated due to higher consumption revenue and RDC collections, and lower capital expenditures than anticipated. The original Cash Flow projection had forecasted a \$30.9 million decline in cash by year-end.
- Other current assets and liabilities are all within the expected ranges for the end of the fiscal year.

| Capital Asset Additions | |
|--|-----------------|
| | Cumulative '000 |
| Aerotech Wastewater Treatment Facility | \$23,997 |
| Fall River Water Servicing | \$10,167 |
| AMI - Advanced Metering Infrastructure | \$6,596 |
| Mainline Lining Program | \$4,233 |
| WW Lateral Lining Program | \$1,980 |
| WW Lateral Replacement Program | \$1,748 |
| All other projects | \$31,939 |
| Total | \$80,659 |

| Capital Assets Under Construction | |
|--|------------------|
| | Cumulative '000 |
| AMI - Advanced Metering Infrastructure | \$9,794 |
| JD Kline Filtration Replacement | \$6,623 |
| Lake Major Dam Replacement | \$4,693 |
| Ellenvale Run Retaining Wall System | \$2,878 |
| All other projects | \$10,409 |
| Total Capital Expenditures | \$34,397 |
| External Funding Received | (\$4,792) |
| Net Assets Under Construction | \$29,605 |

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- Plant in Service assets, net of Accumulated Depreciation, total \$1.27 billion, an increase of \$43.3 million.
- Capital work orders closed during the year totaled \$80.7 million.
- Expenditures on Capital Budget projects within the fiscal year total \$64.5 million.
- The Aerotech Wastewater Treatment Facility was the largest project completed, with a value of \$24.0 million.
- The Fall River Water Servicing project, valued at \$10.2 million, is treated as a donated asset as it was fully funded through Federal and Provincial programs and HRM Local Improvement Charges.
- Meters installed through the AMI – Advanced Metering Initiative during the year were capitalized, totaling \$6.6 million. The remaining meter installations and associated technology are expected to be capitalized in 2019/20.

| Long Term Debt by Service | | |
|---------------------------|-----------|-----------|
| | 2018/19 | 2017/18 |
| | '000 | '000 |
| Water | \$56,585 | \$53,697 |
| Wastewater | \$114,157 | \$127,043 |
| Stormwater | \$12,833 | \$11,043 |
| Combined | \$183,575 | \$191,783 |

| Debt Servicing Ratio by Service | | |
|---------------------------------|-------------------------------|---------|
| | YTD Debt Servicing Cost Ratio | |
| | 2018/19 | 2017/18 |
| Water | 16.3% | 18.7% |
| Wastewater | 23.7% | 23.6% |
| Stormwater | 19.0% | 17.9% |
| Combined | 20.3% | 21.2% |

- Long Term Debt is down \$8.2 million from the prior year as debt repayments have been greater than new debt acquired for the capital program.
- The debt service ratio of 20.3% is well below the maximum 35% ratio allowed under the blanket guarantee agreement with HRM.

| Operating Surplus | | |
|-----------------------|-----------|----------|
| | 2018/19 | 2017/18 |
| Opening Op Surplus | \$20,481 | \$16,677 |
| YTD Net Profit | (\$1,083) | \$2,054 |
| Cumulative Op Surplus | \$19,398 | \$18,731 |

Income Statement – All Services - Page 4

The following tables compare the results with the budget and most recent forecasts for the year.

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June 20, 2019

| Summarized Consolidated Operating Results | | | |
|---|--------------|-----------|-------------|
| | Twelve Month | | \$ Variance |
| | Actual YTD | Budget | |
| | 2018/19 | 2018/19 | |
| | '000 | '000 | |
| Operating Revenue | \$138,413 | \$135,182 | \$3,231 |
| Operating Expenses | \$106,731 | \$108,770 | (\$2,039) |
| Operating Profit (Loss) | \$31,682 | \$26,412 | \$5,270 |
| Non Operating Revenue | \$1,898 | \$1,006 | \$893 |
| Non Operating Expenditure | \$33,190 | \$36,564 | (\$3,374) |
| Net Surplus (Deficit) | \$390 | (\$9,146) | \$9,536 |

| Summarized Consolidated Operating Results | | | |
|---|--------------|-----------|-------------|
| | Twelve Month | | \$ Variance |
| | Actual YTD | Forecast | |
| | 2018/19 | 2018/19 | |
| | '000 | '000 | |
| Operating Revenue | \$138,413 | \$137,386 | \$1,027 |
| Operating Expenses | \$106,731 | \$105,473 | \$1,258 |
| Operating Profit (Loss) | \$31,682 | \$31,913 | (\$231) |
| Non Operating Revenue | \$1,898 | \$1,862 | \$37 |
| Non Operating Expenditure | \$33,190 | \$33,459 | (\$269) |
| Net Surplus (Deficit) | \$390 | \$316 | \$74 |

- Results are \$9.5 million better than the pro-rated budget and on par with the forecast.

Customer Rates

Rates for services did not change this fiscal year, having last been adjusted in 2016 for Water and Wastewater and 2017 for Stormwater. It is anticipated that an application for new rates will be submitted to the NSUARB in 2019/20 to take effect in mid-2020.

| Summary of Rates | | | | |
|------------------------------------|----------------------|-----------|-----------|-----------|
| | Effective | Effective | \$ Change | % Change |
| | April 1/16 | May 1/15 | | |
| <u>Volumetric Charges (per m3)</u> | | | | |
| Water | 0.976 | 0.845 | 0.131 | 15.5% |
| Wastewater | 1.753 | 1.638 | 0.115 | 7.0% |
| Combined | 2.729 | 2.483 | 0.246 | 9.9% |
| <u>Base Charges (per year)</u> | | | | |
| Water | Varies by meter size | | No Change | 0.0% |
| Wastewater | Varies by meter size | | Varies | 1.1%-7.7% |

| Summary of Rate Change - Stormwater | | | | |
|--------------------------------------|-----------|------------|-----------|----------|
| | Effective | Effective | \$ Change | % Change |
| | July 1/17 | April 1/14 | | |
| <u>Residential - Impervious Area</u> | | | | |
| Less than 50 m2 | - | 33.39 | - 33.390 | -100.0% |
| 50 to 200 m2 | 14.00 | 33.39 | - 19.390 | -58.1% |
| 210 to 400 m2 | 27.00 | 33.39 | - 6.390 | -19.1% |
| 410 to 800 m2 | 54.00 | 33.39 | 20.610 | 61.7% |
| Greater than 810 m2 | 81.00 | 33.39 | 47.610 | 142.6% |
| Culvert only service | 14.00 | Varied | Varies | Varies |
| ICI Rate per m2 | 0.135 | 0.149 | - 0.014 | -9.4% |

Operating Revenue

| Operating Revenue Results | | | |
|---------------------------|------------|------------|-------------|
| | YTD Actual | YTD Budget | \$ Variance |
| | 2018/19 | 2018/19 | |
| | '000 | '000 | |
| Consumption Revenue | \$86,244 | \$81,748 | \$4,496 |
| Base Charge Revenue | \$33,191 | \$33,257 | (\$67) |
| Wastewater Rebate | (\$1,494) | (\$1,252) | (\$242) |
| Metered Sales Sub-total | \$117,941 | \$113,754 | \$4,187 |
| SW Site Generated Charge | \$5,906 | \$6,752 | (\$846) |
| HRM Fire Prot & ROW | \$10,909 | \$10,909 | \$0 |
| Other Operating Revenue | \$3,657 | \$3,767 | (\$111) |
| Operating Revenue Total | \$138,413 | \$135,182 | \$3,231 |

| Operating Revenue Results | | | |
|---------------------------|------------|-----------------|-------------|
| | YTD Actual | Prior Yr Actual | \$ Variance |
| | 2018/19 | 2017/18 | |
| | '000 | '000 | |
| Consumption Revenue | \$86,244 | \$85,012 | \$1,232 |
| Base Charge Revenue | \$33,191 | \$32,845 | \$346 |
| Wastewater Rebate | (\$1,494) | (\$642) | (\$851) |
| Metered Sales Sub-total | \$117,941 | \$117,215 | \$726 |
| SW Site Generated Charge | \$5,906 | \$6,169 | (\$262) |
| HRM Fire Prot & ROW | \$10,909 | \$10,921 | (\$12) |
| Other Operating Revenue | \$3,657 | \$3,841 | (\$185) |
| Operating Revenue Total | \$138,413 | \$138,145 | \$268 |

Operating Revenue remained on par with the previous year and was \$3.2 million ahead of budget, which had anticipated a decline in revenue. Key items of note include:

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- Water consumption increased 1.4% from the previous year on a volumetric basis. Consumption had been budgeted to decline by 2.5%.
- Base Charge Revenue is slightly below budget but slightly ahead of the prior year.
- Metered Sales revenue for Water Service is up \$0.8 million (1.7%) as compared to the prior year.
- Metered Sales revenue for Wastewater Service is down \$0.1 million (0.1%) as compared to the prior year. The lower revenue is attributable to higher Wastewater Rebates. The Wastewater Rebate is an offset to revenue. It is available to certain large customers whose water does not enter the Wastewater system.
- Stormwater Site Generated revenue was below budget and the prior year. Revenue had been expected to increase from the prior year, which was also below budget. A review of the Stormwater billing process is underway to ensure all new customers are being charged appropriately.

Other revenue categories are comparable with budget and forecasted amounts.

Operating Expenses

| Summary of Operating Expenses by Department | | | | |
|---|-------------------------------|-------------------------------|-------------|------------|
| | Actual YTD 2018/19 '000 | Budget YTD 2018/19 '000 | \$ Variance | % Variance |
| Water Services | \$20,670 | \$21,232 | (\$562) | -2.6% |
| WW Services | \$33,124 | \$33,437 | (\$313) | -0.9% |
| SW Services | \$4,950 | \$5,276 | (\$326) | -6.2% |
| Engineering & IS | \$8,156 | \$8,177 | (\$21) | -0.3% |
| Regulatory Services | \$3,152 | \$3,763 | (\$611) | -16.2% |
| Corporate Services | \$13,672 | \$13,451 | \$221 | 1.6% |
| Depreciation | \$23,007 | \$23,434 | (\$427) | -1.8% |
| Total Operating Expenses | \$106,731 | \$108,770 | (\$2,039) | -1.9% |

Key items to note:

- Operating Expenses of \$106.7 million are \$7.3 million higher than the prior year and \$2.0 million below the pro-rated budget for the year.
- Compared to the prior year, expense categories with the largest increases in costs are Depreciation, Water Transmission and Distribution, Administration and Pension.

Financial Revenue

Key items to note:

- Higher than anticipated cash balances and rising interest rates have generated interest income of \$1.2 million, which is more than double the budgeted amount.
- The agreement with the Province of Nova Scotia for funding for the Halifax Harbour Solutions Project concluded in 2017/18.

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- Miscellaneous Revenue includes various un-regulated activities such as tower leases, energy generation, consulting activities and some contracted services. The prior year figure is higher because it included one-time item of \$0.9 million.

Financial Expenses

Key items to note:

- Long Term Debt costs are \$1.2 million lower than in the prior year. Debt servicing savings are a result of:
 - New debt issues having lower interest rates than older, maturing issues.
 - This is the third year in a row that debt repayments have been greater than new debt issues.
- New debt of \$15.0 million was acquired through MFC's Fall Debenture in November.

Operating Results by Service - Pages 5-7

| Year to Date Operating Results by Service | | |
|---|-----------|---------|
| | 2018/19 | 2017/18 |
| | '000 | '000 |
| Water | (\$402) | \$1,043 |
| Wastewater | (\$3,190) | \$2,884 |
| Stormwater | (\$1,226) | (\$124) |
| Net Surplus (Deficit) | (\$4,818) | \$3,804 |

Regulated and Unregulated Operations - Page 8

| Results by Activity | | |
|------------------------|-----------|---------|
| | 2018/19 | 2017/18 |
| | '000 | '000 |
| Regulated Activities | (\$6,186) | \$2,214 |
| Unregulated Activities | \$1,368 | \$1,590 |
| Net Surplus (Deficit) | (\$4,818) | \$3,804 |

Key items to note:

- Activities regulated by the NSUARB show a loss of \$6.2 million, a decline from the profit of \$2.2 million profit in the prior year.
- Unregulated activities show a profit of \$1.3 million, a decline in the profit of \$1.6 million for the prior year. The declining profit is a result of lower revenue in several contracted services.

Results under International Financial Reporting Standards - Pages 9 & 10

As noted previously, the AcSB requires HRWC, as a rate regulated utility, to report financial results using International Financial Reporting Standards (IFRS).

On the IFRS Balance Sheet, Accumulated Depreciation is higher producing a lower value for assets, Contributed Capital is treated as a long term liability and amortized rather than being treated

as a contribution to equity, and the Operating Surplus is much higher due to changes in the Income Statement.

On the IFRS Income Statement, Operating Revenue is the same. Depreciation Expense is higher as contributed assets are depreciated and some assets are depreciated more quickly. Financial Revenue is higher as the amortization of contributed capital is treated as revenue. The most significant change is Financial Expenses are lower as there is no expense for the Long Term Debt Principal appropriation – a difference of \$20.5 million for the full year.

The IFRS Net Profit for the year to date is \$16.1 million.

ATTACHMENTS

1. Audited Financial Statements for the twelve (12) months ended March 31, 2019 (IFRS format)
2. Unaudited Financial Statements for the twelve (12) months ended March 31, 2019 (Internal NSUARB & IFRS format)
3. Financial Information Graph of Revenue and Expenses for 2018/2019

| |
|---|
| Report prepared by: <i>Original Signed By:</i> Warren Brake, B.Comm, CPA, CGA, Manager, Accounting, 902-490-4814 |
|---|



ITEM # 4.1

HRWC BOARD

June 20, 2019

Attachment 1

Financial Statements

Halifax Regional Water Commission

March 31, 2019

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Independent auditor's report

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

Opinion

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

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

Basis for opinion

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

Emphasis of matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The schedules on pages 21-30 are presented for purposes of additional information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the period ended March 31, 2019, only to the extent necessary to express an opinion, on the audit of the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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



Halifax, Canada
June 20, 2019

Chartered Professional Accountants
Licensed Public Accountants

Halifax Regional Water Commission

Statement of earnings

Year ended March 31, 2019 (in thousands)

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

See accompanying notes to the financial statements.

Halifax Regional Water Commission Statement of comprehensive earnings

| Year ended March 31 (in thousands) | 2019 | 2018 |
|---|------------------|------------------|
| Earnings for the year | \$ 12,404 | \$ 21,781 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified subsequently to earnings: | | |
| Re-measurement on defined benefit plans | <u>3,734</u> | <u>(1,750)</u> |
| Total comprehensive earnings for the year | <u>\$ 16,138</u> | <u>\$ 20,031</u> |

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of financial position

March 31 (in thousands)

2019

2018

Assets

Current

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

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

| | | |
|--|--------------|--------------|
| Regulatory deferral account balance (Note 5) | <u>3,004</u> | <u>3,196</u> |
|--|--------------|--------------|

| | | |
|---|---------------------|---------------------|
| Total assets and regulatory deferral account debit balances | <u>\$ 1,374,340</u> | <u>\$ 1,335,386</u> |
|---|---------------------|---------------------|

Liabilities

Current

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

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

Equity

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

Contingent liabilities (Note 3)

Commitments (Note 6)

Subsequent event (Note 15)

Approved by the Board

Original Signed

Commissioner

Original Signed

Commissioner

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of changes in equity

Year ended March 31 (in thousands)

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

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of cash flows

Year ended March 31 (in thousands)

2019

2018

(Decrease) increase in cash and cash equivalents

| | 2019 | 2018 |
|---|------------------|------------------|
| Operating | | |
| Comprehensive earnings for the year | \$ 16,138 | \$ 20,031 |
| Depreciation and amortization | 27,787 | 25,926 |
| Employee benefit obligations | 2,431 | 7,254 |
| Loss (gain) loss on disposal of plant in service | <u>188</u> | <u>(127)</u> |
| | 46,544 | 53,084 |
| | | |
| Change in non-cash operating working capital items (Note 7) | <u>1,762</u> | 754 |
| | 48,306 | 53,838 |
| Financing | | |
| Proceeds from issuance of long term debt | 16,500 | 10,000 |
| Contributed capital | 13,691 | 11,162 |
| Debt issue costs, net | 70 | 121 |
| Principal repayment on Harbour Solutions long term debt | (6,500) | (6,500) |
| Principal repayments on long term debt | <u>(16,130)</u> | <u>(15,089)</u> |
| | 7,631 | (306) |
| | | |
| Investing | | |
| Deferred capital contributions | 790 | 3,701 |
| Proceeds from sale of plant in service | 189 | 120 |
| Purchase of capital work in progress | (18,519) | (14,405) |
| Purchase of utility plant in service | <u>(38,264)</u> | <u>(47,357)</u> |
| | (55,804) | (57,941) |
| | | |
| Net increase (decrease) in cash and cash equivalents | 133 | (4,409) |
| | | |
| Cash and cash equivalents, beginning of year | <u>51,470</u> | <u>55,879</u> |
| | | |
| Cash and cash equivalents, end of year | \$ 51,603 | \$ 51,470 |

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

1. Nature of operations

The Halifax Regional Water Commission (the Commission) is a public utility owned and controlled by the Halifax Regional Municipality (HRM). The Commission is responsible for the supply of municipal water, wastewater and stormwater services to the residents of the HRM. The Commission's principal place of business is P.O. Box 8388 Station A, 450 Cowie Hill Road, Halifax, Nova Scotia. The Commission is exempt from income tax.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements were authorized for issue by the Board on **June 20, 2019**.

(b) Basis of measurement

The Commission's financial statements are prepared on the historical cost basis, except for certain financial instruments measured at fair value. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand. The financial statements are presented in accordance with International Accounting Standards (IAS) 1 "Presentation of Financial Statements".

(c) Regulation

In matters of administrative policy relating to customers, rates, capital expenditures, depreciation rates and accounting matters, the Commission is subject to the jurisdiction of the Nova Scotia Utility and Review Board (NSUARB). Rates charged to and collected from customers are designed to recover costs of providing the regulated services. Halifax Water is required to prepare submissions in accordance with the Handbook issued by the NSUARB. There are differences in the accounting treatment of certain transactions from IFRS including the accounting of principal debt payments, employee future benefits, depreciation and amortization, and gains and losses on the disposal of plant in service and accumulated surplus.

Regulatory assets represent costs incurred that have been deferred as approved by the NSUARB and will be recovered through future rates collected from customers. The Commission's regulatory asset is disclosed in Note 5.

(d) Utility plant in service

Utility plant in service (Note 12) is recorded at cost, being the purchase price and directly attributable cost of acquisition or construction, including interest capitalized during construction. Contributions for capital expenditures are treated as deferred contributed capital on the statement of financial position and amortized over the estimated useful lives of the assets. Structures and land taken out of service are removed from utility plant in service and placed in plant not in service at cost less accumulated depreciation. Losses or gains related to assets retired, demolished or sold are charged or credited to the statement of earnings.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks.

(f) Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for the major classifications of utility plant in service are as follows:

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

Depreciation commences in the year an asset is put in service and ready for its intended use. In the year of acquisition, depreciation is calculated at 50% of the above rates unless a project is significant, in which case depreciation is prorated for the number of months the asset was in use. The Commission does not maintain a depreciation fund. The Commission has received NSUARB approval for exemption from setting up a depreciation fund as long as net depreciable additions to plant exceed the depreciation charged.

(g) Inventory

Cost of inventory is comprised of direct materials and supplies. Inventories are valued at the lower of cost and net realizable value with cost being determined on a weighted average moving cost method.

(h) Revenues and expenditures

All revenues and expenditures are recorded on an accrual basis. Revenues relating to supplying water, wastewater and stormwater services are recorded based on cyclical billings and include an accrual for estimated amounts not yet billed. Fire protection revenue is recorded based on approved rates. Other revenues are recorded at the time services are performed, the amount can be measured reliably and collection is reasonably assured.

(i) Long term debt

Debt issue costs are deferred and amortized over the term of the debt to which it relates.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(j) Use of estimates and critical accounting judgments

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Significant estimates and assumptions include the following:

- At year end, revenue from water, stormwater and wastewater services has been earned, but not yet billed due to the timing of the billing cycles. Management estimates the unbilled revenue accrual based on historic billing trends.
- Management assumptions are used in the actuarial determination of employee benefit obligations, such as standard rates of inflation, mortality, discount rates, and anticipation of future salary increases.
- Useful lives of utility plant in service are reviewed at each reporting date based on expected patterns of usage and historical information.
- Recognition and measurement of provisions and contingencies.

Actual results could differ from these estimates.

(k) Financial instruments

Recognition and derecognition

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

Classification and initial measurement of financial assets

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

The Commission has classified its financial instruments as follows:

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

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

Subsequent measurement of financial assets

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

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

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

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

Impairment of financial assets

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

Receivables

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

(l) Provisions

A provision is recognized in the statement of financial position when the Commission has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the obligation.

(m) Impairments

At the end of each reporting period, the Commission reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss (if any). The recoverable amount of any asset is the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Commission has three CGU's (water, wastewater and stormwater) for which impairment testing is performed.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings. When an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(n) Intangibles

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

| | |
|-------------------|----------------|
| Intangible assets | 10 to 30 years |
|-------------------|----------------|

(o) Employee benefits obligations

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

Pension benefits

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

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

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

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

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

(o) Employee benefits obligations (continued)

Gains and losses resulting from re-measurements of the net defined benefit liability are charged to other comprehensive income in the period in which they arise. Service costs are recognized immediately into earnings.

Net interest cost related to pension obligations and returns on plan assets are included in salary and benefits on the statement of earnings.

Short-term employee benefits

Short-term employee benefit obligations that are due to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service are measured on an undiscounted basis and are expensed as the related service is provided.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

2. Summary of significant accounting policies (continued)

(p) Regulatory deferral account balance

The Commission early adopted IFRS 14 Regulatory Deferral Accounts and has continued to apply the accounting policies it applied in accordance with the Handbook for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured at cost less amortization. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

(q) Future accounting standards

At the date of authorization of these financial statements, certain new IFRS standards, amendments and interpretations to existing standards have been published by the IASB, but are not yet effective and have not been adopted early by the Commission.

Management anticipates that the relevant pronouncements will be adopted in the Commission's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that may be relevant to the Commission's financial statements is provided below.

IFRS 15 Revenue from Contracts with Customers

The IASB released a new standard IFRS 15 Revenue from Contracts with Customers which replaces IAS 18 Revenue, IAS 11 Construction Contracts and certain revenue-related interpretations. The new standard provides a single, principle based five-step model to be applied to all contracts with customers requiring an entity to recognize revenue 1) in a manner that depicts the transfer of goods or services to customers and 2) at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Commission has adopted and assessed the impact of the new standard and concluded it is not material to the financial statements.

IFRS 9 Financial Instruments

The IASB has replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety with a new standard IFRS 9 Financial Instruments. The final version of the standard introduces a new approach to financial asset classification, replaces the "incurred loss" impairment model with a more forward-looking expected loss model and substantially revises hedge accounting.

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

IFRS 16 Leases

The IASB issued IFRS 16, Leases, which replaces IAS 17, Leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17. The new standard IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Commission is currently assessing the impact of this new standard.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

3. Contingent liabilities

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

The Commission has been named along with the contractor for a flooding incident that occurred as a result of an overflow of wastewater at a pumping station associated with the Halifax Harbour Solutions Project (HHSP). The claim is being defended by the Commission's insurer and management believes exposure in this regard is minimal.

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

4. Employee benefit obligations

Retirement benefit plan – employees transferred from HRM

The Commission is responsible for funding the employer share of the contributions to the HRM pension plan for certain employees that transferred from HRM as of August 1, 2007. HRM administers this defined benefit pension plan and the Commission reimburses HRM for the pension costs related to the Commission's proportionate share of the employees covered under the plan. Due to the nature of the plan, the Commission does not have sufficient information to account for the plan as a defined benefit; therefore, the multiemployer defined benefit plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period when the Commission is obligated to make contributions for services rendered by the employee. During 2019, the Commission funded \$599 (2018 - \$635) in contributions to the plan.

Defined benefit plans and other long term employment benefits

For all other employees, the Commission maintains a defined benefit pension plan and offers post-retirement health and insurance benefits. The pension plan provides pensions based upon length of service and best seven years' earnings. This defined benefit pension plan is funded by employer and employee contributions with employees contributing 10.65% of regular employee earnings. The Commission contributes 13.29% of payroll which includes 9.85% toward current service cost and 3.44% toward going concern special payments.

Employees who retired prior to July 1, 1998 have extended health benefits coverage for life and drug coverage until age 65. Employees who retired after July 1, 1998 and before December 31, 2008 have coverage for drug, extended health, dental and life insurance until age 65 on a 50/50 cost shared basis (100% basis for employees who retired after December 31, 2008). Extended health coverage for these retirees and their spouses after the age of 65 is available on an optional basis at 100% retiree cost and drug coverage is available through the provincially managed drug program.

The Commission also has a non-funded pre-retirement benefit that is accrued annually, but is payable on retirement, termination or death if the employee has at least 10 years of continuous service. The benefit is equal to three days' pay for each completed year of service, up to a maximum of six month's salary and can be taken as a lump sum payment at the date of retirement in lieu of pre-retirement leave.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

4. Employee benefit obligations (continued)

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

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

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

4. Employee benefit obligations (continued)

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

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

| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
|---|----------------|----------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Pension</u> | <u>Pension</u> | <u>Post-</u> | <u>Post-</u> | <u>Pre-</u> | <u>Pre-</u> |
| | <u>Plan</u> | <u>Plan</u> | <u>Retirement</u> | <u>Retirement</u> | <u>Retirement</u> | <u>Retirement</u> |
| | | | <u>Benefits</u> | <u>Benefits</u> | <u>Benefit</u> | <u>Benefit</u> |
| Discount rate | 3.40% | 3.60% | 3.00% | 3.20% | 3.20% | 3.60% |
| Expected return on plan assets | 3.40% | 3.60% | N/A | N/A | N/A | N/A |
| Rate of compensation increase | 3.75% | 3.75% | N/A | N/A | 3.75% | 3.75% |
| Expenses for life benefits as a % of claims | N/A | N/A | 10.00% | 10.00% | N/A | N/A |
| Health benefit inflation per year | N/A | N/A | 6.60% | 6.92% | N/A | N/A |
| Dental benefit inflation per year | N/A | N/A | 4.00% | 4.50% | N/A | N/A |

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

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

5. Regulatory deferral account balance

In 2011, the NSUARB granted the Commission approval to defer depreciation charges on certain assets transferred in 2010 from HRM relating to the Halifax Harbour Solutions Project (HHSP). Depreciation of \$2,078 was deferred in each of fiscal 2011 and 2012. As a result, the Commission recognized a \$4,156 regulatory deferral account. In absence of rate regulation, this regulatory deferral account balance would have been expensed as depreciation in fiscal 2011 and 2012. In 2012, the NSUARB granted approval of the amortization of this deferral account over the remaining useful lives of the underlying assets, beginning in 2014. The expense recognized in 2019 is \$192 (2018 - \$192).

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

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

6. Commitments

There is an agreement with HRM for renewal of the dividend/grant in lieu of taxes for fiscal years 2015/16 to 2019/20 for water services. Dividend payments are approved as part of revenue requirements by the NSUARB. There is no dividend/grant in lieu of taxes approved for wastewater/stormwater. The Commission is committed to a payment of \$5,078 for the 2020 fiscal year.

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

7. Supplemental cash flow information

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

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

8. Capital management

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

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

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------------|-------------------|
| Long term debt (current portion) | \$ 24,709 | \$ 22,630 |
| Long term debt | <u>182,732</u> | <u>190,871</u> |
| Funded debt | 207,441 | 213,501 |
| Equity | <u>183,798</u> | <u>167,660</u> |
| Capital under management | <u>\$ 391,239</u> | <u>\$ 381,161</u> |

The Commission is a regulated utility and is subject to the regulations of the NSUARB. As part of this regulation, the Commission must obtain approval by the NSUARB for all borrowings. The Commission has obtained regulatory approval for all borrowings during the fiscal year. The Commission is not subject to financial borrowing covenants other than as outlined in Note 10.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

9. Financial instruments and risk management

The Commission applies a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

| | |
|-----------|---|
| Level I | Quoted prices in active markets for identical assets or liabilities; |
| Level II | Inputs other than quoted prices included in Level I that are observable, either directly or indirectly; and |
| Level III | Inputs that are not based on observable market data. |

The carrying values of current assets and current liabilities approximate their fair value due to the relatively short period to maturity of these financial instruments. Loans and receivables are carried at amortized cost. The fair value of variable rate long term debt is assumed to approximate its carrying value. Fair value has been estimated by discounting future cash flows at a rate offered for borrowings of similar maturities and credit quality at year end.

There were no transfers between classes of the fair value hierarchy during the year.

The Commission is exposed to risks as a result of holding financial instruments. Management considers and evaluates those risks on an on-going basis to ensure that the risks are appropriately managed. These potential risks include credit risk, interest risk, market risk and liquidity risk.

Credit risk

Credit risk arises from the possibility that the Commission's customers may experience financial difficulty and be unable to fulfill their obligations. The Commission's maximum exposure to credit risk corresponds to the cash and customer charges and contractual receivables. However, the Commission's customers are numerous and diverse, which reduces the concentration of credit risk.

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

| | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| Receivables | | |
| Customer charges, contractual and unbilled | \$ 36,921 | \$ 36,552 |
| Less: allowance for doubtful accounts | <u>(2,502)</u> | <u>(2,418)</u> |
| | <u>\$ 34,419</u> | <u>\$ 34,134</u> |

The credit quality of financial assets that are neither past due nor impaired are assessed with reference to historical information and includes the following considerations; new customers, existing customers and payment patterns / history.

Interest risk

Interest risk arises from the possibility that changes in interest rates will cause the Commission a potential loss. All of the Commission's long term debt is at varying fixed rates and has staggered maturity dates which reduce the interest rate risk.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

9. Financial instruments and risk management (continued)

Market risk

Market risk arises from the possibility that the value of an investment will fluctuate as a result of changes in market prices. These changes could affect the market value of the investments in the Commission's employees' pension plan and consequently the plan's deficit. The risk is mitigated by the pension plan diversifying the types of investments in its portfolio.

Liquidity risk

Liquidity risk arises from the possibility of the Commission not being able to meet its cash requirements in a timely and cost effective manner. The Commission manages this risk by closely monitoring the cash on hand in comparison to upcoming cash commitments.

10. Related party transactions

The immediate parent and ultimate controlling party of the Commission is the HRM.

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

Amounts receivable from and payable to HRM have normal credit terms.

The Commission had the following related party transactions with HRM:

- The Commission recorded revenue for provision of water, wastewater and stormwater services to HRM in the amount of \$5,209 (2018 - \$5,097).
- The Commission recorded fire protection revenue from HRM of \$7,074 (2018 - \$7,074).
- The Commission paid a grant in lieu of tax of \$4,999 (2018 - \$4,774).
- The debt issued by the Commission was covered by a blanket guarantee from HRM subject to the Commission maintaining a debt service ratio of less than 35%.

Compensation of key management personnel

Members of the Board of Commissioners and Executive Management team are deemed to be key management personnel. It is the Board of Commissioners and Executive Management team who have the responsibility for planning, directing and controlling the activities of the Commission.

The following is compensation expense for key management personnel:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|-----------------|-----------------|
| Short term benefits | \$ 1,421 | \$ 1,388 |
| Post-employment benefits | <u>313</u> | <u>219</u> |
| Total compensation | <u>\$ 1,734</u> | <u>\$ 1,607</u> |

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

| 11. Intangible assets | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| Cost | | |
| Beginning balance, April 1 | \$ 17,888 | \$ 13,213 |
| Additions | <u>2,910</u> | <u>4,675</u> |
| Total cost, March 31 | <u>20,798</u> | <u>17,888</u> |
| Accumulated amortization | | |
| Beginning balance, April 1 | 4,011 | 2,938 |
| Amortization | <u>1,369</u> | <u>1,073</u> |
| Total accumulated amortization, March 31 | <u>5,380</u> | <u>4,011</u> |
| Net book value | <u>\$ 15,418</u> | <u>\$ 13,877</u> |

12. Utility plant in service

| | <u>Land</u> | <u>Structures and improvements</u> | <u>Treatment and network equipment</u> | <u>Distribution and collection network</u> | <u>Tools and work equipment</u> | <u>Total</u> |
|--|------------------|--|--|--|---|---------------------|
| Cost | | | | | | |
| Beginning balance, April 1, 2018 | \$ 21,372 | \$ 218,876 | \$ 229,808 | \$ 862,357 | \$ 26,080 | \$ 1,358,493 |
| Additions | 231 | 16,739 | 23,459 | 33,708 | 3,610 | 77,747 |
| Disposals | <u>-</u> | <u>-</u> | <u>(2,325)</u> | <u>-</u> | <u>(855)</u> | <u>(3,180)</u> |
| Total cost, March 31, 2019 | <u>21,603</u> | <u>235,615</u> | <u>250,942</u> | <u>896,065</u> | <u>28,835</u> | <u>1,433,060</u> |
| Accumulated depreciation | | | | | | |
| Beginning balance, April 1, 2018 | \$ - | \$ 43,185 | \$ 47,080 | \$ 59,968 | \$ 7,830 | \$ 158,063 |
| Depreciation | <u>-</u> | <u>9,552</u> | <u>11,725</u> | <u>17,078</u> | <u>3,202</u> | <u>41,557</u> |
| Total accumulated depreciation March 31, 2019 | <u>-</u> | <u>52,737</u> | <u>58,805</u> | <u>77,046</u> | <u>11,032</u> | <u>199,620</u> |
| Net book value, March 31, 2019 | <u>\$ 21,603</u> | <u>\$ 182,878</u> | <u>\$ 192,137</u> | <u>\$ 819,019</u> | <u>\$ 17,803</u> | <u>\$ 1,233,440</u> |

| | <u>Land</u> | <u>Structures and improvements</u> | <u>Treatment and network equipment</u> | <u>Distribution and collection network</u> | <u>Tools and work equipment</u> | <u>Total</u> |
|--|------------------|--|--|--|---|---------------------|
| Cost | | | | | | |
| Beginning balance, April 1, 2017 | \$ 20,780 | \$ 214,875 | \$ 218,773 | \$ 787,646 | \$ 18,322 | \$ 1,260,396 |
| Additions | 592 | 4,011 | 11,464 | 74,724 | 7,758 | 98,549 |
| Disposals | <u>-</u> | <u>(10)</u> | <u>(429)</u> | <u>(13)</u> | <u>-</u> | <u>(452)</u> |
| Total cost, March 31, 2018 | <u>21,372</u> | <u>218,876</u> | <u>229,808</u> | <u>862,357</u> | <u>26,080</u> | <u>1,358,493</u> |
| Accumulated depreciation | | | | | | |
| Beginning balance, April 1, 2017 | \$ - | \$ 33,807 | \$ 34,671 | \$ 43,744 | \$ 4,022 | \$ 116,244 |
| Depreciation | <u>-</u> | <u>9,378</u> | <u>12,409</u> | <u>16,224</u> | <u>3,808</u> | <u>41,819</u> |
| Total accumulated depreciation March 31, 2018 | <u>-</u> | <u>43,185</u> | <u>47,080</u> | <u>59,968</u> | <u>7,830</u> | <u>158,063</u> |
| Net book value, March 31, 2018 | <u>\$ 21,372</u> | <u>\$ 175,691</u> | <u>\$ 182,728</u> | <u>\$ 802,389</u> | <u>\$ 18,250</u> | <u>\$ 1,200,430</u> |

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2019 (in thousands)

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

The debentures are repayable in fixed annual or semi-annual principal instalments plus interest payable semi-annually. Principal instalments for the next five years are as follows:

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

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

15. Subsequent event

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

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2019 (in thousands)

Water

| | Land | Structures and improvements | Pumping equipment | Purification equipment | SCADA equipment | Transmission and distribution mains | Services | Meters | Hydrants | Aerotech and small systems | Tools and work equipment | Total |
|--|------------------|-----------------------------|-------------------|------------------------|-----------------|-------------------------------------|------------------|------------------|------------------|----------------------------|--------------------------|-------------------|
| Cost | | | | | | | | | | | | |
| Beginning balance, April 1, 2018 | \$ 16,009 | \$ 95,326 | \$ 10,303 | \$ 25,222 | \$ 5,171 | \$ 372,794 | \$ 37,241 | \$ 15,582 | \$ 19,917 | \$ 9,834 | \$ 28,124 | \$ 635,523 |
| Cost Additions | 231 | 1,634 | 200 | 1,673 | 436 | 13,526 | 2,658 | 3,530 | 721 | 220 | 1,903 | 26,732 |
| Disposals | - | - | - | - | - | - | - | (2,325) | - | - | (406) | (2,731) |
| Total cost, March 31, 2019 | <u>16,240</u> | <u>96,960</u> | <u>10,503</u> | <u>26,895</u> | <u>5,607</u> | <u>386,320</u> | <u>39,899</u> | <u>16,787</u> | <u>20,638</u> | <u>10,054</u> | <u>29,621</u> | <u>659,524</u> |
| Accumulated depreciation | | | | | | | | | | | | |
| Beginning balance, April 1, 2018 | - | 29,560 | 7,291 | 16,491 | 3,860 | 84,919 | 6,989 | 6,075 | 4,207 | 3,250 | 17,395 | 180,037 |
| Depreciation | - | 102 | 285 | 1,080 | 193 | 4,865 | 657 | (988) | 317 | 38 | 1,620 | 8,169 |
| Total accumulated depreciation, March 31, 2019 | - | <u>29,662</u> | <u>7,576</u> | <u>17,571</u> | <u>4,053</u> | <u>89,784</u> | <u>7,646</u> | <u>5,087</u> | <u>4,524</u> | <u>3,288</u> | <u>19,015</u> | <u>188,206</u> |
| Net book value, March 31, 2019 | <u>\$ 16,240</u> | <u>\$ 67,298</u> | <u>\$ 2,927</u> | <u>\$ 9,324</u> | <u>\$ 1,554</u> | <u>\$ 296,536</u> | <u>\$ 32,253</u> | <u>\$ 11,700</u> | <u>\$ 16,114</u> | <u>\$ 6,766</u> | <u>\$ 10,606</u> | <u>\$ 471,318</u> |
| Cost | | | | | | | | | | | | |
| Beginning balance, April 1, 2017 | \$ 15,417 | \$ 92,334 | \$ 9,720 | \$ 23,771 | \$ 5,046 | \$ 350,101 | \$ 35,633 | \$ 14,920 | \$ 19,332 | \$ 9,564 | \$ 26,871 | \$ 602,709 |
| Cost Additions | 592 | 2,997 | 593 | 1,451 | 125 | 22,706 | 1,608 | 1,501 | 585 | 270 | 4,001 | 36,429 |
| Disposals | - | (5) | (10) | - | - | (13) | - | (839) | - | - | (2,748) | (3,615) |
| Total cost, March 31, 2018 | <u>16,009</u> | <u>95,326</u> | <u>10,303</u> | <u>25,222</u> | <u>5,171</u> | <u>372,794</u> | <u>37,241</u> | <u>15,582</u> | <u>19,917</u> | <u>9,834</u> | <u>28,124</u> | <u>635,523</u> |
| Accumulated depreciation | | | | | | | | | | | | |
| Beginning balance, April 1, 2017 | - | 28,034 | 7,028 | 15,478 | 3,689 | 80,244 | 6,377 | 5,950 | 3,902 | 2,922 | 18,309 | 171,933 |
| Depreciation | - | 1,526 | 263 | 1,013 | 171 | 4,675 | 612 | 125 | 305 | 328 | (914) | 8,104 |
| Total accumulated depreciation, March 31, 2018 | - | <u>29,560</u> | <u>7,291</u> | <u>16,491</u> | <u>3,860</u> | <u>84,919</u> | <u>6,989</u> | <u>6,075</u> | <u>4,207</u> | <u>3,250</u> | <u>17,395</u> | <u>180,037</u> |
| Net book value, March 31, 2018 | <u>\$ 16,009</u> | <u>\$ 65,766</u> | <u>\$ 3,012</u> | <u>\$ 8,731</u> | <u>\$ 1,311</u> | <u>\$ 287,875</u> | <u>\$ 30,252</u> | <u>\$ 9,507</u> | <u>\$ 15,710</u> | <u>\$ 6,584</u> | <u>\$ 10,729</u> | <u>\$ 455,486</u> |

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

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

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2019 (in thousands)

Wastewater

| | Land | Structures and improvements | Pumping equipment | Treatment equipment | SCADA equipment | Collection system | Laterals | Meters | Tools and work equipment | Aerotech and small systems | Total |
|---|-----------------|-----------------------------------|----------------------|------------------------|--------------------|----------------------|------------------|--------------|--------------------------------|-------------------------------------|-------------------|
| Cost | | | | | | | | | | | |
| Beginning balance, April 1, 2018 | | | | | | | | | | | |
| Cost | \$ 5,329 | \$ 176,206 | \$ 20,966 | \$ 162,499 | \$ 8,407 | \$ 319,809 | \$ 21,898 | \$ 1,501 | \$ 32,929 | \$ 12,564 | \$ 762,108 |
| Additions | - | 14,641 | 501 | 10,270 | 2,158 | 6,525 | 4,637 | 3,530 | 3,898 | 220 | 46,380 |
| Disposals | - | - | - | - | - | - | - | - | (450) | - | (450) |
| Total cost, March 31, 2019 | 5,329 | 190,847 | 21,467 | 172,769 | 10,565 | 326,334 | 26,535 | 5,031 | 36,377 | 12,784 | 808,038 |
| Accumulated depreciation | | | | | | | | | | | |
| Beginning balance, April 1, 2018 | - | 58,016 | 7,289 | 55,290 | 1,869 | 61,604 | 1,912 | 38 | 13,994 | 3,893 | 203,905 |
| Depreciation | - | 1,822 | 815 | 8,413 | 619 | 4,485 | 488 | 163 | 2,412 | 80 | 19,297 |
| Total accumulated depreciation, March 31, 2019 | - | 59,838 | 8,104 | 63,703 | 2,488 | 66,089 | 2,400 | 201 | 16,406 | 3,973 | 223,202 |
| Net book value, March 31, 2019 | \$ 5,329 | \$ 131,009 | \$ 13,363 | \$ 109,066 | \$ 8,077 | \$ 260,245 | \$ 24,135 | 4,830 | \$ 19,971 | \$ 8,811 | \$ 584,836 |
| Cost | | | | | | | | | | | |
| Beginning balance, April 1, 2017 | | | | | | | | | | | |
| Cost | \$ 5,329 | \$ 175,208 | \$ 17,579 | \$ 161,122 | \$ 8,210 | \$ 290,169 | \$ 19,108 | \$ - | \$ 25,407 | \$ 12,089 | \$ 714,221 |
| Additions | - | 1,003 | 3,387 | 1,377 | 197 | 29,640 | 2,790 | 1,501 | 7,665 | 475 | 48,035 |
| Disposals | - | (5) | - | - | - | - | - | - | (143) | - | (148) |
| Total cost, March 31, 2018 | 5,329 | 176,206 | 20,966 | 162,499 | 8,407 | 319,809 | 21,898 | 1,501 | 32,929 | 12,564 | 762,108 |
| Accumulated depreciation | | | | | | | | | | | |
| Beginning balance, April 1, 2017 | - | 53,697 | 6,577 | 47,255 | 1,366 | 57,418 | 1,502 | - | 11,573 | 3,450 | 182,838 |
| Depreciation | - | 4,319 | 712 | 8,035 | 503 | 4,186 | 410 | 38 | 2,421 | 443 | 21,067 |
| Total accumulated depreciation, March 31, 2018 | - | 58,016 | 7,289 | 55,290 | 1,869 | 61,604 | 1,912 | 38 | 13,994 | 3,893 | 203,905 |
| Net book value, March 31, 2018 | \$ 5,329 | \$ 118,190 | \$ 13,677 | \$ 107,209 | \$ 6,538 | \$ 258,205 | \$ 19,986 | 1,463 | \$ 18,935 | \$ 8,671 | \$ 558,203 |

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

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

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2019 (in thousands)

Stormwater

| | Structures and improvements | Collection system | Laterals | Tools and work equipment | Total |
|--|-----------------------------------|----------------------|-----------------|--------------------------------|-------------------|
| Cost | | | | | |
| Beginning balance, April 1, 2018 | | | | | |
| Cost | \$ 9,796 | \$ 245,447 | \$ 4,896 | \$ 3,812 | \$ 263,951 |
| Additions | 464 | 6,212 | 150 | 720 | 7,546 |
| Disposals | - | - | - | - | - |
| Total cost, March 31, 2019 | <u>10,260</u> | <u>251,659</u> | <u>5,046</u> | <u>4,532</u> | <u>271,497</u> |
| Accumulated depreciation | | | | | |
| Beginning balance, April 1, 2018 | 1,579 | 42,269 | 396 | 1,347 | 45,591 |
| Depreciation | 182 | 6,104 | 99 | 540 | 6,925 |
| Total accumulated depreciation, March 31, 2019 | <u>1,761</u> | <u>48,373</u> | <u>495</u> | <u>1,887</u> | <u>52,516</u> |
| Net book value, March 31, 2019 | <u>\$ 8,499</u> | <u>\$ 203,286</u> | <u>\$ 4,551</u> | <u>\$ 2,645</u> | <u>\$ 218,981</u> |
| Cost | | | | | |
| Beginning balance, April 1, 2017 | | | | | |
| Cost | \$ 9,785 | \$ 227,751 | \$ 4,611 | \$ 3,045 | \$ 245,192 |
| Additions | 11 | 17,696 | 285 | 767 | 18,759 |
| Disposals | - | - | - | - | - |
| Total cost, March 31, 2018 | <u>9,796</u> | <u>245,447</u> | <u>4,896</u> | <u>3,812</u> | <u>263,951</u> |
| Accumulated depreciation | | | | | |
| Beginning balance, April 1, 2017 | 1,402 | 36,380 | 301 | 870 | 38,953 |
| Depreciation | 177 | 5,889 | 95 | 477 | 6,638 |
| Total accumulated depreciation, March 31, 2018 | <u>1,579</u> | <u>42,269</u> | <u>396</u> | <u>1,347</u> | <u>45,591</u> |
| Net book value, March 31, 2018 | <u>\$ 8,217</u> | <u>\$ 203,178</u> | <u>\$ 4,500</u> | <u>\$ 2,465</u> | <u>\$ 218,360</u> |

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

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

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

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

Halifax Regional Water Commission

Schedule of long term debt

Year ended March 31, 2019 (in thousands)

Schedule B

| | Interest rate | Final Maturity | Balance Remaining | |
|---|------------------|----------------|-------------------|-------------------|
| | | | 2019 | 2018 |
| Payable to Municipal Finance Corporation | | | | |
| Water | | | | |
| Debenture 23 A 1 | 4.250% to 6.125% | 2018 | \$ - | \$ 600 |
| Debenture 28 A 1 | 6.500% to 6.750% | 2018 | - | 1,100 |
| Debenture 98 A 1 | 3.750% to 5.088% | 2019 | - | 3,671 |
| Debenture 29 A 1 | 0.900% to 4.329% | 2019 | 225 | 450 |
| Debenture 30 A 1 | 1.550% to 3.870% | 2020 | 350 | 525 |
| Debenture 31 A 1 | 1.630% to 4.221% | 2021 | 450 | 600 |
| Debenture 32 A 1 | 1.636% to 3.480% | 2022 | 800 | 1,000 |
| Debenture 32 C 1 | 1.510% to 3.160% | 2022 | 7,514 | 8,051 |
| Debenture 33 A 1 | 1.330% to 3.489% | 2023 | 7,584 | 8,090 |
| Debenture 33 B 1 | 1.285% to 4.114% | 2023 | 5,559 | 5,930 |
| Debenture 34 B 1 | 1.200% to 3.190% | 2024 | 10,938 | 11,622 |
| Debenture 35 B 1 | 1.040% to 2.894% | 2025 | 11,447 | 12,120 |
| Debenture 36 A 1 | 1.150% to 2.925% | 2026 | 1,600 | 1,800 |
| Debenture 36 B 1 | 1.150% to 2.506% | 2026 | 3,905 | 4,122 |
| Debenture 37 A 1 | 1.734% to 3.073% | 2027 | 3,325 | 3,500 |
| Debenture 38 A 1 | 2.060% to 3.300% | 2028 | 1,500 | - |
| Debenture 38 B 1 | 2.490% to 3.389% | 2028 | 6,000 | - |
| Halifax Harbour Solutions | | | | |
| Debenture 29 A 1 | 0.900% to 4.329% | 2019 | 7,150 | 7,800 |
| Wastewater/stormwater | | | | |
| Debenture 30 A 1 | 1.510% to 4.500% | 2020 | 2,040 | 2,210 |
| Debenture 32 A 1 | 1.636% to 3.480% | 2022 | 1,678 | 1,797 |
| Debenture 32 B 1 | 1.380% to 3.156% | 2022 | 22,400 | 24,000 |
| Debenture 32 C 1 | 1.510% to 3.160% | 2022 | 3,217 | 3,447 |
| Debenture 33 A 1 | 1.330% to 3.489% | 2023 | 12,645 | 13,488 |
| Debenture 33 B 1 | 1.285% to 4.114% | 2023 | 8,170 | 8,714 |
| Debenture 34 A 1 | 1.245% to 3.347% | 2024 | 4,455 | 4,734 |
| Debenture 34 B 1 | 1.200% to 3.190% | 2024 | 6,869 | 7,298 |
| Debenture 35 B 1 | 1.040% to 2.894% | 2025 | 11,993 | 12,699 |
| Debenture 36 B 1 | 1.150% to 2.506% | 2026 | 1,631 | 1,722 |
| Debenture 37 A 1 | 1.735% to 3.073% | 2027 | 5,795 | 6,100 |
| Debenture 38 B 1 | 2.490% to 3.389% | 2028 | 6,400 | - |
| Stormwater | | | | |
| Debenture 33 A 1 | 1.330% to 3.489% | 2023 | 405 | 432 |
| Debenture 33 B 1 | 1.285% to 4.114% | 2023 | 1,979 | 2,111 |
| Debenture 34 B 1 | 1.200% to 3.190% | 2024 | 4,722 | 5,017 |
| Debenture 35 B 1 | 1.040% to 2.894% | 2025 | 2,746 | 2,907 |
| Debenture 36 B 1 | 1.150% to 2.506% | 2026 | 811 | 856 |
| Debenture 37 A 1 | 1.734% to 3.073% | 2027 | 380 | 400 |
| Debenture 38 B 1 | 2.490% to 3.389% | 2028 | 2,600 | - |
| | | | <u>169,283</u> | <u>168,913</u> |
| Payable to Halifax Regional Municipality | | | | |
| Municipal Finance Corporation – Wastewater/stormwater | | | | |
| Debenture 24 B 1 | 2.840% to 5.940% | 2024 | 33,000 | 38,500 |
| Debenture 34 B 1 | 1.200% to 3.190% | 2024 | 6,000 | 7,000 |
| | | | <u>39,000</u> | <u>45,500</u> |
| | | | 208,283 | 214,413 |
| Less: debt issue costs | | | <u>(842)</u> | <u>(912)</u> |
| | | | 207,441 | 213,501 |
| Less: amount payable within one year | | | <u>(24,709)</u> | <u>(22,630)</u> |
| | | | <u>\$ 182,732</u> | <u>\$ 190,871</u> |

The debentures are repayable in fixed annual or semi-annual principal instalments plus interest payable semi-annually. Principal instalments for the next five years are as follows:

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

Halifax Regional Water Commission

Schedule of operations for water service

Schedule C

Year ended March 31, 2019 (in thousands)

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

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

Halifax Regional Water Commission

Schedule of operations for wastewater service

Schedule D

Year ended March 31, 2019 (in thousands)

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

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

Halifax Regional Water Commission

Schedule of operations for stormwater service

Schedule E

Year ended March 31, 2019 (in thousands)

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

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

Halifax Regional Water Commission

Schedule of regulated activities

Schedule F

Year ended March 31, 2019 (in thousands)

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

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

Halifax Regional Water Commission
Schedule of unregulated activities

Schedule F

Year ended March 31, 2019 (in thousands)

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

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

**Halifax Regional Water Commission
Nova Scotia Utility and Review Board information**

Schedule G

Year ended March 31, 2019 (in thousands)

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

Special purpose reserves

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

Summarized consolidated operating results

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

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

HALIFAX WATER
UNAUDITED BALANCE SHEET - CONSOLIDATED
AS OF MARCH 31, 2019

| | 2019 '000 | 2018 '000 |
|--|---------------------------|---------------------------|
| ASSETS | | |
| Cash | \$51,603 | \$51,470 |
| Accounts Receivable | \$38,148 | \$40,638 |
| Materials & Supplies | \$2,057 | \$1,443 |
| Prepaid Expenses | \$1,065 | \$1,013 |
| | <u>\$92,873</u> | <u>\$94,563</u> |
| Regulatory Asset | \$3,005 | \$3,197 |
| Plant in Service | \$1,275,143 | \$1,231,848 |
| Assets Under Construction | \$29,605 | \$24,550 |
| | <u>\$1,307,752</u> | <u>\$1,259,595</u> |
| Unamortized Debt Discount & Issue Expense | \$842 | \$912 |
| | <u>\$1,401,467</u> | <u>\$1,355,070</u> |
| LIABILITIES & CAPITAL | | |
| Trade Payables & Accrued Liabilities | \$28,409 | \$28,413 |
| Deposits & Unearned Revenue | \$713 | \$770 |
| Current Portion of Long Term Debt | \$24,709 | \$22,630 |
| | <u>\$53,831</u> | <u>\$51,812</u> |
| Pension & Accrued Retirement Benefits | \$72,330 | \$69,899 |
| RDC & Special Purpose Reserves | \$39,361 | \$25,470 |
| Long Term Debt | \$183,575 | \$191,783 |
| Total Liabilities | <u>\$349,097</u> | <u>\$338,965</u> |
| Capital Surplus, Committed Reserves, & Accumulated OCI | \$1,036,707 | \$995,624 |
| Operating Surplus | \$20,481 | \$16,677 |
| Excess (Deficiency) of Revenue over Expenditure - Consolidated | (\$4,818) | \$3,804 |
| Total Capital & Surplus | <u>\$1,052,370</u> | <u>\$1,016,105</u> |
| | <u>\$1,401,467</u> | <u>\$1,355,070</u> |

ITEM # 4.1

HRWC BOARD

June 20, 2019

Page 2 of 10

HALIFAX WATER
UNAUDITED INCOME STATEMENT - CONSOLIDATED
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
100.00%

| ACTUAL (CURRENT MONTH) | | DESCRIPTION | ACTUAL (YEAR TO DATE) | | APR 1/18 | APR 1/18 | % of FORECAST |
|---------------------------|-------------------|---|--------------------------|-------------------|------------------------------|-------------------------------|------------------|
| THIS YEAR '000 | LAST YEAR '000 | | THIS YEAR '000 | LAST YEAR '000 | MAR 31/19 BUDGET* '000 | MAR 31/19 FORECAST '000 | |
| \$11,559 | \$11,667 | OPERATING REVENUE | \$138,413 | \$138,145 | \$135,182 | \$137,386 | 100.75% |
| \$15,823 | \$11,541 | OPERATING EXPENSES | \$106,731 | \$99,437 | \$108,770 | \$105,473 | 101.19% |
| (\$4,264) | \$126 | OPERATING PROFIT | \$31,682 | \$38,708 | \$26,412 | \$31,913 | 99.28% |
| | | FINANCIAL REVENUE | | | | | |
| \$109 | \$79 | INVESTMENT INCOME | \$1,156 | \$694 | \$480 | \$1,155 | 100.13% |
| \$0 | \$167 | PNS FUNDING HHSP DEBT | \$0 | \$2,000 | \$0 | \$0 | 0.00% |
| \$53 | \$64 | MISCELLANEOUS | \$742 | \$1,793 | \$526 | \$707 | 104.99% |
| \$162 | \$309 | | \$1,898 | \$4,486 | \$1,006 | \$1,862 | 101.97% |
| | | FINANCIAL EXPENSES | | | | | |
| \$606 | \$628 | LONG TERM DEBT INTEREST | \$7,430 | \$7,884 | \$8,560 | \$7,325 | 101.44% |
| \$1,546 | \$1,795 | LONG TERM DEBT PRINCIPAL | \$20,516 | \$21,247 | \$22,601 | \$20,916 | 98.09% |
| \$15 | \$17 | AMORTIZATION DEBT DISCOUNT | \$199 | \$202 | \$245 | \$203 | 97.91% |
| \$417 | \$398 | DIVIDEND/GRANT IN LIEU OF TAXES | \$4,999 | \$4,774 | \$5,142 | \$4,999 | 100.00% |
| \$2 | \$171 | MISCELLANEOUS | \$45 | \$269 | \$16 | \$16 | 290.51% |
| \$2,587 | \$3,009 | | \$33,190 | \$34,376 | \$36,564 | \$33,459 | 99.20% |
| (\$6,689) | (\$2,573) | NET PROFIT (LOSS) BEFORE OTHER COMPREHENSIVE INCOME | \$390 | \$8,819 | (\$9,146) | \$316 | 123.49% |
| | | NON NSUARB ITEMS | | | | | |
| (\$443) | (\$430) | PENSION PLAN EXPENSE | (\$5,208) | (\$5,015) | (\$2,940) | (\$5,200) | 100.16% |
| \$3,735 | (\$3,771) | OTHER COMPREHENSIVE INCOME | \$3,735 | (\$1,750) | \$0 | \$0 | 0.00% |
| \$3,291 | (\$4,201) | | (\$1,474) | (\$6,765) | (\$2,940) | (\$5,200) | 28.34% |
| (\$3,397) | (\$6,774) | NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | (\$1,083) | \$2,054 | (\$12,086) | (\$4,884) | 22.18% |

**HALIFAX WATER
UNAUDITED BALANCE SHEET
AS OF MARCH 31, 2019**

| | 2019 '000 | 2018 '000 |
|--|---------------------------|---------------------------|
| ASSETS | | |
| Cash | \$51,603 | \$51,470 |
| Accounts Receivable | | |
| Customers & Contractual | \$17,407 | \$18,723 |
| Customers & Contractual - Unbilled Services | \$17,012 | \$16,640 |
| Halifax Regional Municipality | \$3,728 | \$5,275 |
| Materials & Supplies | \$2,057 | \$1,443 |
| Prepaid Expenses | \$1,065 | \$1,013 |
| | <u>\$92,873</u> | <u>\$94,563</u> |
| Regulatory Asset | \$3,005 | \$3,197 |
| Plant in Service - Water | \$659,528 | \$635,526 |
| Plant in Service - Wastewater | \$808,038 | \$762,108 |
| Plant in Service - Stormwater | \$271,499 | \$263,952 |
| Less: Accumulated Depreciation - Water | (\$188,205) | (\$179,463) |
| Accumulated Depreciation - Wastewater | (\$223,201) | (\$204,664) |
| Accumulated Depreciation - Stormwater | (\$52,516) | (\$45,611) |
| | <u>\$1,278,147</u> | <u>\$1,235,045</u> |
| Assets Under Construction | \$29,605 | \$24,550 |
| | <u>\$1,307,752</u> | <u>\$1,259,595</u> |
| Unamortized Debt Discount & Issue Expense | \$842 | \$912 |
| | <u><u>\$1,401,467</u></u> | <u><u>\$1,355,070</u></u> |
| LIABILITIES & CAPITAL | | |
| Trade Payables | \$23,493 | \$23,944 |
| Interest on Long Term Debt | \$2,051 | \$2,030 |
| Halifax Regional Municipality | \$2,865 | \$2,439 |
| Contractor & Customer Deposits | \$207 | \$186 |
| Unearned Revenue | \$507 | \$584 |
| Current Portion of Long Term Debt | \$24,709 | \$22,630 |
| | <u>\$53,831</u> | <u>\$51,812</u> |
| Accrued Post-Retirement Benefits | \$380 | \$430 |
| Accrued Pre-Retirement Benefit | \$4,195 | \$3,983 |
| Deferred Pension Liability | \$67,755 | \$65,486 |
| Special Purpose Reserves not allocated to projects | \$1,424 | \$1,222 |
| Regional Development Charge | \$37,938 | \$24,249 |
| Long Term Debt-Water | \$56,585 | \$53,697 |
| Long Term Debt-Wastewater | \$114,157 | \$127,043 |
| Long Term Debt-Stormwater | \$12,833 | \$11,043 |
| Total Liabilities | <u>\$349,097</u> | <u>\$338,965</u> |
| Capital Surplus | \$1,063,145 | \$1,025,797 |
| Committed Reserves | \$2,391 | \$2,391 |
| Accumulated Other Comprehensive Income | (\$41,209) | (\$44,943) |
| Operating Surplus used to Fund Capital | \$12,380 | \$12,380 |
| Operating Surplus | \$20,481 | \$16,677 |
| Excess (Deficiency) of Revenue over Expenditure - Consolidated | (\$4,818) | \$3,804 |
| Total Capital & Surplus | <u>\$1,052,370</u> | <u>\$1,016,105</u> |
| | <u><u>\$1,401,467</u></u> | <u><u>\$1,355,070</u></u> |

HALIFAX WATER
UNAUDITED INCOME STATEMENT - ALL SERVICES
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
100.00%

| ACTUAL (CURRENT MONTH) | | DESCRIPTION | ACTUAL (YEAR TO DATE) | | APR 1/18 | APR 1/18 | % of BUDGET* | % of FORECAST |
|---------------------------|------------------|---|--------------------------|------------------|----------------------|-----------------------|-----------------|------------------|
| THIS YEAR | LAST YEAR | | THIS YEAR | LAST YEAR | MAR 31/19 BUDGET* | MAR 31/19 FORECAST | | |
| '000 | '000 | | '000 | '000 | '000 | '000 | | |
| REVENUE | | | | | | | | |
| \$4,004 | \$4,011 | METERED SALES - WATER | \$48,040 | \$47,220 | \$46,152 | \$47,452 | 104.09% | 101.24% |
| \$5,923 | \$6,014 | METERED SALES - WASTEWATER | \$69,901 | \$69,994 | \$67,601 | \$69,001 | 103.40% | 101.30% |
| \$271 | \$338 | STORMWATER SITE GENERATED SERVICE | \$5,906 | \$6,169 | \$6,752 | \$6,452 | 87.47% | 91.54% |
| \$590 | \$590 | FIRE PROTECTION | \$7,074 | \$7,074 | \$7,074 | \$7,074 | 100.00% | 100.00% |
| \$320 | \$321 | STORMWATER RIGHT OF WAY SERVICE | \$3,835 | \$3,847 | \$3,835 | \$3,835 | 100.00% | 100.00% |
| \$265 | \$238 | OTHER SERVICES AND FEES | \$2,704 | \$2,937 | \$2,905 | \$2,740 | 93.09% | 98.70% |
| \$152 | \$130 | CUSTOMER LATE PAY./COLLECTION FEES | \$549 | \$482 | \$491 | \$436 | 111.83% | 125.93% |
| \$35 | \$26 | MISCELLANEOUS | \$403 | \$422 | \$371 | \$395 | 108.57% | 101.98% |
| \$11,559 | \$11,667 | | \$138,413 | \$138,145 | \$135,182 | \$137,386 | 102.39% | 100.75% |
| EXPENSES | | | | | | | | |
| \$811 | \$605 | WATER SUPPLY & TREATMENT | \$8,516 | \$7,517 | \$8,750 | \$9,153 | 97.33% | 93.04% |
| \$872 | \$573 | TRANSMISSION & DISTRIBUTION | \$10,014 | \$8,591 | \$10,323 | \$10,283 | 97.01% | 97.38% |
| \$1,214 | \$1,209 | WASTEWATER COLLECTION | \$11,676 | \$11,287 | \$10,622 | \$10,801 | 109.92% | 108.09% |
| \$1,807 | \$1,658 | WASTEWATER TREATMENT PLANTS | \$18,197 | \$18,054 | \$19,160 | \$17,508 | 94.97% | 103.94% |
| \$597 | \$360 | STORMWATER COLLECTION | \$4,901 | \$4,797 | \$5,239 | \$4,924 | 93.54% | 99.54% |
| \$288 | \$294 | SMALL SYSTEMS AND OTHER SERVICES | \$3,053 | \$2,721 | \$3,286 | \$3,110 | 92.91% | 98.16% |
| \$223 | \$224 | SCADA, CONTROL & PUMPING | \$2,388 | \$2,219 | \$2,565 | \$2,204 | 93.09% | 108.35% |
| \$799 | \$949 | ENGINEERING & INFORMATION SERVICES | \$8,156 | \$7,265 | \$8,177 | \$8,009 | 99.74% | 101.84% |
| \$254 | \$248 | REGULATORY SERVICES | \$3,152 | \$3,291 | \$3,763 | \$3,335 | 83.76% | 94.52% |
| \$453 | \$522 | CUSTOMER SERVICE | \$4,916 | \$4,896 | \$5,522 | \$5,450 | 89.03% | 90.19% |
| \$2,499 | \$1,877 | ADMINISTRATION & PENSION | \$8,756 | \$7,538 | \$7,929 | \$7,612 | 110.43% | 115.03% |
| \$6,006 | \$3,022 | DEPRECIATION | \$23,007 | \$21,262 | \$23,434 | \$23,084 | 98.18% | 99.67% |
| \$15,823 | \$11,541 | | \$106,731 | \$99,437 | \$108,770 | \$105,473 | 98.13% | 101.19% |
| (\$4,264) | \$126 | OPERATING PROFIT | \$31,682 | \$38,708 | \$26,412 | \$31,913 | 119.95% | 99.28% |
| FINANCIAL REVENUE | | | | | | | | |
| \$109 | \$79 | INVESTMENT INCOME | \$1,156 | \$694 | \$480 | \$1,155 | 240.93% | 100.13% |
| \$0 | \$167 | PNS FUNDING HHSP DEBT | \$0 | \$2,000 | \$0 | \$0 | 0.00% | 0.00% |
| \$53 | \$64 | MISCELLANEOUS | \$742 | \$1,793 | \$526 | \$707 | 141.15% | 104.99% |
| \$162 | \$309 | | \$1,898 | \$4,486 | \$1,006 | \$1,862 | 188.78% | 101.97% |
| FINANCIAL EXPENSES | | | | | | | | |
| \$606 | \$628 | LONG TERM DEBT INTEREST | \$7,430 | \$7,884 | \$8,560 | \$7,325 | 86.81% | 101.44% |
| \$1,546 | \$1,795 | LONG TERM DEBT PRINCIPAL | \$20,516 | \$21,247 | \$22,601 | \$20,916 | 90.78% | 98.09% |
| \$15 | \$17 | AMORTIZATION DEBT DISCOUNT | \$199 | \$202 | \$245 | \$203 | 81.12% | 97.91% |
| \$417 | \$398 | DIVIDEND/GRANT IN LIEU OF TAXES | \$4,999 | \$4,774 | \$5,142 | \$4,999 | 97.22% | 100.00% |
| \$2 | \$171 | MISCELLANEOUS | \$45 | \$269 | \$16 | \$16 | 290.51% | 290.51% |
| \$2,587 | \$3,009 | | \$33,190 | \$34,376 | \$36,564 | \$33,459 | 90.77% | 99.20% |
| (\$6,689) | (\$2,573) | NET PROFIT (LOSS) BEFORE OTHER COMPREHENSIVE INCOME | \$390 | \$8,819 | (\$9,146) | \$316 | 104.27% | 123.49% |
| NON NSUARB ITEMS | | | | | | | | |
| (\$443) | (\$430) | PENSION PLAN EXPENSE | (\$5,208) | (\$5,015) | (\$2,940) | (\$5,200) | 177.15% | 100.16% |
| \$3,735 | (\$3,771) | OTHER COMPREHENSIVE INCOME | \$3,735 | (\$1,750) | \$0 | \$0 | 0.00% | 0.00% |
| \$3,291 | (\$4,201) | | (\$1,474) | (\$6,765) | (\$2,940) | (\$5,200) | 50.12% | 28.34% |
| (\$3,397) | (\$6,774) | NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | (\$1,083) | \$2,054 | (\$12,086) | (\$4,884) | 8.96% | 22.18% |

ITEM # 4.1

HRWC BOARD

June 20, 2019

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HALIFAX WATER
UNAUDITED INCOME STATEMENT - WATER OPERATIONS
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
100.00%

| ACTUAL (CURRENT MONTH) | | DESCRIPTION | ACTUAL (YEAR TO DATE) | | APR 1/18 | APR 1/18 | % of FORECAST |
|---------------------------|------------------|---|--------------------------|-----------------|------------------|------------------|------------------|
| THIS YEAR | LAST YEAR | | THIS YEAR | LAST YEAR | MAR 31/19 | MAR 31/19 | |
| '000 | '000 | | '000 | '000 | BUDGET* | FORECAST | |
| REVENUE | | | | | | | |
| \$4,004 | \$4,011 | METERED SALES | \$48,040 | \$47,220 | \$46,152 | \$47,452 | 101.24% |
| \$590 | \$590 | FIRE PROTECTION | \$7,074 | \$7,074 | \$7,074 | \$7,074 | 100.00% |
| \$76 | \$75 | PRIVATE FIRE PROTECTION SERVICES | \$869 | \$856 | \$860 | \$860 | 101.02% |
| (\$59) | \$12 | BULK WATER STATIONS | \$227 | \$304 | \$329 | \$294 | 77.12% |
| \$22 | \$21 | CUSTOMER LATE PAY./COLLECTION FEES | \$244 | \$220 | \$233 | \$233 | 104.88% |
| (\$56) | \$16 | MISCELLANEOUS | \$98 | \$176 | \$154 | \$166 | 58.74% |
| \$4,576 | \$4,725 | | \$56,552 | \$55,850 | \$54,803 | \$56,080 | 100.84% |
| EXPENSES | | | | | | | |
| \$811 | \$605 | WATER SUPPLY & TREATMENT | \$8,516 | \$7,517 | \$8,750 | \$9,153 | 93.04% |
| \$872 | \$573 | TRANSMISSION & DISTRIBUTION | \$10,014 | \$8,591 | \$10,323 | \$10,283 | 97.38% |
| \$131 | \$120 | SMALL SYSTEMS (inc. Contract Systems) | \$1,251 | \$1,128 | \$1,194 | \$1,133 | 110.40% |
| \$90 | \$86 | SCADA, CONTROL & PUMPING | \$889 | \$819 | \$965 | \$867 | 102.49% |
| \$371 | \$421 | ENGINEERING & INFORMATION SERVICES | \$3,749 | \$3,289 | \$3,681 | \$3,728 | 100.58% |
| \$69 | \$52 | REGULATORY SERVICES | \$679 | \$1,057 | \$997 | \$890 | 76.30% |
| \$250 | \$266 | CUSTOMER SERVICE | \$2,524 | \$2,348 | \$2,813 | \$2,777 | 90.89% |
| \$1,502 | \$1,345 | ADMINISTRATION & PENSION | \$7,153 | \$6,910 | \$5,538 | \$6,528 | 109.57% |
| \$3,365 | \$1,112 | DEPRECIATION | \$9,046 | \$8,550 | \$9,229 | \$9,129 | 99.09% |
| \$7,460 | \$4,581 | | \$43,821 | \$40,210 | \$43,490 | \$44,488 | 98.50% |
| (\$2,884) | \$144 | OPERATING PROFIT | \$12,731 | \$15,640 | \$11,313 | \$11,593 | 109.82% |
| FINANCIAL REVENUE | | | | | | | |
| \$49 | \$36 | INVESTMENT INCOME | \$521 | \$313 | \$216 | \$520 | 100.18% |
| \$43 | \$52 | MISCELLANEOUS | \$559 | \$485 | \$428 | \$524 | 106.66% |
| \$93 | \$88 | | \$1,080 | \$798 | \$644 | \$1,044 | 103.43% |
| FINANCIAL EXPENSES | | | | | | | |
| \$154 | \$155 | LONG TERM DEBT INTEREST | \$1,924 | \$2,131 | \$2,363 | \$1,813 | 106.15% |
| \$391 | \$677 | LONG TERM DEBT PRINCIPAL | \$7,181 | \$8,247 | \$8,227 | \$7,477 | 96.05% |
| \$5 | \$8 | AMORTIZATION DEBT DISCOUNT | \$85 | \$94 | \$108 | \$88 | 96.75% |
| \$417 | \$398 | DIVIDEND/GRANT IN LIEU OF TAXES | \$4,999 | \$4,774 | \$5,142 | \$4,999 | 100.00% |
| \$0 | \$61 | MISCELLANEOUS | \$24 | \$149 | \$11 | \$11 | 225.43% |
| \$967 | \$1,299 | | \$14,214 | \$15,395 | \$15,850 | \$14,387 | 98.79% |
| (\$3,758) | (\$1,067) | NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | (\$402) | \$1,043 | (\$3,893) | (\$1,751) | 22.98% |

HALIFAX WATER
UNAUDITED INCOME STATEMENT - WASTEWATER OPERATIONS
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
100.00%

| ACTUAL (CURRENT MONTH) | | DESCRIPTION | ACTUAL (YEAR TO DATE) | | APR 1/18 | APR 1/18 | % of FORECAST |
|---------------------------|------------------|---|--------------------------|-----------------|----------------------|-----------------------|------------------|
| THIS YEAR | LAST YEAR | | THIS YEAR | LAST YEAR | MAR 31/19 BUDGET* | MAR 31/19 FORECAST | |
| '000 | '000 | | '000 | '000 | '000 | '000 | |
| REVENUE | | | | | | | |
| \$5,923 | \$6,014 | METERED SALES | \$69,901 | \$69,994 | \$67,601 | \$69,001 | 101.30% |
| \$5 | \$17 | WASTEWATER OVERSTRENGTH AGREEMENTS | \$75 | \$219 | \$0 | \$75 | 100.12% |
| \$36 | \$35 | LEACHATE CONTRACT | \$330 | \$328 | \$387 | \$322 | 102.41% |
| \$7 | \$8 | CONTRACT REVENUE | \$87 | \$89 | \$86 | \$86 | 101.04% |
| \$17 | \$17 | DEWATERING FACILITY/SLUDGE LAGOON | \$210 | \$210 | \$210 | \$210 | 99.99% |
| \$63 | \$32 | AIRLINE EFFLUENT | \$143 | \$121 | \$118 | \$118 | 121.01% |
| \$120 | \$41 | SEPTAGE TIPPING FEES | \$764 | \$812 | \$915 | \$775 | 98.64% |
| \$15 | \$15 | CUSTOMER LATE PAY./COLLECTION FEES | \$186 | \$169 | \$238 | \$183 | 102.11% |
| \$55 | \$9 | MISCELLANEOUS | \$185 | \$140 | \$128 | \$140 | 132.11% |
| \$6,241 | \$6,187 | | \$71,881 | \$72,081 | \$69,683 | \$70,910 | 101.37% |
| EXPENSES | | | | | | | |
| \$1,214 | \$1,209 | WASTEWATER COLLECTION | \$11,676 | \$11,287 | \$10,622 | \$10,801 | 108.09% |
| \$1,807 | \$1,658 | WASTEWATER TREATMENT PLANTS | \$18,197 | \$18,054 | \$19,160 | \$17,508 | 103.94% |
| \$108 | \$126 | SMALL SYSTEMS | \$1,262 | \$1,175 | \$1,323 | \$1,246 | 101.35% |
| \$18 | \$17 | DEWATERING FACILITY/ SLUDGE MGMT | \$226 | \$134 | \$331 | \$299 | 75.58% |
| (\$0) | (\$0) | BIOSOLIDS TREATMENT | \$27 | \$1 | \$101 | \$101 | 27.12% |
| \$31 | \$30 | LEACHATE CONTRACT | \$286 | \$283 | \$337 | \$332 | 86.36% |
| \$129 | \$133 | SCADA, CONTROL & PUMPING | \$1,450 | \$1,355 | \$1,563 | \$1,310 | 110.63% |
| \$368 | \$454 | ENGINEERING & INFORMATION SERVICES | \$3,783 | \$3,419 | \$3,400 | \$3,268 | 115.74% |
| \$80 | \$62 | REGULATORY SERVICES | \$886 | \$929 | \$1,133 | \$1,305 | 67.89% |
| \$175 | \$220 | CUSTOMER SERVICE | \$2,057 | \$2,270 | \$2,455 | \$2,425 | 84.82% |
| \$1,239 | \$827 | ADMINISTRATION & PENSION | \$5,859 | \$4,853 | \$4,585 | \$5,405 | 108.39% |
| \$2,487 | \$1,759 | DEPRECIATION | \$12,986 | \$11,905 | \$13,251 | \$12,851 | 101.05% |
| \$7,656 | \$6,496 | | \$58,696 | \$55,667 | \$58,262 | \$56,852 | 103.24% |
| (\$1,415) | (\$309) | OPERATING PROFIT | \$13,185 | \$16,415 | \$11,420 | \$14,057 | 93.80% |
| FINANCIAL REVENUE | | | | | | | |
| \$49 | \$35 | INVESTMENT INCOME | \$520 | \$311 | \$216 | \$520 | 100.00% |
| \$0 | \$167 | PNS FUNDING HHSP DEBT | \$0 | \$2,000 | \$0 | \$0 | 0.00% |
| \$9 | \$12 | MISCELLANEOUS | \$183 | \$1,307 | \$97 | \$182 | 100.18% |
| \$58 | \$213 | | \$703 | \$3,618 | \$313 | \$702 | 100.05% |
| FINANCIAL EXPENSES | | | | | | | |
| \$401 | \$426 | LONG TERM DEBT INTEREST | \$4,939 | \$5,185 | \$5,427 | \$4,942 | 99.94% |
| \$1,037 | \$1,010 | LONG TERM DEBT PRINCIPAL | \$12,015 | \$11,747 | \$12,783 | \$12,123 | 99.10% |
| \$9 | \$8 | AMORTIZATION DEBT DISCOUNT | \$103 | \$98 | \$119 | \$104 | 98.87% |
| \$2 | \$109 | MISCELLANEOUS | \$21 | \$120 | \$5 | \$5 | 427.34% |
| \$1,450 | \$1,554 | | \$17,077 | \$17,149 | \$18,334 | \$17,174 | 99.44% |
| (\$2,806) | (\$1,650) | NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | (\$3,190) | \$2,884 | (\$6,600) | (\$2,414) | 132.12% |

HALIFAX WATER
UNAUDITED INCOME STATEMENT - STORMWATER OPERATIONS
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
100.00%

| ACTUAL (CURRENT MONTH) | | DESCRIPTION | ACTUAL (YEAR TO DATE) | | APR 1/18 | APR 1/18 | % of FORECAST |
|---------------------------|-----------------|---|--------------------------|-----------------|----------------------|-----------------------|------------------|
| THIS YEAR | LAST YEAR | | THIS YEAR | LAST YEAR | MAR 31/19 BUDGET* | MAR 31/19 FORECAST | |
| '000 | '000 | | '000 | '000 | '000 | '000 | |
| REVENUE | | | | | | | |
| \$271 | \$338 | STORMWATER SITE GENERATED SERVICE | \$5,906 | \$6,169 | \$6,752 | \$6,452 | 91.54% |
| \$320 | \$321 | STORMWATER RIGHT OF WAY SERVICE | \$3,835 | \$3,847 | \$3,835 | \$3,835 | 100.00% |
| \$115 | \$95 | CUSTOMER LATE PAY./COLLECTION FEES | \$118 | \$93 | \$21 | \$21 | 575.21% |
| \$36 | \$1 | MISCELLANEOUS | \$120 | \$105 | \$89 | \$89 | 135.47% |
| \$741 | \$755 | | \$9,980 | \$10,214 | \$10,696 | \$10,396 | 95.99% |
| EXPENSES | | | | | | | |
| \$597 | \$360 | STORMWATER COLLECTION | \$4,901 | \$4,797 | \$5,239 | \$4,924 | 99.54% |
| \$4 | \$4 | SCADA, CONTROL & PUMPING | \$49 | \$45 | \$37 | \$26 | 188.16% |
| \$60 | \$74 | ENGINEERING & INFORMATION SERVICES | \$624 | \$556 | \$1,095 | \$1,013 | 61.60% |
| \$104 | \$135 | REGULATORY SERVICES | \$1,587 | \$1,304 | \$1,634 | \$1,139 | 139.27% |
| \$28 | \$36 | CUSTOMER SERVICE | \$335 | \$278 | \$253 | \$248 | 134.85% |
| \$202 | \$135 | ADMINISTRATION & PENSION | \$953 | \$789 | \$746 | \$879 | 108.40% |
| \$154 | \$150 | DEPRECIATION | \$974 | \$807 | \$954 | \$1,104 | 88.27% |
| \$1,150 | \$893 | | \$9,423 | \$8,575 | \$9,958 | \$9,333 | 100.96% |
| (\$408) | (\$139) | OPERATING PROFIT | \$557 | \$1,639 | \$738 | \$1,063 | 52.40% |
| FINANCIAL REVENUE | | | | | | | |
| \$11 | \$8 | INVESTMENT INCOME | \$116 | \$70 | \$48 | \$115 | 100.48% |
| \$0 | \$0 | MISCELLANEOUS | \$0 | \$0 | \$0 | \$0 | 0.00% |
| \$11 | \$8 | | \$116 | \$70 | \$48 | \$115 | 100.48% |
| FINANCIAL EXPENSES | | | | | | | |
| \$51 | \$47 | LONG TERM DEBT INTEREST | \$567 | \$568 | \$770 | \$570 | 99.50% |
| \$119 | \$107 | LONG TERM DEBT PRINCIPAL | \$1,320 | \$1,253 | \$1,591 | \$1,316 | 100.33% |
| \$1 | \$1 | AMORTIZATION DEBT DISCOUNT | \$11 | \$10 | \$18 | \$11 | 98.03% |
| \$170 | \$156 | | \$1,899 | \$1,832 | \$2,379 | \$1,897 | 100.07% |
| (\$568) | (\$286) | NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | (\$1,226) | (\$124) | (\$1,593) | (\$719) | 170.46% |

HALIFAX WATER
UNAUDITED INCOME STATEMENT - REGULATED AND UNREGULATED OPERATIONS
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
100.00%

| DESCRIPTION | ACTUAL (YEAR TO DATE) | | APR 1/18 | APR 1/18 | % of FORECAST |
|---|--------------------------|------------------|----------------------|-----------------------|------------------|
| | THIS YEAR | LAST YEAR | MAR 31/19 BUDGET* | MAR 31/19 FORECAST | |
| REGULATED ACTIVITIES | | | | | |
| REVENUE | | | | | |
| METERED SALES | \$123,847 | \$123,383 | \$120,505 | \$122,905 | 100.77% |
| FIRE PROTECTION | \$7,074 | \$7,074 | \$7,074 | \$7,074 | 100.00% |
| PRIVATE FIRE PROTECTION | \$869 | \$856 | \$860 | \$860 | 101.02% |
| STORMWATER SERVICE | \$3,835 | \$3,847 | \$3,835 | \$3,835 | 100.00% |
| OTHER OPERATING REVENUE | \$1,216 | \$1,389 | \$1,154 | \$1,163 | 104.54% |
| | \$136,841 | \$136,549 | \$133,429 | \$135,838 | 100.74% |
| EXPENSES | | | | | |
| WATER SUPPLY & TREATMENT | \$8,516 | \$7,517 | \$8,750 | \$9,153 | 93.04% |
| TRANSMISSION & DISTRIBUTION | \$10,014 | \$8,591 | \$10,323 | \$10,283 | 97.38% |
| WASTEWATER & STORMWATER COLLECTION | \$16,544 | \$16,046 | \$15,753 | \$15,617 | 105.94% |
| WASTEWATER TREATMENT PLANTS | \$18,197 | \$18,054 | \$19,160 | \$17,508 | 103.94% |
| SMALL SYSTEMS | \$2,493 | \$2,285 | \$2,492 | \$2,353 | 105.96% |
| SCADA, CONTROL & PUMPING | \$2,388 | \$2,219 | \$2,565 | \$2,204 | 108.35% |
| ENGINEERING & INFORMATION SERVICES | \$8,156 | \$7,265 | \$8,177 | \$8,009 | 101.84% |
| REGULATORY SERVICES | \$3,152 | \$3,291 | \$3,763 | \$3,335 | 94.52% |
| CUSTOMER SERVICE | \$4,881 | \$4,864 | \$5,487 | \$5,415 | 90.12% |
| ADMINISTRATION & PENSION | \$13,921 | \$12,501 | \$10,639 | \$12,581 | 110.65% |
| DEPRECIATION | \$22,989 | \$21,241 | \$23,416 | \$23,066 | 99.67% |
| | \$111,251 | \$103,873 | \$110,524 | \$109,524 | 101.58% |
| FINANCIAL REVENUE | | | | | |
| INVESTMENT INCOME | \$1,156 | \$694 | \$480 | \$1,155 | 100.13% |
| MISCELLANEOUS | \$213 | \$2,951 | \$110 | \$291 | 73.08% |
| | \$1,369 | \$3,645 | \$590 | \$1,446 | 94.68% |
| FINANCIAL EXPENSES | | | | | |
| LONG TERM DEBT INTEREST | \$7,430 | \$7,884 | \$8,560 | \$7,325 | 101.44% |
| LONG TERM DEBT PRINCIPAL | \$20,516 | \$21,247 | \$22,601 | \$20,916 | 98.09% |
| AMORTIZATION DEBT DISCOUNT | \$199 | \$202 | \$245 | \$203 | 97.91% |
| DIVIDEND/GRANT IN LIEU OF TAXES | \$4,999 | \$4,774 | \$5,142 | \$4,999 | 100.00% |
| | \$33,145 | \$34,107 | \$36,548 | \$33,443 | 99.11% |
| NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | (\$6,186) | \$2,214 | (\$13,053) | (\$5,683) | 108.84% |
| UNREGULATED ACTIVITIES | | | | | |
| REVENUE | | | | | |
| SEPTAGE TIPPING FEES | \$764 | \$812 | \$915 | \$775 | 98.64% |
| LEACHATE CONTRACT | \$330 | \$328 | \$387 | \$322 | 102.41% |
| CONTRACT REVENUE | \$87 | \$89 | \$86 | \$86 | 101.04% |
| DEWATERING | \$210 | \$210 | \$210 | \$210 | 99.99% |
| AIRLINE EFFLUENT | \$143 | \$121 | \$118 | \$118 | 121.01% |
| ENERGY PROJECTS | \$165 | \$159 | \$167 | \$167 | 99.06% |
| MISCELLANEOUS | \$38 | \$37 | \$37 | \$37 | 102.49% |
| | \$1,737 | \$1,755 | \$1,919 | \$1,714 | 101.30% |
| EXPENSES | | | | | |
| WATER SUPPLY & TREATMENT | \$20 | \$18 | \$25 | \$25 | 78.29% |
| WASTEWATER TREATMENT | \$572 | \$456 | \$877 | \$840 | 68.09% |
| SPONSORSHIPS & DONATIONS | \$78 | \$84 | \$266 | \$266 | 29.47% |
| DEPRECIATION | \$18 | \$21 | \$18 | \$18 | 0.00% |
| | \$688 | \$578 | \$1,186 | \$1,149 | 59.88% |
| FINANCIAL REVENUE | | | | | |
| MISCELLANEOUS | \$364 | \$682 | \$249 | \$249 | 146.26% |
| | \$364 | \$682 | \$249 | \$249 | 146.26% |
| FINANCIAL EXPENSES | | | | | |
| MISCELLANEOUS | \$45 | \$269 | \$16 | \$16 | 290.51% |
| | \$45 | \$269 | \$16 | \$16 | 290.51% |
| NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | \$1,368 | \$1,590 | \$967 | \$799 | 171.18% |
| NET PROFIT (LOSS) AVAILABLE FOR TOTAL CAPITAL EXPENDITURES (REG & UNREG) | (\$4,818) | \$3,804 | (\$12,086) | (\$4,884) | 98.65% |

ITEM # 4.1

HRWC BOARD

June 20, 2019

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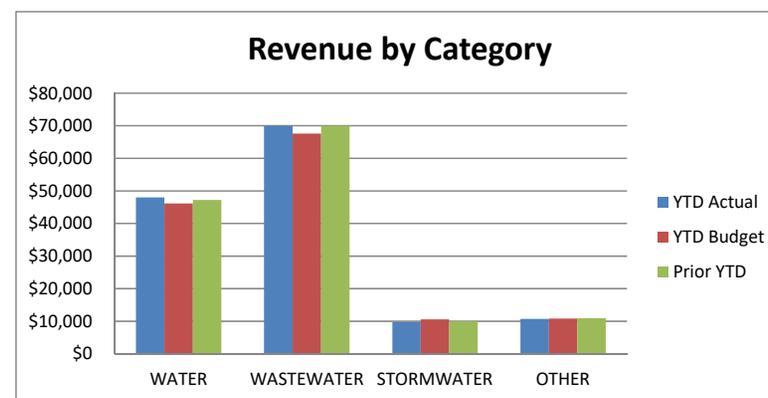
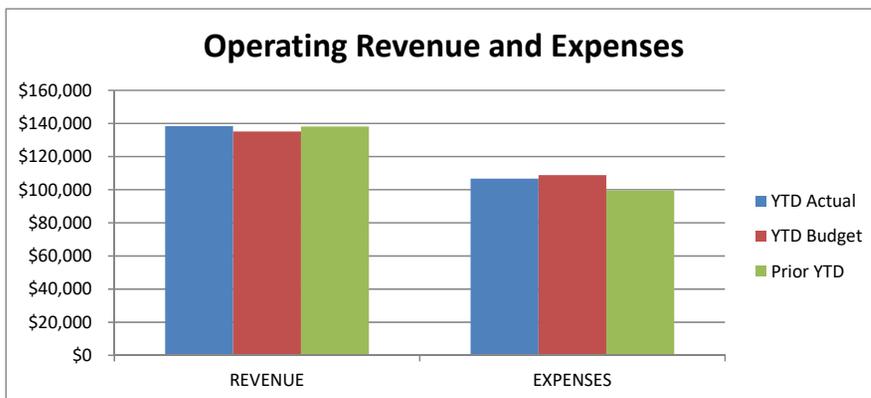
**HALIFAX WATER
UNAUDITED BALANCE SHEET - IFRS FORMAT
AS OF MARCH 31, 2019**

| | 2019 '000 | 2018 '000 |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Cash | \$51,603 | \$51,470 |
| Accounts Receivable | | |
| Customers & Contractual | \$17,407 | \$18,723 |
| Customers & Contractual - Unbilled Services | \$17,012 | \$16,640 |
| Halifax Regional Municipality | \$3,728 | \$5,275 |
| Materials & Supplies | \$2,057 | \$1,443 |
| Prepaid Expenses | \$1,065 | \$1,013 |
| | <u>\$92,873</u> | <u>\$94,563</u> |
| Regulatory Asset | \$3,005 | \$3,197 |
| Plant in Service - Water | \$659,528 | \$635,526 |
| Plant in Service - Wastewater | \$808,038 | \$762,108 |
| Plant in Service - Stormwater | \$271,499 | \$263,952 |
| Less: Accumulated Depreciation - Water | (\$200,962) | (\$188,838) |
| Accumulated Depreciation - Wastewater | (\$236,680) | (\$212,836) |
| Accumulated Depreciation - Stormwater | (\$52,565) | (\$45,605) |
| | <u>\$1,251,863</u> | <u>\$1,217,504</u> |
| Assets Under Construction | \$29,605 | \$24,550 |
| | <u>\$1,281,468</u> | <u>\$1,242,054</u> |
| Unamortized Debt Discount & Issue Expense | \$842 | \$912 |
| | <u><u>\$1,375,183</u></u> | <u><u>\$1,337,529</u></u> |
| LIABILITIES | | |
| Trade Payables | \$23,493 | \$23,944 |
| Interest on Long Term Debt | \$2,051 | \$2,030 |
| Halifax Regional Municipality | \$2,865 | \$2,439 |
| Contractor & Customer Deposits | \$207 | \$186 |
| Unearned Revenue | \$507 | \$584 |
| Current Portion of Deferred Contributed Capital | \$13,846 | \$13,405 |
| Current Portion of Long Term Debt | \$24,709 | \$22,630 |
| | <u>\$67,677</u> | <u>\$65,217</u> |
| Accrued Post-Retirement Benefits | \$380 | \$430 |
| Accrued Pre-Retirement Benefit | \$4,195 | \$3,983 |
| Deferred Pension Liability | \$67,755 | \$65,486 |
| Deferred Contributed Capital | \$867,802 | \$842,969 |
| Long Term Debt-Water | \$56,585 | \$53,697 |
| Long Term Debt-Wastewater | \$114,157 | \$127,043 |
| Long Term Debt-Stormwater | \$12,833 | \$11,043 |
| Total Liabilities | <u>\$1,191,384</u> | <u>\$1,169,869</u> |
| EQUITY | | |
| Accumulated Other Comprehensive Income | (\$41,209) | (\$44,943) |
| Accumulated Surplus | \$212,605 | \$190,822 |
| Excess (Deficiency) of Revenue over Expenditure | \$12,403 | \$21,781 |
| Total Equity | <u>\$183,799</u> | <u>\$167,660</u> |
| | <u><u>\$1,375,183</u></u> | <u><u>\$1,337,529</u></u> |

HALIFAX WATER
UNAUDITED INCOME STATEMENT - IFRS FORMAT - ALL SERVICES
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
100.00%

| ACTUAL (CURRENT MONTH) | | DESCRIPTION | ACTUAL (YEAR TO DATE) | | APR 1/18 | APR 1/18 | % of BUDGET* | % of FORECAST |
|---------------------------|------------------|---|--------------------------|------------------|------------------|------------------|-----------------|------------------|
| THIS YEAR | LAST YEAR | | THIS YEAR | LAST YEAR | MAR 31/19 | MAR 31/19 | | |
| '000 | '000 | | '000 | '000 | BUDGET* | FORECAST | | |
| REVENUE | | | | | | | | |
| \$4,004 | \$4,011 | METERED SALES - WATER | \$48,040 | \$47,220 | \$46,152 | \$47,452 | 104.09% | 101.24% |
| \$5,923 | \$6,014 | METERED SALES - WASTEWATER | \$69,901 | \$69,994 | \$67,601 | \$69,001 | 103.40% | 101.30% |
| \$271 | \$338 | STORMWATER SITE GENERATED SERVICE | \$5,906 | \$6,169 | \$6,752 | \$6,452 | 87.47% | 91.54% |
| \$590 | \$590 | FIRE PROTECTION | \$7,074 | \$7,074 | \$7,074 | \$7,074 | 100.00% | 100.00% |
| \$320 | \$321 | STORMWATER RIGHT OF WAY SERVICE | \$3,835 | \$3,847 | \$3,835 | \$3,835 | 100.00% | 100.00% |
| \$265 | \$238 | OTHER SERVICES AND FEES | \$2,704 | \$2,937 | \$2,905 | \$2,740 | 93.09% | 98.70% |
| \$152 | \$130 | CUSTOMER LATE PAY./COLLECTION FEES | \$549 | \$482 | \$491 | \$436 | 111.83% | 125.93% |
| \$35 | \$26 | MISCELLANEOUS | \$403 | \$422 | \$371 | \$395 | 108.57% | 101.98% |
| \$11,559 | \$11,667 | | \$138,413 | \$138,145 | \$135,182 | \$137,386 | 102.39% | 100.75% |
| EXPENSES | | | | | | | | |
| \$811 | \$605 | WATER SUPPLY & TREATMENT | \$8,516 | \$7,517 | \$8,750 | \$9,153 | 97.33% | 93.04% |
| \$872 | \$573 | TRANSMISSION & DISTRIBUTION | \$10,014 | \$8,591 | \$10,323 | \$10,283 | 97.01% | 97.38% |
| \$1,214 | \$1,209 | WASTEWATER COLLECTION | \$11,676 | \$11,287 | \$10,622 | \$10,801 | 109.92% | 108.09% |
| \$1,807 | \$1,658 | WASTEWATER TREATMENT PLANTS | \$18,197 | \$18,054 | \$19,160 | \$17,508 | 94.97% | 103.94% |
| \$597 | \$360 | STORMWATER COLLECTION | \$4,901 | \$4,797 | \$5,239 | \$4,924 | 93.54% | 99.54% |
| \$288 | \$294 | SMALL SYSTEMS AND OTHER SERVICES | \$3,053 | \$2,721 | \$3,286 | \$3,110 | 92.91% | 98.16% |
| \$223 | \$224 | SCADA, CONTROL & PUMPING | \$2,388 | \$2,219 | \$2,565 | \$2,204 | 93.09% | 108.35% |
| \$799 | \$949 | ENGINEERING & INFORMATION SERVICES | \$8,156 | \$7,265 | \$8,177 | \$8,009 | 99.74% | 101.84% |
| \$254 | \$248 | REGULATORY SERVICES | \$3,152 | \$3,291 | \$3,763 | \$3,335 | 83.76% | 94.52% |
| \$453 | \$522 | CUSTOMER SERVICE | \$4,916 | \$4,896 | \$5,522 | \$5,450 | 89.03% | 90.19% |
| \$2,942 | \$2,307 | ADMINISTRATION & PENSION | \$13,964 | \$12,553 | \$10,869 | \$12,812 | 128.47% | 108.99% |
| \$120 | \$4,647 | DEPRECIATION | \$44,257 | \$41,817 | \$23,434 | \$35,959 | 188.86% | 123.08% |
| \$10,380 | \$13,596 | | \$133,190 | \$125,007 | \$111,710 | \$123,548 | 119.23% | 107.80% |
| \$1,179 | (\$1,929) | OPERATING PROFIT | \$5,223 | \$13,138 | \$23,472 | \$13,838 | 22.25% | 37.74% |
| FINANCIAL REVENUE | | | | | | | | |
| \$109 | \$79 | INVESTMENT INCOME | \$1,156 | \$694 | \$480 | \$1,155 | 240.93% | 100.13% |
| \$0 | \$167 | PNS FUNDING HHSP DEBT | \$0 | \$2,000 | \$0 | \$0 | 0.00% | 0.00% |
| \$701 | \$1,726 | MISCELLANEOUS | \$18,885 | \$19,165 | \$526 | \$13,051 | 3593.34% | 144.70% |
| \$811 | \$1,971 | | \$20,041 | \$21,858 | \$1,006 | \$14,206 | 1993.05% | 141.08% |
| FINANCIAL EXPENSES | | | | | | | | |
| \$606 | \$628 | LONG TERM DEBT INTEREST | \$7,430 | \$7,884 | \$8,560 | \$7,325 | 86.81% | 101.44% |
| \$15 | \$17 | AMORTIZATION DEBT DISCOUNT | \$199 | \$202 | \$245 | \$203 | 81.12% | 97.91% |
| \$417 | \$398 | DIVIDEND/GRANT IN LIEU OF TAXES | \$4,999 | \$4,774 | \$5,142 | \$4,999 | 97.22% | 100.00% |
| \$389 | \$377 | MISCELLANEOUS | \$233 | \$355 | \$12 | \$12 | 1885.79% | 1885.79% |
| \$1,427 | \$1,420 | | \$12,861 | \$13,215 | \$13,959 | \$12,540 | 92.13% | 102.57% |
| \$562 | (\$1,379) | NET PROFIT (LOSS) BEFORE OTHER COMPREHENSIVE INCOME | \$12,403 | \$21,781 | \$10,518 | \$15,504 | 117.92% | 80.00% |
| \$3,735 | (\$3,771) | OTHER COMPREHENSIVE INCOME | \$3,735 | (\$1,750) | \$0 | \$0 | 0.00% | 0.00% |
| \$4,297 | (\$5,149) | NET PROFIT (LOSS) AVAILABLE FOR CAPITAL EXPENDITURES | \$16,137 | \$20,031 | \$10,518 | \$15,504 | 153.43% | 104.08% |

HALIFAX WATER
UNAUDITED FINANCIAL INFORMATION
APRIL 1/18 - MARCH 31/19 (12 MONTHS)
'000

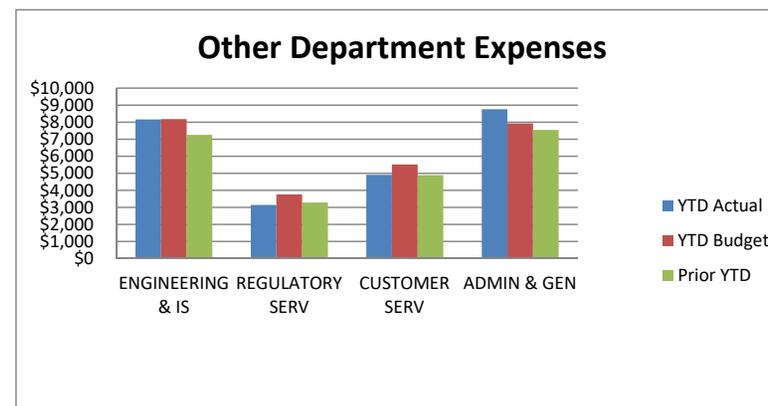
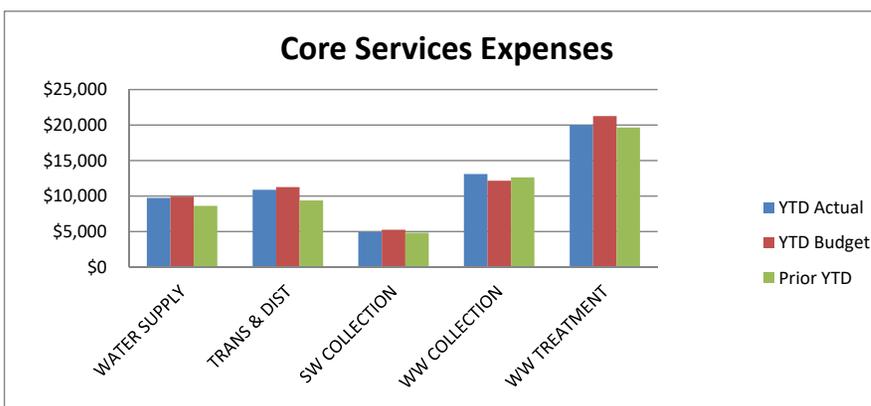


OPERATING REVENUE AND EXPENSES

| | YTD Actual | YTD Budget | Prior YTD | % of Budget |
|----------|-----------------|-----------------|-----------------|----------------|
| REVENUE | \$138,413 | \$135,182 | \$138,145 | 102.39% |
| EXPENSES | \$106,731 | \$108,770 | \$99,437 | 98.13% |
| | \$31,682 | \$26,412 | \$38,708 | 119.95% |

REVENUE BY CATEGORY

| | YTD Actual | YTD Budget | Prior YTD |
|------------|------------------|------------------|------------------|
| WATER | \$48,040 | \$46,152 | \$47,220 |
| WASTEWATER | \$69,901 | \$67,601 | \$69,994 |
| STORMWATER | \$9,741 | \$10,587 | \$10,015 |
| OTHER | \$10,731 | \$10,842 | \$10,916 |
| | \$138,413 | \$135,182 | \$138,145 |



CORE SERVICES EXPENSES

| | YTD Actual | YTD Budget | Prior YTD | % of Budget |
|---------------|-----------------|-----------------|-----------------|---------------|
| WATER SUPPLY | \$9,767 | \$9,944 | \$8,646 | 98.22% |
| TRANS & DIST | \$10,903 | \$11,288 | \$9,410 | 96.59% |
| SW COLLECTION | \$4,950 | \$5,276 | \$4,842 | 93.82% |
| WW COLLECTION | \$13,125 | \$12,186 | \$12,642 | 107.71% |
| WW TREATMENT | \$19,999 | \$21,252 | \$19,647 | 94.11% |
| | \$58,744 | \$59,945 | \$55,186 | 98.00% |

OTHER DEPARTMENT EXPENSES

| | YTD Actual | YTD Budget | Prior YTD |
|------------------|-----------------|-----------------|-----------------|
| ENGINEERING & IS | \$8,156 | \$8,177 | \$7,265 |
| REGULATORY SERV | \$3,152 | \$3,763 | \$3,291 |
| CUSTOMER SERV | \$4,916 | \$5,522 | \$4,896 |
| ADMIN & GEN | \$8,756 | \$7,929 | \$7,538 |
| | \$24,980 | \$25,391 | \$22,989 |

TO: Darlene Fenton, Chair, and Members of the Halifax Regional Water Commission Board

SUBMITTED BY: *Original Signed By:*

Allan Campbell, B.Comm, CPA, CMA, Manager, Finance
Cathie O'Toole, CPA, CGA, MBA, Director, Corporate Services

APPROVED: *Original Signed By:*

Carl Yates, M.A.Sc., P.Eng., General Manager

DATE: June 07, 2019

SUBJECT: **Halifax Regional Water Commission Employees' Pension Plan
Financial Statements for the Year Ended December 31, 2018**

ORIGIN

The Halifax Regional Water Commission Employees' Pension Plan financial statements are audited annually.

RECOMMENDATION

It is recommended that the Commission Board approve the audited financial statements for the Halifax Regional Water Commission Employees' Pension Plan (the "Plan") for the year ended December 31, 2018.

BACKGROUND

Annually, the Plan's financial statements are prepared by staff and audited by the Commission's auditors, currently Grant Thornton, LLP.

DISCUSSION

Attached are the audited financial statements of the Plan for the year ended December 31, 2018, with comparative figures for 2017. Page numbers or note references in this report refer to the audited financial statements.

ITEM #4.2

HRWC Board

June 20, 2019

The auditor's report on Page 1 indicates that the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2018, the changes in net assets available for benefits, and changes in pension obligations in accordance with Canadian accounting standards for pension plans.

The Statement of Financial Position for the Plan is reported on page 3 of the financial statements, and the highlights are summarized in Table 1 below. The surplus as at December 31, 2018 of \$2.1 million compares favourably to the deficiency reported the prior year of \$1.7 million, representing a change of \$3.8 million. This is the result of higher reported values at year-end for net assets available for benefits relative to pension obligations. Net assets available for benefits as at December 31, 2018, amounted to \$126.5 million compared to \$119.7 million the prior year, an increase of \$6.7 million or 5.6%. Pension obligations increased \$2.9 million or 2.4% to \$124.4 million as at December 31, 2018, up from \$121.5 million in 2017.

Table 1:

| Statement of financial position December 31 | | | | |
|--|---------------|---------------|-------------|---------|
| | 2018 | 2017 | Change | |
| | | | \$ | % |
| Net assets available for benefits (note 4) | \$126,458,630 | \$119,731,882 | \$6,726,748 | 5.6% |
| Pension obligations (note 5) | \$124,371,400 | \$121,473,083 | \$2,898,317 | 2.4% |
| Surplus (Deficiency) | \$2,087,230 | (\$1,741,201) | \$3,828,431 | -219.9% |

The Statement of Changes in Net Assets Available for Benefits are reported on page 4 of the financial statements, with highlights summarized in Table 2 below. As stated previously, net assets available for benefits as at December 31, 2018 are reported as \$126.5 million, compared to \$119.7 million the previous year, representing an increase of \$6.7 million or 5.6%. The comparable increase in net assets available for benefits in 2017 was reported as \$12.7 million. Further details regarding net assets available for benefits can be found in Note 4 (page 12) of the financial statements.

Table 2:

| Statement of changes in net assets available for benefits | | | | |
|---|-------------|--------------|---------------|--------|
| December 31 | | | | |
| | 2018 | 2017 | Change | |
| | | | \$ | % |
| Revenue | \$4,536,454 | \$11,188,063 | (\$6,651,609) | -59.5% |
| Expenses | \$4,059,538 | \$4,436,982 | (\$377,444) | -8.5% |
| Increase in Net Revenue | \$476,916 | \$6,751,081 | (\$6,274,165) | -92.9% |
| Contributions (note 7) | \$6,249,833 | \$5,912,805 | \$337,028 | 5.7% |
| Increase in net assets available for benefits | \$6,726,748 | \$12,663,886 | (\$5,937,138) | -46.9% |

Of the \$6.7 million increase in net assets available for benefits in the current year, reported net revenue accounted for \$0.5 million, compared to contributions, which accounted for the remaining \$6.2 million. Revenue consists of changes in the fair value of investment assets of \$1.8 million, and net investment income of \$2.8 million. In comparison to 2017, the change in the fair value of investment assets decreased by \$6.9 million (79.8%), and net investment income increased \$0.3 million (12.0%). Assets of the Plan are invested as part of the Halifax Regional Municipality Master Trust, and represent 6.2% (2017, 6.1%) of the Master Trust's assets. The gross fund rate for 2018 was 4.1% (2017-11.3%), and the net fund rate after expenses was 3.8% (2017-10.9%). Additional information related to net investment income can be found in Note 6 (page 13) of the financial statements, and later in this report.

Contributions also factor into the increase in net assets available for benefits. Combined contributions from employees and Halifax Water are reported at \$6.2 million for 2018. In comparison to 2017, contributions increased by \$0.3 million or 5.7%. This increase was due to new hires within Halifax Water and increases in remuneration of existing employees either through normal pay increases or movements within individual bands. Additional information related to contributions can be found in Note 7 (page 14) of the financial statements, and later in this report.

Expenses reduce net assets available for benefits, with expenses driven mainly by benefit payments. Expenses in 2018 are reported as \$4.1 million, and compared to \$4.4 million from the previous year, resulted in a favourable variance of \$0.4 million or 8.5%. This reduction can be directly attributed to lower termination benefits and death benefits paid in 2018 compared to 2017. Additional information related to expenses can be found in Note 8 and 9 (page 14) of the financial statements, and later in this report.

Further details regarding net assets available for benefits can be found in Note 4 (page 12) of the financial statements.

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June 20, 2019

The Statement of Changes in Pension Obligations is reported on page 5 of the financial statements, and summarized in Table 3 below. Pension obligations increased to \$124.4 million in 2018 compared to \$121.5 million the prior year, an increase of \$2.9 million or 2.4%.

The valuation of pension obligations for 2018 was the result of an actuarial valuation performed as at January 1, 2019, compared to 2017 where the amounts reported were based on an extrapolation.

Increases to pension obligations came from two (2) sources, benefits accrued of \$5.4 million and interest on accrued benefits of \$7.1 million which were comparable to 2017, with reported increases of \$0.3 million (6.6%) and \$0.4 million (6.0%) respectively. Interest rates continue to be low, which increases liabilities.

Reductions to the pension obligations totaled \$9.9 million, and are directly related to changes in actuarial assumptions from the previous actuarial valuation on January 1, 2016 of \$5.4 million, and also benefit payments made to pensioners in pay during 2018 of \$3.9 million. Changes in actuarial assumptions can be attributed to experience gains or losses between the January 1, 2016 and the January 1, 2019 actuarial valuations related mortality, retirement, salary growth and indexing, etc. Further details with respect to pension obligations can be found in Note 5 (page 13), and additional information related to benefit payments can be found in Note 8 (page 14) of the financial statements, and later in this report.

Table 3:

| Statement of changes in pension obligations | | | | |
|---|----------------------|----------------------|----------------------|---------------|
| December 31 | | | | |
| | 2018 | 2017 | Change | |
| | | | \$ | % |
| Pension obligations, beginning of year | \$121,473,083 | \$114,046,900 | \$7,426,183 | 6.5% |
| Changes in actuarial assumptions | (\$5,383,916) | \$0 | (\$5,383,916) | n/a |
| Miscellaneous sources of decrease | (\$277,700) | \$0 | (\$277,700) | n/a |
| Interest accrued on benefits | \$7,087,500 | \$6,637,300 | \$450,200 | 6.8% |
| Benefits accrued | \$5,400,500 | \$5,084,900 | \$315,600 | 6.2% |
| Benefits paid (note 8) | (\$3,928,067) | (\$4,296,017) | \$367,950 | -8.6% |
| | <u>\$2,898,317</u> | <u>\$7,426,183</u> | <u>(\$4,527,866)</u> | <u>-61.0%</u> |
| Pension obligations, end of year | <u>\$124,371,400</u> | <u>\$121,473,083</u> | <u>\$2,898,317</u> | <u>2.4%</u> |

ITEM #4.2

HRWC Board

June 20, 2019

Additional notes in the financial statements include line-by-line comparisons of various categories. Table 4 below is a summary of each category, and details are provided for Notes 6 through 9 inclusive of the financial statements.

Table 4:

| Summary of various categories December 31 | | | | |
|--|-------------|-------------|-------------|-------|
| | 2018 | 2017 | Change | |
| | | | \$ | % |
| Net investment income (note 6) | \$2,773,356 | \$2,475,604 | \$297,752 | 12.0% |
| Contributions (note 7)* | \$6,249,833 | \$5,912,805 | \$337,028 | 5.7% |
| Benefit payments (note 8) | \$3,928,067 | \$4,296,017 | (\$367,950) | -8.6% |
| Administrative expenses (note 9) | \$131,472 | \$140,965 | (\$9,493) | -6.7% |
| * Employees' Contributions | \$2,845,791 | \$2,665,078 | \$180,713 | 6.8% |
| Employer's Contributions | \$3,404,042 | \$3,247,727 | \$156,315 | 4.8% |
| | \$6,249,833 | \$5,912,805 | \$337,028 | 5.7% |

Note 6 (page 13) of the financial statements reports net investment income of \$2.8 million for 2018. This represents an increase of \$0.3 million or 12.0% over 2017, with the increase being reflective of the returns experienced by the HRM Master Trust in 2018. Investment manager fees are comparable to 2017, showing only a moderate increase.

Note 7 (page 14) shows contribution details from employees and the employer, with combined contributions of \$6.2 million reported for 2018. Compared to 2017, this represents an increase of \$0.3 million or 5.7%. Higher contributions in 2018 are reflective of expected increases associated with new hires in 2018, as well as normal salary/wage increases and movements within bands for existing employees.

Note 8 (page 14) details the benefit payments of \$3.9 million for 2018. Total benefit payments decreased by \$0.4 million or 8.6% compared to 2017. Actual retirement benefit payments increased in 2018 to \$3.8 million compared to \$3.7 million in 2017, which represents new retirees from Halifax Water during the year. A decrease in total benefit payments was experienced under the categories of termination benefits and death benefit payments. Combined, these expenditures were lower by \$0.5 million compared to 2017, and tend to be less certain year-over-year, since they are contingent upon varying circumstances.

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HRWC Board

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Note 9 (page 14) summarizes administrative expenses of the Plan, with expenditures totaling \$131.5 thousand for 2018. This represents a reduction in expenses compared to 2017 of \$9.5 thousand or 6.7%, with the decrease impacted primarily by lower actuarial and consulting fees. The actuarial and consulting fees reported in 2018 of \$50.4 thousand were \$17.0 thousand lower than those of 2017. Bank custodian fees increased approximately \$12.2 thousand in 2018 compared to 2017. These fees are charged to Plan through the Master Trust, so the Plan has little control over their incurrence. Other expenses were relative when compared to the prior year, with no significant dollar variances to report.

Solvency funding is not required as the Plan received a solvency funding exemption effective June 1, 2015. Currently the ratio of solvency assets to solvency liabilities is greater than the “solvency concerns” threshold of 85%, under Nova Scotia pension legislation. Should the solvency ratio fall below the 85% threshold, the Plan would be required to file a valuation within one (1) year, rather than the usual three (3) year period. The next actuarial valuation is scheduled for January 1, 2019.

BUDGET IMPLICATIONS

There are no budget implications associated with the audited financial statements of the pension plan. Budget implications arise from the Actuarial Valuations.

ALTERNATIVES

None

ATTACHMENT

Halifax Regional Water Commission Employees’ Pension Plan Financial Statements as at December 31, 2018

Report Prepared by: *Original Signed By:*

Allan Campbell, B.Comm, CPA, CMA, Manager, Finance
902-490-4288



ITEM # 4.2
HRWC Board
June 20, 2019
ATTACHMENT

Financial Statements

Halifax Regional Water Commission

Employees' Pension Plan

December 31, 2018

Contents

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| 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

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, 2018, 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, 2018, 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 20, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

| December 31 | 2018 | 2017 |
|--|---------------------|-----------------------|
| Assets | | |
| Investment assets | \$ 126,419,604 | \$ 119,713,036 |
| Contributions receivable | <u>67,261</u> | <u>43,194</u> |
| | 126,486,865 | 119,756,230 |
| Liabilities | | |
| Payables and accruals | | |
| Trade | <u>28,235</u> | <u>24,348</u> |
| Net assets available for benefits (note 4) | 126,458,630 | 119,731,882 |
| Pension obligations (page 5) | <u>124,371,400</u> | <u>121,473,083</u> |
| Surplus (deficiency) | <u>\$ 2,087,230</u> | <u>\$ (1,741,201)</u> |

On behalf of the Board

Original Signed

Trustee

Original Signed

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 2018 2017

| | | |
|--|-----------------------|-----------------------|
| Revenue | | |
| Net investment income (note 6) | \$ 2,773,356 | \$ 2,475,604 |
| Changes in the fair value of investment assets | <u>1,763,098</u> | <u>8,712,459</u> |
| | <u>4,536,454</u> | <u>11,188,063</u> |
| Contributions (note 7) | | |
| Participants | 2,845,791 | 2,665,078 |
| Sponsor | <u>3,404,042</u> | <u>3,247,727</u> |
| | <u>6,249,833</u> | <u>5,912,805</u> |
| Expenses | | |
| Benefit payments (note 8) | 3,928,067 | 4,296,017 |
| Administrative (note 9) | <u>131,472</u> | <u>140,965</u> |
| | <u>4,059,539</u> | <u>4,436,982</u> |
| Increase in net assets available for benefits | <u>\$ 6,726,748</u> | <u>\$ 12,663,886</u> |
| Net assets available for benefits, beginning of year | \$ 119,731,882 | \$ 107,067,996 |
| Increase in net assets available for benefits | <u>6,726,748</u> | <u>12,663,886</u> |
| Net assets available for benefits, end of year | <u>\$ 126,458,630</u> | <u>\$ 119,731,882</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 | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Pension obligations, beginning of year | <u>\$ 121,473,083</u> | <u>\$ 114,046,900</u> |
| Change in pension obligations | | |
| Changes in actuarial assumptions (Note 5) | (5,383,916) | - |
| Miscellaneous sources of decrease | (277,700) | - |
| Interest accrued on benefits | 7,087,500 | 6,637,300 |
| Benefits accrued | 5,400,500 | 5,084,900 |
| Benefits paid (note 8) | <u>(3,928,067)</u> | <u>(4,296,017)</u> |
| | <u>2,898,317</u> | <u>7,426,183</u> |
| Pension obligations, end of year | <u>\$ 124,371,400</u> | <u>\$ 121,473,083</u> |

See accompanying notes to the financial statements.

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

December 31, 2018

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, 2011 as amended and consolidated, in addition to Amendment #9 and Amendment #10, both effective January 1, 2016, and Amendment #11, effective retroactively to June 1, 2015.

(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.

Plan Amendment #11 was approved during 2018, effective retroactively to June 1, 2015. This amendment formally brought the Plan into compliance with the June 1, 2015 changes to the Nova Scotia *Pension Benefits Act* and its *Regulations*. The Plan has been administered in accordance with the June 1, 2015 changes to the Nova Scotia *Pension Benefits Act* and its *Regulations* as required, even though formal changes to the Plan were completed in 2018. The amendment was administrative in nature, and dealt with certain changes to the minimum standards for member benefits, the most notable being:

- Definition of spouse;
- Small benefit;
- Vesting, and
- Pre-retirement death benefit.

(b) Funding policy

Employees' required contributions in 2018 were 10.65% (2017 – 10.65%) of pensionable earnings. Pensionable earnings are capped temporarily to a maximum of \$140,945 through 2023, and will be indexed at a rate of 1% per annum thereafter. The Halifax Regional Water Commission matches employee contributions up to 9.85% (2017 – 9.85%). Basic contributions from employers and members due to the Plan at the end of the year are recorded on an accrual basis.

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).

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

December 31, 2018

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. Amendment #11 provides provisions relating to member 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 time 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, 2018

1. Description of the Plan (continued)

(f) Termination of employment

Subject to any statutory limitations and as provided in Amendment #11, 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.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2018

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:

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.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2018

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

(a) Financial instruments (continued)

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.

(e) Contributions

Required employee and employer contributions are recorded the month following when the payroll deductions are made. Employee and employer contributions, as well as 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.

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2018

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

(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 judgments, 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 \$124,371,400 (2017 - \$121,473,083) 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, 2018

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 6.24% (December 31, 2017 – 6.11%) of the HRM Master Trust units. The remaining units are held by the Halifax Regional Municipality ("HRM"). 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.

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.

| <u>Investment</u> | <u>Asset Class</u> | <u>Market value</u> |
|--|---------------------------------------|----------------------|
| Wellington Management Global Total Return Fund | Foreign Bonds ¹ | \$ 5,135,296 |
| Wellington Emerging Markets Local Equity Fund | Emerging Market Equities ¹ | 3,179,579 |
| Putnam Canadian Fixed Income Global Alpha Fund | Canadian Bonds ¹ | 3,083,827 |
| Minto Multi-Residential Income Partners I, L.P. | Limited Partnership | 2,935,516 |
| UBS (UK) Real Estate Funds Selection Global Ex Canada, L.P. | Limited Partnership | 2,685,726 |
| Blackrock Active Canadian Equity Fund | Canadian Equities ¹ | <u>2,540,701</u> |
| | | <u>\$ 19,560,645</u> |

1 – Denotes Pooled Fund

4. Net assets available for benefits

Allocation of net assets available for benefits

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------------|
| To pension plan | \$ 125,961,206 | \$ 119,238,702 |
| To extra voluntary contribution benefits | 270,793 | 245,513 |
| To individual locked in amounts | <u>226,631</u> | <u>247,667</u> |
| | <u>\$ 126,458,630</u> | <u>\$ 119,731,882</u> |

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

December 31, 2018

5. Pension obligations

An actuarial valuation of the Halifax Regional Water Commission Employees' Pension Plan was performed as at January 1, 2019.

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 5.80% per annum (2017 – 5.80%);
- c) salary scale assumption of 3.90% per annum (2017 – 3.90%); and
- d) life expectancy of participants based upon the CPM-2014 Combined mortality table, with Scale CPM-B improvements.

The January 1, 2016 actuarial valuation resulted in an unfunded liability of \$7,620,900, and the Halifax Regional Water Commission was required to make special payments which were being amortized over 15 years. This resulted in an unfunded liability payment of \$825,200 (2017 - \$825,200) as shown in note 7.

As a result of the January 1, 2019 actuarial valuation, special payments in respect of going concern liabilities are no longer required. The next actuarial valuation for the Halifax Regional Water Commission Employees' Pension Plan is required to be performed no later than January 1, 2022.

6. Net investment income

| | <u>2018</u> | <u>2017</u> |
|------------------------------|---------------------|---------------------|
| Income from investment funds | \$ 2,939,026 | \$ 2,622,024 |
| Investment manager fees | <u>(165,670)</u> | <u>(146,420)</u> |
| | <u>\$ 2,773,356</u> | <u>\$ 2,475,604</u> |

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

December 31, 2018

| 7. Contributions | <u>2018</u> | <u>2017</u> |
|--------------------------------------|----------------------------|----------------------------|
| Participants' contributions | | |
| Required | \$ 2,788,280 | \$ 2,619,586 |
| Voluntary | <u>57,511</u> | <u>45,492</u> |
| | <u>\$ 2,845,791</u> | <u>\$ 2,665,078</u> |
| Sponsor's contributions | | |
| Required | \$ 2,578,842 | \$ 2,422,527 |
| Unfunded liability – special payment | <u>825,200</u> | <u>825,200</u> |
| | <u>\$ 3,404,042</u> | <u>\$ 3,247,727</u> |

| 8. Benefit payments | <u>2018</u> | <u>2017</u> |
|------------------------------|----------------------------|----------------------------|
| Retirement benefit payments | \$ 3,848,218 | \$ 3,738,659 |
| Termination benefit payments | 79,849 | 314,591 |
| Death benefit payments | <u>-</u> | <u>242,767</u> |
| | <u>\$ 3,928,067</u> | <u>\$ 4,296,017</u> |

During 2018, there were 6 termination benefit payments (2017 – 18) and no death benefit payments (2017 – 1). Termination benefits are paid out as described in note 1(f) and death benefit payments are paid out as described in note 1(e).

| 9. Administrative expenses | <u>2018</u> | <u>2017</u> |
|-----------------------------------|--------------------------|--------------------------|
| Actuarial and consulting fees | \$ 50,409 | \$ 67,394 |
| Audit and accounting fees | 8,441 | 9,283 |
| Bank custodian fees | 32,303 | 20,132 |
| Insurance | 8,347 | 8,347 |
| Miscellaneous | 16,195 | 18,965 |
| Professional fees | 13,440 | 14,623 |
| Registration fees | <u>2,337</u> | <u>2,221</u> |
| | <u>\$ 131,472</u> | <u>\$ 140,965</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, 2018

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 formal policies and procedures placed upon it that establish an asset mix among equity and fixed income investments, required 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 of 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 these instruments, which total \$126,419,604 at December 31, 2018 (2017 - \$119,713,036). A one percent (1%) change in market risk (holding all variables constant) will impact the fair value of these investments by approximately \$1,264,196 (2017 - \$1,119,713).

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2018

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, 2018

| | <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 | \$ 28,235 | \$ 28,235 | \$ - | \$ - | \$ - |

Payments due year ending December 31, 2017

| | <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 | \$ 24,348 | \$ 24,348 | \$ - | \$ - | \$ - |

Halifax Regional Water Commission

Employees' Pension Plan

Notes to the financial statements

December 31, 2018

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, 2018

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------|----------------|----------------|----------------|----------------|
| Assets | | | | |
| Pooled fund | \$ - | \$ 126,419,604 | \$ - | \$ 126,419,604 |

There were no transfers between the three levels between December 31, 2017 and December 31, 2018.

Financial assets at fair value as at December 31, 2017

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------|----------------|----------------|----------------|----------------|
| Assets | | | | |
| Pooled fund | \$ - | \$ 119,713,036 | \$ - | \$ 119,713,036 |

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

There were no transfers between the three levels between December 31, 2016 and December 31, 2017.

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

December 31, 2018

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 with 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.