HALIFAX

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Halifax Water

Item No. 9.3.1 i
Halifax Regional Council
August 18, 2020

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:

Craig MacMullin, Chair, Halifax Water Board

DATE: August 18, 2020

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* (HRWC 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 wastewater systems for the fiscal year ending March 31, 2020.

Achieving compliance in water and wastewater systems, year after year requires the continued dedication and perseverance of our staff. With respect to water systems, the challenges last year included on-going concerns about changing source water quality, and the implementation of voluntary water use restrictions for customers served by Lake Major as the utility was completing the new dam at Lake Major.

With respect to wastewater systems, achieving compliance is an on-going challenge balancing the influences of weather, efficiency of equipment, and customer compliance with Halifax Water Rules and Regulations. The in-house business processes have been improving as a result of implementation of the Computerized Maintenance Management System (CMMS).

Halifax Water has been able to maintain the same rates for water and wastewater service since April 1, 2016, thanks to cost containment efforts, better than anticipated financial results, and accumulated operating surplus from previous years. The net operating loss for 2019/20 is $1.6 million under the Nova Scotia Utility and Review Board (NSUARB) Accounting Handbook, compared to net earnings of $1.4 million in the prior year. Financial performance during 2019/20 was better than expected however, as the loss of $1.6 million is significantly better than the budgeted loss of $8.4 on a NSUARB Handbook basis. The attached report to the Halifax Water Board on year end financial results explains the financial results in more detail on an International Financial Reporting Standards (IFRS) basis and NSUARB basis.

Operating Revenues of $137.8 million were $0.5 million less than prior year. Operating expenses of $139.0 million are $6.3 million higher than prior year. Regarding long-term debt, the utility debt stood at $198 million at March 31, 2020; an increase of $15.2 million from the previous fiscal year. The debt service ratio for combined water, wastewater, and stormwater services was 18.9% for 2019/20, well below the approved benchmark of 35.0% and slightly less than prior year.

One notable achievement is that Plant in Service assets, net of Accumulated Depreciation, total $1.3 billion, an increase of $47.6 million. Numerous capital projects were completed during the year, totalling $94.3 million and including projects such as the final year of the Advanced Metering Infrastructure (AMI) Project ($16.6 million); the JD Kline Filtration Replacement ($10.3 million), the Lake Major Dam Replacement ($9 million); the Lucasville Transmission Main Replacement ($6.4 million), the Ellenvale Run retaining wall system ($6 million), Wanda Lane Storm Sewer ($4.9 million) and $41 million in various other projects including $1.6 million in Corporate Flow Monitoring and several wastewater sewer replacements and pump station upgrades. As of March 31, 2020, there was also $18 million dollars of capital assets under construction. The 2019/20 fiscal year was one of the best on record for completion of capital projects and additions to utility plant in service.

In addition to meeting obligations under the *HRWC Act* and the *Public Utilities Act*, Halifax Water is focussed on maintaining a high level of employee and customer satisfaction. The overall rating in the 2019 Employee Survey was a B+, and improvement from a B in the prior year. The overall rating in the 2019 Customer Survey was 96% of customer being very or somewhat satisfied; consistent with prior year. It is notable that stormwater customers were surveyed and 44% were aware they receive stormwater service, and 83% of those receiving stormwater service were very or generally satisfied.

Message from the Board Chair and General Manager

The 2019/20 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. January 1, 2020 marked the 75th anniversary of Halifax Water, as the Public Service Commission (which was later renamed Halifax Water Commission in 1987) was formed on January 1, 1945.

In 2019/20 Halifax Water accomplished most of its strategic objectives, notwithstanding many unusual challenges including turnover in key leadership positions (the Board Chair, General Manager, General Counsel, and Director of Corporate Services/Chief Financial Officer), the emergency replacement of a large combined sewer on Chisholm Avenue triggered by a sinkhole, and some localized flooding caused by post tropical storm Erin the last weekend of August, voluntary water conservation measures for customers served by Lake Major, Hurricane Dorian, supply chain risks caused by the CN Rail blockades, the emergence of COVID-19 as a global pandemic. The value of formalized emergency management and enterprise risk management were demonstrated in 2019/20.

Key accomplishments for 2019/20 included completion of $94.3 million dollars in capital projects, securing Natural Sciences and Engineering Research Council of Canada (NSERC**)** funding for wastewater research, proposing enhancements to the Lead Service Line Replacement Program, updating the Five-Year Business Plan, completing an updated Integrated Resource Plan (IRP) and Regional Development Charge; and getting the resulting applications to keep the utility on a sound financial footing filed with the Nova Scotia Utility and Review Board (NSUARB).

Last year Halifax Water continued to focus on delivery of capital projects, 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, Halifax Water is continuing 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.

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 2019/20 fiscal year resulted in cost savings amounting to $0.7 million. Through ongoing efforts with procurement, human resource, information technology, treatment process, and technology and business process strategies, cumulative estimated savings of $6.9 million dollars were achieved since the program's implementation in 2013. These savings have help contributed to past operating surpluses which have now helped Halifax Water to adjust the rate increases requested for 2020/21 and 2021/22.

Strategic Objectives

The following outlines the strategic priorities for 2019/20 and a status update on their progress:

- Implement new telephony system in the Customer Care Centre.
    - ✓ The system was implemented and has enabled the Customer Care Centre to transition to remote work due to COVID-19 and is providing improved data to manage customer contacts.
- Implement a Corporate Customer Service Strategy by March 2020.
    - ✓ This initiative was paused, pending introduction of a new Customer Portal in 2020/21.
- Customer Connect/AMI project – complete meter installations.
    - ✓ 98.0% complete, with 82,000 meters installed as of March 31, 2020.

- Continue to roll out and enhance use of Computerized Maintenance Management System (CMMS).
  - ✓ Plan for next CMMS Enhancements completed, and projects completed or underway.
- Data analytics – take water loss control to a new level with better data analytics and AMI data; and select a better analytics tool for asset management.
  - ✓ Pilot planned and initiated to investigate artificial intelligence for leak detection, pressure management and optimizing distribution operations to prevent breaks (on-going). Itron Analytics was implemented in 2019/20 as part of the AMI project. Selection of better analytics tools for asset management was deferred due to other information technology projects taking higher priority.
- Commence project for SAP system upgrade/ERP replacement.
  - ✓ Project team established, RFP for new ERP was conducted, and current state busines processes are being mapped. A contract will be awarded subject to securing necessary capital approvals.
- Initiate project to select a system for Regulatory reporting.
  - ✓ Underway.
- Wet Weather Management – continue advancements in wastewater management and refine the cost benefit analysis. [Focus on Fairview/Clayton Park areas - $2.5 million lining project.]
  - ✓ There has been continued advancement in wet weather management, and work is on-going. Due to a delayed capital approval from the NSUARB the Romans and Federal Avenues Sewer Separation project carried over into 2020/21
- Resource Recovery – initiate RFP process for Biosolids Processing or Biosolids Energy Recovery.
  - ✓ Internal study of available technologies and current situation was completed. RFP is under development and issuance is imminent.
- Achieve Environmental Management System - ISO Designation in 2019/20 for all WWTF facilities and develop plan for corporate wide expansion of EMS.
  - ✓ EMS audits completed for the Halifax, Mill Cove, and Eastern Passage WWTF and registration audits are planned for later this year. A plan was developed for corporate wide expansion of EMS over the next three years, commencing April 1, 2021.
- Energy Management Initiatives - $1 M in investments and seasonal energy management initiatives are planned that will result in 3.0% energy savings and approximately 1,800 tonnes CO2e in GHG reductions.
  - ✓ $1 million in investments completed, resulting in a 3.0% energy savings and 1,800 tonnes of CO2e in GHG reductions.
- Cogswell District Energy System – Finalize business case and design, make application to the NSUARB to confirm regulated business status.
  - ✓ Application was made to the NSUARB and the status as a regulated business was confirmed in a Decision received in May 2020.
- Water Quality Master Plan – Complete Tailored Collaboration with Water Research Foundation on Lake Recovery in 2019.
  - ✓ Almost complete. An extension was granted to incorporate more data and this will result in a better decision support tool. Completion is expected this year.
- Lead Service Line Replacement – Continue with replacement program (target is 300 per year); and explore ways to ensure lead service lines are replaced in conjunction with municipal street renewals.
  - ✓ A proposal to enhance the Lead Service Line Replacement Program was approved by the Halifax Water Board in November and is currently before the NSUARB for approval in conjunction with some other regulatory changes.

- Safety and Security Program – Continue to improve CBS results and achieve target for new organizational indicator regarding average Internal Safety Audit score.
  - ✓ All Safety related CBS results were achieved, including the new organizational indicator regarding average Internal Safety Audit score.
- Wastewater Research Initiative – Initiate NSERC research program in collaboration with Dalhousie University.
  - ✓ An application was made to NSERC in collaboration with Dalhousie University, funding was approved, and the scientific merit of the wastewater research was confirmed.
- Asset Management – implement three Asset Management Implementation Teams (AMITs) for three asset classes as a pilot project; and complete the Infrastructure Master Plan (IMP).
  - ✓ The AMITs were implemented, and the IMP was completed.
- Complete updated Integrated Resource Plan (IRP) and file with Halifax Water Board, Fall of 2019.
  - ✓ The updated IRP was approved by the Halifax Water Board in November 2019.
- Enterprise Risk Management – Develop formal ERM system and finalize risk appetite and tolerance levels (Phase II).
  - ✓ The risk appetite and tolerance levels (Phase II) of Enterprise Risk Management were approved by the Halifax Water Board in October 2019.
- Complete five-year update of Regional Development Charge, consult with stakeholders, and file application with NSUARB.
  - ✓ Completed, and filed with the NSUARB in November 2019.
- Talent Management – Role out on-line training tools and increased support for supervisors and develop career paths for key positions.
  - ✓ On-line training tools implemented, meetings and supports for supervisors were increased and career paths have been developed but not yet rolled out.
- Payroll Project – Replace payroll system and implement an employee self serve portal on April 1, 2020.
  - ✓ Implementation deferred until July, mainly due to impact of COVID-19 on training, and some configuration tasks taking longer than anticipated.

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 2019/20 fiscal year, as contained in a staff report to the Halifax Water Board for its meeting on June 25, 2020. The attachment also indicates the revised targets and new measures for the upcoming 2020/21 fiscal year.

Alignment and Cooperation with the Municipality

Halifax Water worked closely with the Municipality on several initiatives this year including HalifACT 2050, the Cogswell Redevelopment Project, an integrated stormwater policy and joint green infrastructure standards.

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 on going in 2019/20.

Alignment of capital programs and delivery of integrated utility/municipal projects occurs every year. Halifax Water also provides technical support to the municipality with respect to possible service extensions. The municipality is responsible for service extensions, and in 2019/20 there were some discussions and meetings with stakeholders regarding Herring Cove (Phase 4) and Harrietsfield.

Halifax Water is working closely with the municipality to target replacement of lead service lines in conjunction with the municipality's renewal of streets. Subject to NSUARB approval of Halifax Water's proposed enhancements to the Lead Service Line Replacement Program, Halifax Water will be positioned to work with the municipality to ensure full integration of lead service line replacement with municipal street projects.

Halifax Water and Halifax exchange services on a regular basis and work cooperatively together. The relationship, and the terms for exchange of services, are detailed in a formal Service Level Agreement. One of the key guiding principles governing the relationship is that there should be no cross subsidization between taxpayers or utility rate payers. Consistent with this principle, in 2019/20 Halifax Water and municipal staff negotiated a three year renewal of the Dividend Agreement (grant in lieu of taxes) that results in some increase revenue for the municipality, and caps the annual increase in the dividend to 1.0%, thus helping ensure there is no rate shock for Halifax Water customers as the amounts paid to the municipality are increased to include additional dividend payments for wastewater and stormwater.

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: 2019/20 Corporate Balanced Scorecard Results, June 25, 2020
2. Report to Halifax Water Board: 2019/20 Audited Financial Statements and Year End Results, June 25, 2020
3. Report to Halifax Water Board: Halifax Regional Water Commission Employees' Pension Plan Financial Statements for the year Ended December 31, 2019, June 25, 2020

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
Craig MacMullin, Chair, Halifax Water Board

ATTACHMENT 1

Halifax Water
Halifax Regional Water Commission

ITEM # 6
HRWC Board
June 25, 2020

TO:	Craig MacMullin, MBA, CPA, CGA, Chair, and Members of the Halifax Regional Water Commission Board
SUBMITTED BY:	Cathie O'Toole Digitally signed by Cathie O'Toole Date: 2020.06.19 14:56:28 -03'00'
	Cathie O'Toole, MBA, FCPA, FCGA, ICD.D, General Manager
DATE:	June 17, 2020
SUBJECT:	**Corporate Balanced Scorecard - 2019/20 Results and Revised 2020/21 Targets**

ORIGIN

Annual Corporate Performance Measurement.

RECOMMENDATION

It is recommended that the Halifax Regional Water Commission Board approve the revised Corporate Balance Scorecard Targets for 2020/21 for Inflow and Infiltration (I&I) reduction, and Institutional, Commercial, and Industrial (ICI) property inspections.

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. The final 2019/20 results are presented for information. This report proposes two adjustments to the targets for 2020/21 approved by the Halifax Water Board at the March 2020 Board meeting.

DISCUSSION

The mission of Halifax Water is ***"to provide world-class services for our customers and our environment"***. The statement is simple and recognizes the connection between customers and the environment with the "one-water" mandate. The mission places the responsibility on employees to make Halifax Water a world class utility, a responsibility they take personally and seriously.

The vision statement for Halifax Water is:

- ***We will provide our customers with high quality water, wastewater, and stormwater services.***
- ***Through 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***

The vision statement expanded on the values and principles of a world class utility in fulfilling its mission and captures the medium to long-term aspirations of Halifax Water. With the vision statement developed, staff then selected the Critical Success Factors (CSFs) that support the mission, and through an interactive process, settled on the following:

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

There are Organizational Indicators (OIs) established for each CSF to enable performance measurement and establishment of targets. Each year, the OIs are reviewed and refined based on operational objectives and approved budgets.

CBS Results for 2019/20

The following lists the CSFs and corresponding results for the organizational indicators under each category.

High Quality Drinking Water

Organizational Indicators	2019/20 Target	2019/20 Result
High Quality Drinking Water		
Adherence with 5 objectives of Water Quality Master Plan for all water systems - Percentage of sites achieving targets	80 - 100/100	82
Bacteriological tests - Percentage free from Total Coliform	99.3%	99.9%
Customer satisfaction about water quality - Percentage from customer survey	85%	87%

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(THMs) and haloacetic acids(HAAs), 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 0.82 out of a total maximum score of 1.00, a significant improvement from last year's result of 0.62. The main difference from the previous year is associated with improvement in THM and HAA results which were challenged last year by the phenomenon of source lake recovery.

As for water safety, our bacteriological test results were 99.99%, and improvement over last year's result of 99.7%, 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 87% of customers were satisfied or very satisfied with water quality, down slightly from last year's result of 89%, but exceeding the top end of the target range of 80%-85%.

Service Excellence

Service Excellence	Target	Result
Customer satisfaction with service - Percentage from customer survey	90%	96%
Water service outages - Number of connection hours/1000 customers	200	133
Wastewater service outages – Number of connection hours/1000 customers	8	1.64
Average speed of answer – Percentage of calls answered within 20 seconds **Revised in 2019/20. Was previously average call wait time.*	60 – 65%	32%

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

Service reliability was excellent in 2019. Service outages for water and wastewater services were down significantly for water compared to last year with outages of 133 connection hours per 1,000 customers compared to 203 connection hours per 1,000 customers last year, and the target of 200. Wastewater results have improved compared to last year with 1.64 connection hours per 1,000 customers compared to 2.06 connection hours per 1,000 customers last year, and well below the target of 8 connection hours per 1,000 customers.

Customer Care Centre performance is monitored as another important component of Service Excellence. Previously Halifax Water was monitoring call centre performance based on average call wait time, with a target of 80 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. 2019/20 was an exceptionally challenging year due to higher than forecast call volumes and under-resourcing. The percentage of calls answered within 20 seconds was 32%. Actual call volume was 22% greater than forecast for the year, driven primarily by escalated Advanced Meter Infrastructure (AMI) project activity. Additionally, Halifax Water's AMI project partner experienced several Contact Centre Outages driving more volume to Halifax Water. Customer Care experienced positive attrition in 2019/20 with agents moving into other areas of the business. This, combined with the increase in volume, left Customer Care 40% under resourced for much of the year. Resourcing has returned to a normal level and it is expected the CBS target will be achieved for 2020/21.

Responsible Financial Management

Responsible Financial Management	Target	Result
Operating expense/revenue ratio percentage	0.815	.780
Annual cost per customer connection – Water	$517	$469
Annual cost per customer connection – Wastewater	$708	$718

Under Responsible Financial Management, the expense to revenue ratio, which is a Gateway Indicator for the Organizational Performance Award program, was recorded as 0.780, compared to the benchmark of 0.815 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 decreased to $469 from $477 in 2018/19, compared to a target of $517.

For wastewater, the annual cost increased to $718 from $684 per connection and exceeded the target of $708.

Effective Asset Management

Effective Asset Management	Target	Result
Water leakage control – target leakage allowance of 160 litres/service connection/day	160-170	176
I&I reduction - Number of inspections to identify private property charge of stormwater into the wastewater system	900	1086
Peak flow reduction from wet weather management capital projects	34-38 l/sec	Data is not available
Percentage time GIS and CityWorks are in service	95-97%	99.88%
Capital budget expenditures - Percentage of budget spend by end of fiscal year	80-90% approved	Awaiting data

The leakage performance measure for 2019/20 was 176 compared to 172 litres per service connection per day in 2018/19 and was just above the target range of 160-170 litres per connection per day. It should be noted that this target was adjusted to be more aggressive in 2018/19, where the previous target was 180 - 190 litres per connection per day. In 2020/21 the water loss control program will be reviewed to determine what improvements can be made, and whether the 160-170 target is realistic recognizing there is a point at which there will be diminishing returns as the economic level of water loss control is achieved.

On the wastewater side, reduction of inflow and infiltration is a key measurement of performance, and as such, 1086 inspections were carried out on private property, compared to 932 inspections on private property last year. The target in 2019/20 was 900 inspections per year. At the March 2020 Board meeting the Halifax Water Board approved targets for 2020/21, and it is was noted that some adjustments may be required due to operational impacts of COVID-19. Due to increased difficulty securing appointments due to sensitivity around COVID-19, it is proposed that a more realistic target for 2020/21 would be 450 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 – 38 l/sec. No results are available for 2019/20 as the capital project was not approved by the NSUARB in time to implement within the fiscal year.

Updating and maintaining our GIS database is crucial to our Asset Management Program. With the GIS database now considered to be in a mature state, 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 was set at 95% - 97%.

For 2019/20, GIS and CityWorks were in service 99.88% of the time, which exceeds the target range of 95-97%. Having this level of system reliability and availability is critical to assisting operational crews as they undertake daily maintenance and planned or emergency repair activities.

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 2019/20 result for percentage of capital funds spent is not finalized at the time of writing this report, and an update will be provided prior to the June 25, 2020 Board meeting. Due to the multi-year nature of capital projects, the number of capital projects, system limitations, timing of payments, and holdbacks, production of information for this target is labour intensive. A quality assurance review is being conducted to ensure the information reported is correct.

In 2018/19, 68.4% of the approved capital budget was spent within the fiscal year.

Workplace Safety and Security

Workplace Safety and Security	Target	Result
Average score on internal safety audits **New in 2019/20*	85-95%	89%
NS Labour and Advanced Education compliance - # of Incidents with written compliance orders	0-2	0
Lost time accidents -Number of accidents resulting in lost time per 100 employees	2.0-3.0	1.6
Safe driving - Number of traffic Accidents per 1,000,000 km driven (maximum of 5)	4	4.2
Training - Number of employees trained or recertified before due date	80-90%	81%
Percentage of completed safety talks	80-90%	81%

In recognition that the safety program had reached 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%, and in 2019/20 an average score of 89% was achieved on internal safety audits.

In 2019/20, Halifax Water had no infractions resulting in a written warning from NS Labour and Advanced Education, down from 1 in 2018/2019. The target range for this OI is 0 - 2.

With regard to lost-time accidents, which is a key indicator for workplace safety, the organization saw 1.6 accidents per 100 employees as compared to a target of 2.0-3.0 per

100 employees. This is an improvement compared to the 2018/19 result of 2.5 lost time accidents per 100 employees. This OI is a Gateway Indicator for the Organizational Performance Award program.

Halifax Water has a large fleet to deliver its services. Accordingly, the organization tracks the number of traffic accidents per million kilometers driven. For 2019/20, 4.2 traffic accidents per million km were recorded, a slight improvement over the 4.3 recorded in 2018/19 and within the target range of 4 (maximum of 5).

Regulatory Compliance

Regulatory Compliance	Target	Result
Percentage of public health and environmental regulatory infractions resulting in a summary offense ticket, ministerial order, or prosecution	0-2	0 SOTs 4 Warnings 7 Directives
Percentage of WWTFs complying with NSE approval permits	95-100%	91.2%

Under the critical success factor of Regulatory Compliance, 2019/20 saw four written warnings from Nova Scotia Environment (NSE) compared to three written warnings in 2018/19 and exceeding the target of 0 – 2 (maximum). Halifax Water's activities have not changed; however, the tools NSE uses to manage permits and corrective actions has changed resulting in increased reporting of items that would not have generated a written report in the past. This target may need to be adjusted in 2021/22, depending upon the continued evolution of the changes in the NSE reporting process.

Also, under regulatory compliance, we track the percentage of wastewater treatment facilities meeting discharge requirements of their operating permits. The wastewater treatment facilities met their discharge requirements 91.2% of the time, compared to 94.9% last year, and less than the target range of 95-100%. This target was not achieved in 2019/20 due to unexpected failures in one of the process trains at the Dartmouth Wastewater Treatment Facility. The target of 95-100% is aggressive but is achievable and demonstrates our level of commitment to steward ship of the environment. This target was increased in 2018/19 having previously been 93-98%. Remaining compliant with federal wastewater system effluent regulations [WSER] is a key aspect of our strategic plan.

Environmental Stewardship

Environmental Stewardship	Target	Result
Number of ICI properties inspected by Pollution Prevention each year	500	500
Energy management kwh/m3 reduction associated with capital projects	3%	4.67
Bio-solids residual handling - % of sludge meeting bio-solids concentration targets	92-97%	99.2%

During the 2019/20 fiscal year, the Pollution Prevention division of Regulatory Services inspected 501 businesses in the Halifax municipality, a decrease from the 528 inspected in 2018/19, and below the target of 500 inspections. At the March 2020 Board meeting the Halifax Water Board approved targets for 2020/21, and it is was noted that some adjustments may be required due to operational impacts of COVID-19. It is recommended the target for ICI property inspections be reduced from 500 to 440 for 2020/21, in light of increased difficulty securing appointments due to sensitivity around COVID-19.

We also continued to focus on energy management associated with our water and wastewater treatment facilities with an energy reduction of 4.67% in 2019/2020, on par with 4.7% in 2018/19, and exceeding the target of 3%. 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 footprint. The energy reductions in 2019/20 are primarily as a result of equipment replacement and repairs at wastewater treatment facilities.

Under biosolids residuals handling, 99.2% of the biosolids residuals met the desired solids concentration in 2019/2020, compared to 99.5% in 2018/19 and still exceeding the target of 97%.

Motivated and Satisfied Employees

Motivated and Satisfied Employees	Target	Result
Number of arbitrations divided by total number of grievances	0	0.07
Percentage of jobs filled with internal candidates	80%	65%
Employee satisfaction survey result	A-	B+
Average number of days absenteeism	<7	7.54

There are several organizational indicators under this category, including filling jobs with Halifax Water incumbents. For the 2019/20 fiscal year, 65% of jobs were filled from within as compared to a target of 80%. This is a slight improvement from the 2018/19 figure of 63%.

To promote harmonious labour management relations, an organizational indicator was chosen to recognize the number of grievances resulting in arbitrations throughout the fiscal year. The 2019/20 result was 0.07 as there were two arbitrations and twenty-seven grievances filed. In 2018/19 there were 26 grievances and 0 arbitrations.

Halifax Water has a target of filling 80% of jobs with internal candidates. Entry level positions are excluded from this calculation, but the positions identified as "entry level" will be reviewed in 2020/21. In 2019/20, only 65% of jobs were filled with internal candidates, and the target of 80% has never been achieved. Halifax Water has been working on a new approach to employee development as part of a broader Talent Management initiative, and will be introducing some career planning brochures, career paths, and job profiles to help employees identify what education, competencies and experience are required for various positions. Halifax Water has programs in place to help employees obtain additional training and education to further their career with the utility.

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 2019/20 survey resulted in a B+, which is an improvement over the 2018/19 survey result of B. The target for this OI is an A-. With the 2019 survey having a record response rate of 74%, and significant improvements in categories such as higher levels of job satisfaction, employee engagement and willingness to recommend Halifax Water as an employer, it is hoped that the target of A- will be achieved with continued focus and concentrated effort.

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 7.54 down slightly from 7.8 in 2018/19 and just above the target of less than 7 days. This result is better than most public sector organizations and 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 2019/20 fiscal year:

Organizational Indicator	**2019/20 Results**
Water Quality Master Plan Objectives	0.82
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	0.0
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	0.8
Percentage of WWTFs Compliant with NS Environment Permits	0.0
Energy Management - Water & Wastewater	1.0
Biosolids Residuals Handling	1.0
***TOTAL SCORE**	**9.62**

**The maximum attainable score is 12.0, which equates to a $1,000 award.*

In accordance with the Organizational Award Program criteria, eligible employees received $862 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 2019/20 operations budget for the Organizational Award Program.

ATTACHMENT

Summary - 2019-20 Corporate Balanced Scorecard – Final Results, June 25, 2020

Report Prepared by: [redacted] Digitally signed by James Campbell DN: cn=James Campbell, o=Halifax Water, ou=Corporate Services, email=james.campbell@halifaxwater.ca, c=CA Date: 2020.06.19 14:06:46 -03'00'

James Campbell, Communications and Public Relations Manager
902-490-4604

Corporate Balanced Scorecard			
Organizational Indicators	**2019/20 Target**	**2019/20 Results**	**2020/21 Target**
High Quality Drinking Water			
Adherence with 5 objectives of Water Quality Master Plan for all water systems - Percentage of sites achieving targets	80 - 100/100	82	80 - 100/100
Bacteriological tests - Percentage free from Total Coliform	99.3%	99.9%	99.3%
Customer satisfaction about water quality - Percentage from customer survey	85%	87%	85%
Service Excellence			
Customer satisfaction with service - Percentage from customer survey	90%	96%	90%
Water service outages - Number of connection hours/1000 customers	200	133	200
Wastewater service outages – Number of connection hours/1000 customers	8	1.64	8
Average speed of answer – Percentage of calls answered within 20 seconds * Revised in 2019/20. Was previously average call wait time.	60 – 65%	32%	70%
Responsible Financial Management			
Operating expense/revenue ratio percentage	0.815	0.780	0.838
Annual cost per customer connection – Water	$517	$469	$522
Annual cost per customer connection – Wastewater (LdeM)	$708	$718	$721
Effective Asset Management			
Water leakage control – target leakage allowance of 160 litres/service connection/day	160-170	176	160-170
I&I reduction - Number of inspections to identify private property discharge of stormwater into the wastewater system *Note 1	900	1086	450 *recommended target
Peak flow reduction from wet weather management capital projects * New in 2019/20 *Note 2	34-38 l/sec	Data is not available	34-38 l/sec
Percentage of time GIS and Cityworks are available	95-97%	99.88%	96-98%
Capital budget expenditures - Percentage of budget spend by end of fiscal year *Note 3	80-90% approved	Data is not available	80-90% approved
Workplace Safety and Security			
Average score on internal safety audits *New in 2019/20	85-95%	89%	85-95%
NS Labour and Advanced Education compliance - # of Incidents with written compliance orders	0-2	0	0-2
Lost time accidents -Number of accidents resulting in lost time per 100 employees	2.0-3.0	1.6	2.0-3.0
Safe driving - Number of traffic Accidents per 1,000,000 km driven (maximum of 5)	4	4.2	4

Training - Number of employees trained or re-certified before due date	80-90%	81%	80-90%
Percentage of completed safety talks	80-90%	81%	80-90%
Regulatory Compliance Percentage of public health and environmental regulatory infractions resulting in a summary offense ticket, ministerial order, or prosecution *Note 4	0-2	0 SOTs 4 Warnings 7 Directives	0-2
Percentage of WWTFs complying with NSE approval permits	95-100%	91.2%	95-100%
Environmental Stewardship Number of ICI properties inspected by Pollution Prevention each year	500	500	440 *recommended target
Energy management kwh/m3 reduction associated with capital projects	3%	4.67%	3%
Bio-solids residual handling - % of sludge meeting bio-solids concentration targets	92-97%	99.2%	92-97%
Motivated and Satisfied Employees Number of arbitrations divided by total number of grievances	0	0.07	0
Percentage of jobs filled with internal candidates	80%	65%	80%
Employee satisfaction survey result	A-	B+	A
Average number of days absenteeism *Note 5	<7	7.54	<7

Notes:

1. I&I reduction – Halifax Water is considering changes to this OI based on discussions with a NSUARB consultant.
2. Peak flow reduction from wet weather management capital projects was a new OI in 2019/20. The NSUARB approval of the capital project was delayed in 2019-20 so the project carries forward to 2020/21
3. The data used to calculate the percentage of capital budget spend by end of fiscal year is going through a quality assurance process, and the final result will be available prior to the June 25, 2020 Board meeting.
4. Percentage of public health and environmental regulatory infractions resulting in a summary offense ticket, ministerial order, or prosecution – Halifax Water's activities have not changed; however, the tools in which NSE uses to manage permits and corrective actions has.
5. Average number of days absenteeism results for 2019/20, and 2020/21 may be impacted by COVID-19.

ATTACHMENT 2

Halifax Water
Halifax Regional Water Commission

ITEM # 4.1
HRWC Board
June 25, 2020

TO: Craig MacMullin, MBA, CPA, CGA, Chair, and Members of the Halifax Regional Water Commission Board

SUBMITTED BY: Louis de Montbrun Digitally signed by Louis de Montbrun Date: 2020.06.19 09:55:49 -03'00'

Louis de Montbrun, CPA, CA
Director, Corporate Services/CFO

APPROVED: Cathie O'Toole Digitally signed by Cathie O'Toole Date: 2020.06.19 13:35:42 -03'00'

Cathie O'Toole, MBA, FCPA, FCGA, ICD.D
General Manager

DATE: June 18, 2020

SUBJECT: **2019/20 Draft Audited Financial Statements and Year End Results**

ORIGIN

Operational and Regulatory Requirement.

RECOMMENDATION

It is recommended that the Board approve the financial statements of the Halifax Regional Water Commission for the year ended March 31, 2020.

BACKGROUND

Halifax Regional Water Commission (Halifax Water) is required to submit audited financial statements, approved by the Halifax Water Board, to the Halifax Regional Municipality (HRM) by June 30, 2020 and the Nova Scotia Utility and Review Board (NSUARB) within 180 days of the fiscal year end.

DISCUSSION

Attached are the draft audited financial statement for Halifax Water for the year ended March 31, 2020, with comparative figures for March 31, 2019. The auditor has indicated that they are prepared to issue an unqualified Auditor's Report.

Halifax Water is a fully regulated government business enterprise, falling under the jurisdiction of the NSUARB. The NSUARB requires that Halifax Water file financial statements and rate applications with the Board based on the NSUARB Accounting and Reporting Handbook for Water Utilities (NSUARB Handbook). The Accounting Standards Board (AcSB) requires rate regulated entities to conform to International Financial Reporting Standards (IFRS). Halifax Water maintains the 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 following discussion of the operating results reflect direct operating costs by department and allocations among water, wastewater and stormwater for common costs shared across all the services provided by Halifax Water. The schedules to the financial statements are prepared in accordance with the NSUARB Handbook.

Statement of Financial Position - Page 3 of attachment

Key indicators and balances from the Statement of Financial Position are provided in the following tables. An analysis of current assets is as follows:

	March 31, 2020 '000	March 31, 2019 '000	$ Change	% Change
Current assets				
Cash and cash equivalents	$ 49,953	$ 51,603	$ (1,650)	-3.20%
Receivables				
Customers charges and contractual	18,405	17,407	998	5.73%
Unbilled service revenues	17,367	17,012	355	2.09%
Halifax Regional Municipality	3,668	863	2,805	325.03%
Inventory	1,736	2,057	(321)	-15.61%
Prepaids	1,002	1,066	(64)	-6.00%
Total current assets	**$ 92,131**	**$ 90,008**	**$ 2,123**	**2.36%**

- Cash and cash equivalents consist of cash on hand and balances held within financial institutions reduced by outstanding cheques. It has decreased $1.7 million from the prior year largely due to the increase in capital expenditures over the prior year, offset by an increase in new debt. The details of changes are outlined in the statement of cash flows on page 6 of the attached draft financial statements.
- Customer charges and contractual receivables have increased $1.0 million from the prior year. The increase is largely a result of accrued external funding from New Build Canada for the Lucasville Transmission Main Replacement project and current receivables from developers for Capital Cost Contributions (CCC) in West Bedford.
- Halifax Regional Municipality receivables have increased $2.8 million due to cost sharing relating to the Wanda Lane Storm Sewer and Fall River Water Servicing capital projects for $3.1 million, which is offset by a reduction in the amount of stormwater liens placed on customer properties.

The analysis of non-current assets is presented below:

	March 31, 2020 '000	March 31, 2019 '000	$ Change	% Change
Non-current assets				
Intangible assets	$ 18,951	$ 15,418	$ 3,533	22.91%
Capital work in progress	18,104	29,605	(11,501)	-38.85%
Utility plant in service	1,281,010	1,233,440	47,570	3.86%
Regulatory deferral account	2,812	3,004	(192)	-6.39%
Total non-current assets	**$ 1,320,877**	**$ 1,281,467**	**$ 39,410**	**3.08%**

- The $3.5 million increase in intangible assets relates to additions of $5.1 million less $1.6 million of amortization. Current year additions to intangible assets consist mainly of studies and capital master plans.
- The $11.5 million decrease in capital work in progress relates to expenditures during the year of $69.3 million reduced by $80.8 million transferred to utility plant in service. The top five projects remaining open as at year end are detailed below:

Capital Work in Progress	Cumulative '000
Integrate Service Desk & IT Asset Management	$ **793**
PS Control Panel/Electrical Replacement	**926**
Infrastructure & IT Ops Governance	**1,054**
Payroll Replacement Project	**1,192**
Fairview/Clayton Park/Bridgeview I/I Reduction	**1,078**
All other projects	**13,061**
Net capital work in progress	$ **18,104**

- Utility plant in service assets total $1.28 billion, an increase of $47.6 million from the prior year. The increase is a result of total additions of $94.3 million less depreciation expense of $46.4 million and disposals during the year. More details can be found in note 11 of the financial statements.

The top six projects capitalized during the year are outlined in the following table:

Utility Plant in Service Additions	Cumulative '000
AMI - Advanced Metering Infrastructure	$ 16,604
JD Kline Filtration Replacement	10,299
Lake Major Dam Replacement	9,080
Lucasville Transmission Main Replacement	6,398
Ellenvale Run	6,027
Wanda Lane Storm Sewer	4,935
All other projects	40,979
Total	$ 94,322

The changes in current liabilities are presented below:

	March 31, 2020 '000	March 31, 2019 '000	$ Change	% Change
Current liabilities				
Payables and accruals				
Trade	$ 28,756	$ 23,493	$ 5,263	22.40%
Interest on long term debt	2,139	2,051	88	4.29%
Contractor and customer deposits	197	207	(10)	-4.83%
Current portion of deferred contributed capital	14,488	13,846	642	4.64%
Current portion of long term debt	21,184	24,709	(3,525)	-14.27%
Unearned revenue	760	507	253	49.90%
Total current liabilities	**$ 67,524**	**$ 64,813**	**$ 2,711**	**4.18%**

- Trade payables and accruals have increased $5.3 million as a result of costs incurred for work completed on several large capital projects.
- Current portion of long term debt has decreased primarily as a result of the final payment for debt relating to Lake Major being paid in January 2019 for $3.7 million.

The changes in long term liabilities are presented below:

	March 31, 2020 '000	March 31, 2019 '000	$ Change	% Change
Long term liabilities				
Deferred contributed capital	$ 879,460	$ 867,802	$ 11,658	1.34%
Long term debt	197,962	182,732	15,230	8.33%
Employee benefit obligation	63,365	72,330	(8,965)	-12.39%
Total long term liabilities	**$ 1,140,787**	**$ 1,122,864**	**$ 17,923**	**1.60%**

- Deferred contributed capital increased $11.7 million due to collection of Regional Development Charges and interest earned.
- Long term debt increased $15.2 million offset by a reduction in the current portion of $3.5 million. New debt acquired was more than the prior year and repayments were less. New debt of $30.0 million was received in November 2019 and $6.5 million was refinanced at that time. Repayments during the year were $18.2 million plus the balloon payment of $6.5 million that was refinanced, as indicated above. See schedule B of the financial statements for additional details.
- The employee benefit obligation decreased $9.0 million due to several factors:
  - Improvement of the fair market value of plan assets;
  - Increase in the discount rate used to measure the obligation;
  - Initiatives taken to close the pre-retirement benefit program.
- Additional information, including the actuarial assumptions adopted in measuring the employee benefit obligation, is described in note 4 of the financial statements.

Debt servicing ratio is a function of total interest and principal payments (including accrued amounts) plus the amortization of debt issue costs divided by total operating revenue per service.

Debt Servicing Ratio by Service

	2019/20	2018/19
Water	**11.70%**	16.25%
Wastewater	**24.14%**	23.80%
Stormwater	**22.39%**	19.02%
Combined	**18.91%**	20.37%

- The debt servicing ratio for Water of 11.7% is substantially lower than the prior year because the prior year includes the final, large repayment for the original Lake Major debt of $3.7 million. The debt servicing ratio for Wastewater is consistent with prior years. The debt servicing ratio for Stormwater has increased primarily due to a decrease in stormwater site generated charges.
- The debt servicing ratio of 18.91% is below the maximum 35% ratio allowed under the blanket guarantee agreement with HRM.

Statement of Earnings and Comprehensive Earnings - Page 4 of attachment

Key indicators and balances from the Statement of Earnings and Comprehensive Earnings are provided in the following tables:

Summarized Comprehensive Earnings				
	2019/20 '000	2018/19 '000	$ Change	% Change
Operating revenues	$ **137,750**	$ 138,202	$ (452)	(0.3%)
Operating expenditures	**139,040**	132,786	6,254	4.7%
Earnings (loss) from operations before financial and other revenues and expenditures	**(1,290)**	5,416	(6,706)	(123.8%)
Financial and other revenues	**20,236**	20,041	195	1.0%
Financial and other expenditures	**12,611**	12,861	(250)	(1.9%)
Earnings for the year before regulatory deferral account depreciation	**6,335**	12,596	(6,261)	(49.7%)
Regulatory deferral account depreciation	**192**	192	-	0.0%
Earnings for the year	**6,143**	12,404	(6,261)	(50.5%)
Other comprehensive earnings	**14,756**	3,734	11,022	295.2%
Total comprehensive earnings for the year	$ **20,899**	$ 16,138	$ 4,761	29.5%

- Operating revenue of $137.8 million is $0.5 million lower than the prior year. Details to be discussed on page 7.
- Operating expenses of $139.0 million are $6.3 million higher than the prior year. Details to be discussed on page 8.
- The earnings for the year before regulatory deferral account depreciation and other comprehensive earnings (OCI), for the year to date is $6.3 million.
- OCI is a function of the change in the liability for employee benefits, including the Pension Plan. The OCI adjustment at year-end was an income of $14.8 million due to the actuarial remeasurement.
- The total comprehensive earnings for the year are $20.9 million, an increase in the surplus of $4.8 million from the prior year. The following is a discussion on factors influencing the change.

Operating revenues are presented in two formats below:

The first table is an extract from the statement of earnings and comprehensive earnings and the second table is a breakdown of operating revenues by type.

	2019/20 '000	**2018/19 '000**	**$ Change**	**% Change**
Operating Revenues				
Water	$ 47,918	$ 48,040	$ (122)	-0.25%
Wastewater	70,494	69,901	593	0.85%
Stormwater	9,196	9,741	(545)	-5.59%
Public fire protection	7,074	7,074	-	0.00%
Private fire protection	881	869	12	1.38%
Other operating revenue	2,187	2,577	(390)	-15.13%
	$ **137,750**	$ 138,202	$ (452)	-0.33%

Operating Revenues							
		2019/20 '000		2018/19 '000		$ Change	% Change
Consumption revenue	$	86,054	$	86,244	$	(190)	(0.2%)
Base charge revenue		33,399		33,191		208	0.6%
Wastewater rebate		(1,041)		(1,494)		453	(30.3%)
Metered sales total		118,412		117,941		471	0.4%
Stormwater site generated charge		5,361		5,906		(545)	(9.2%)
Stormwater right of way		3,835		3,835		-	0.0%
Public fire protection		7,074		7,074		-	0.0%
Private fire protection		881		869		12	1.4%
Other operating revenue		2,187		2,577		(390)	(15.1%)
Operating revenue total	$	137,750	$	138,202	$	(452)	(0.3%)

Operating revenues have decreased $0.5 million as compared to the previous year. Key items of note include:

- Water and wastewater consumption is down 0.22% on a volumetric basis as compared to the previous year. Consumption had been budgeted to remain consistent with the prior year but has decreased slightly.
- Base charge revenue has increased slightly due to an increase in the customer base (619 new water accounts).
- The wastewater rebate has decreased $0.4 million from the prior year due to a higher than anticipated rebate in the prior year as consumption fluctuates based on environmental factors. The wastewater rebate is an offset to revenue. It is available to certain large customers whose wastewater is a lower proportion of their consumed water.
- Stormwater site generated charge revenue is less than the prior year. The decrease relates to an adjustment to revenue billed.
- Other operating revenue categories are down $0.4 million. This is a result of a decrease in septage tipping revenues as customers have been taking their septage outside of HRM for disposal.

Operating expenditures are presented below:

	2019/20 '000	2018/19 '000	$ Change	% Change
Operating Expenditures				
Water supply and treatment	$ 9,573	$ 9,767	$ (194)	-1.99%
Water transmission and distribution	10,843	10,903	(60)	-0.55%
Wastewater collection	13,963	13,125	838	6.38%
Stormwater collection	4,808	4,950	(142)	-2.87%
Wastewater treatment	20,633	19,789	844	4.26%
Engineering and information services	8,436	8,156	280	3.43%
Regulatory services	3,781	3,152	629	19.96%
Customer services	5,167	4,920	247	5.02%
Administration and pension services	15,426	13,964	1,462	10.47%
Depreciation and amortization	46,410	44,060	2,350	5.33%
	$ 139,040	$ 132,786	$ 6,254	4.71%

Key items to note:

- Operating expenditures of $139.0 million are $6.3 million higher than the prior year.
- Compared to the prior year, expense categories with the largest increases in costs are:
  - Wastewater collection and wastewater treatment had higher salaries and benefits as a result of wage rate increases and additional overtime. Other contributing factors were increased chemical costs and increased materials and supplies purchases.
  - Regulatory services had higher salaries and benefits as a result of wage rate increases and new hires and the transfer of four technologists from Water Services (which includes water supply and treatment and water transmission and distribution). Water services also had an increase in wage rates, but this was offset by the transfer of the technologists referenced above.
  - Administration and pension services saw an increase as a result of higher accrued pension expense based on actuarial valuation.
  - Depreciation has increased as a result of additions to utility plant in service.

Financial and other revenues are presented in the below:

	2019/20 '000	2018/19 '000	$ Change	% Change
Financial and other revenues				
Interest	$ 512	$ 1,157	$ (645)	-55.75%
Amortization of contributed capital	19,025	18,142	883	4.87%
Other	699	742	(43)	-5.80%
	$ 20,236	$ 20,041	$ 195	0.97%

Key items to note:

- Interest is lower than the previous year despite higher than anticipated cash balances and rising interest rates. To align with the requirements of the Regional Development Charge (RDC) regulations, the portion of interest earned attributable to RDC funds is now allocated to those funds.

- Amortization of contributed capital has increased related to a project funded by the RDC.
- Other revenue includes various un-regulated activities such as tower leases, energy generation, consulting activities and some contracted services.

Financial and other expenditures are presented below:

There were no significant changes from the prior year. Other expenditures include losses on the disposal of utility plant in service.

	2019/20 '000	2018/19 '000	$ Change	% Change
Financial and other expenditures				
Interest on long term debt	$ 7,144	$ 7,430	$ (286)	-3.85%
Amortization of debt discount	187	199	(12)	-6.03%
Dividend/grant in lieu of taxes	5,078	4,999	79	1.58%
Other	202	233	(31)	-13.30%
	$ 12,611	$ 12,861	$ (250)	-1.94%

Results under International Financial Reporting Standards as compared to NSUARB Handbook

As noted previously, the AcSB requires Halifax Water, as a rate regulated utility, to report financial results using IFRS. The NSUARB requires Halifax Water to report in accordance with the NSUARB Handbook. The table below reconciles the results between IFRS and the NSUARB Handbook:

Reconcile IFRS to NSUARB		
	2019/20 '000	2018/19 '000
IFRS comprehensive earnings	**$ 20,899**	$ 16,138
Add non-cash pension expense	**8,381**	6,208
Subtract debt principle appropriation expense	**(18,719)**	(20,516)
Add depreciation expense on contributed assets	**19,025**	18,143
Subtract amorization of contributed capital	**(19,025)**	(18,143)
Add various depreciation adjustments	**2,635**	3,292
Subtract OCI gain	**(14,756)**	(3,734)
NSUARB earnings (loss)	**$ (1,560)**	$ 1,388

Operating revenues are the same as operating revenues using IFRS and the NSUARB Handbook.

The main differences relate to reporting requirements surrounding the recognition of various expenditures as follows:

- Non-cash pension expense represents the accrued portion of contributions to the pension plan and is not considered an expense for NSUARB Handbook reporting purposes.

- The principle payments on long term debt are recognized as an expense for NSUARB Handbook reporting purposes but are not an expense in IFRS statements.
- Depreciation expense on contributed assets is not an expense for NSUARB Handbook purposes, however, it is offset by the removal of the amortization of contributed capital. IFRS requires contributed capital to be treated as a long term liability and amortized, resulting in higher long term liabilities and lower equity on the statement of financial position.
- The various depreciation adjustments include the add back of losses on the disposal of utility plant in service and IFRS requires componentization of assets and shorter useful lives resulting in higher depreciation than under NSUARB Handbook reporting.

Schedule C (pages 26 to 28) presents the Statement of Earnings under the NSUARB Handbook and contain the adjustment referenced above.

Operating Results by Service				
	2019/20 '000	2018/19 '000	$ Change	% Change
Water	$ **5,205**	$ 2,759	$ 2,446	88.7%
Wastewater	**(5,035)**	(576)	(4,459)	774.1%
Stormwater	**(1,730)**	(795)	(935)	117.6%
Surplus (deficit)	$ **(1,560)**	$ 1,388	$ (2,948)	(212.4%)

Variances as compared to the prior year are outlined in previous sections of this report.

Schedule D (pages 29 and 30) presents the Statements of Earning segregated between Regulated and Unregulated Operations.

Results by Activity				
	2019/20 '000	2018/19 '000	$ Change	% Change
Regulated activities	$ **(2,260)**	$ 22	$ (2,282)	(10372.7%)
Unregulated activities	**700**	1,366	(666)	(48.8%)
Surplus (deficit)	$ **(1,560)**	$ 1,388	$ (2,948)	(212.4%)

Variances as compared to the prior year are outlined in previous sections of this report.

Refer to Schedule D of the financial statements for more details on the earnings by activity.

ATTACHMENTS

Draft audited financial statements for the fiscal year ended March 31, 2020.

Presentation to the Audit and Finance Committee by Grant Thornton

Report prepared by: Alicia Scallion Digitally signed by Alicia Scallion Date: 2020.06.19 10:10:22 -03'00'

Alicia Scallion, CPA, CA, Manager, Accounting, (902)-490-4814

Grant Thornton

ITEM # 4.1
HRWC Board
June 25, 2020
ATTACHMENT 1

Financial Statements

Halifax Regional Water Commission

March 31, 2020

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Contents

DRAFT

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Independent auditor's report

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

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Halifax Regional Water Commission
Statement of financial position

March 31 (in thousands)	2020	2019
Assets		
Current		
Cash and cash equivalents	**$ 49,953**	$ 51,603
Receivables (Note 8)		
Customer charges and contractual	**18,405**	17,407
Unbilled service revenues	**17,367**	17,012
Halifax Regional Municipality	**3,668**	863
Inventory	**1,736**	2,057
Prepaids	**1,002**	1,066
	92,131	90,008
Intangible assets (Note 10)	**18,951**	15,418
Capital work in progress	**18,104**	29,605
Utility plant in service (Note 11)	**1,281,010**	1,233,440
Total assets	**1,410,196**	1,368,471
Regulatory deferral account (Note 5)	**2,812**	3,004
Total assets and regulatory deferral account	**$ 1,413,008**	$ 1,371,475
Liabilities		
Current		
Payables and accruals		
Trade	**$ 28,756**	$ 23,493
Interest on long term debt	**2,139**	2,051
Contractor and customer deposits	**197**	207
Current portion of deferred contributed capital (Note 12)	**14,488**	13,846
Current portion of long term debt (Note 13)	**21,184**	24,709
Unearned revenue	**760**	507
	67,524	64,813
Deferred contributed capital (Note 12)	**879,460**	867,802
Long term debt (Note 13)	**197,962**	182,732
Employee benefit obligation (Note 4)	**63,365**	72,330
Total liabilities	**1,208,311**	1,187,677
Equity		
Accumulated other comprehensive loss	**(26,453)**	(41,209)
Accumulated surplus	**231,150**	225,007
Total equity	**204,697**	183,798
Total liabilities and equity	**$ 1,413,008**	$ 1,371,475

Contingent liabilities (Note 3)
Commitments (Note 6)
Subsequent events (Note 15)

Approved by the Board

____________________ Commissioner ____________________ Commissioner

See accompanying notes to the financial statements.

Halifax Regional Water Commission
Statement of earnings and comprehensive earnings

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

See accompanying notes to the financial statements.

Halifax Regional Water Commission
Statement of changes in equity
Year ended March 31 (in thousands)

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

See accompanying notes to the financial statements.

Halifax Regional Water Commission
Statement of cash flows

Year ended March 31 (in thousands)	2020	2019
Increase (decrease) in cash and cash equivalents		
Operating		
Comprehensive earnings for the year	**$ 20,899**	$ 16,138
Depreciation and amortization	**29,183**	27,781
Employee benefit obligation	**(8,965)**	2,431
Loss on disposal of utility plant in service	**135**	188
	41,252	46,538
Change in non-cash operating working capital items		
Receivables, customer charges and contractual	**(998)**	87
Receivables, unbilled service revenues	**(355)**	(372)
Receivable from Halifax Regional Municipality	**(2,805)**	1,972
Inventory	**321**	(615)
Prepaids	**64**	(53)
Payables and accruals, trade	**5,263**	778
Accrued interest on long term debt	**88**	21
Contractor and customer deposits	**(10)**	21
Unearned revenue	**253**	(77)
	1,821	1,762
	43,073	48,300
Financing		
Proceeds from issuance of long term debt	**36,500**	16,500
Contributed capital	**12,712**	14,481
Debt issue costs	**(87)**	70
Principal repayment on Halifax Regional Municipality long term debt	**(6,500)**	(6,500)
Principal repayments on long term debt	**(18,208)**	(16,130)
	24,417	8,421
Investing		
Proceeds from sale of utility plant in service	**203**	189
Purchase of capital work in progress	**(13,775)**	(18,519)
Purchase of utility plant in service and intangible assets	**(55,568)**	(38,258)
	(69,140)	(56,588)
Net increase (decrease) in cash and cash equivalents	**(1,650)**	133
Cash and cash equivalents, beginning of year	**51,603**	51,470
Cash and cash equivalents, end of year	**$ 49,953**	$ 51,603

See accompanying notes to the financial statements.

1. Nature of operations

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

2. Summary of significant accounting policies

(a) Statement of compliance

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

The financial statements were authorized for issue by the Board on June 25, 2020.

(b) Basis of measurement

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

(c) Regulation

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

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

(d) Utility plant in service

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

(e) Deferred contributed capital

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

March 31, 2020 (in thousands)

2. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

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

(g) Depreciation

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

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

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

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

(h) Inventory

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

(i) Revenues and expenditures

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

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

(j) Long term debt

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

2. Summary of significant accounting policies (continued)

(k) Use of estimates and critical accounting judgments

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

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

Actual results could differ from these estimates.

(l) Financial instruments

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

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

Halifax Water has classified its financial instruments as follows:

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

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

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

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

2. Summary of significant accounting policies (continued)

(l) Financial instruments (continued)

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

Impairment of financial assets
IFRS 9s impairment requirements use more forward-looking information to recognize expected credit losses, the expected credit loss (ECL) model. Financial assets that are subject to the ECL model include cash and cash equivalents and receivables.

(m) Provisions

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

(n) Impairments

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

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

2. Summary of significant accounting policies (continued)

(o) Intangible assets

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

Intangible assets	10 to 30 years

(p) Employee benefits obligations

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

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

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

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

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

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

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

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

Halifax Water is responsible for funding the employer share of contributions to the HRM pension plan for certain employees that transferred from HRM as of August 1, 2007. HRM administers this defined benefit pension plan and Halifax Water reimburses HRM for the pension costs related to Halifax Water's proportionate share of the employees covered under the plan. Due to the nature of the plan, Halifax Water does not have sufficient information to account for the plan as a defined benefit; therefore, the multi-employer defined benefit plan is accounted for in the same manner as the supplemental retirement plans. An expense is recorded in the period when Halifax Water is obligated to make contributions for services rendered by the employee.

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

2. Summary of significant accounting policies (continued)

(q) Regulatory deferral account

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

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

(r) Changes to accounting standards

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

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

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

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

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

3. Contingent liabilities

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

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

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

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4. Employee benefit obligations

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

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

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

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

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

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March 31, 2020 (in thousands)

4. Employee benefit obligations (continued)

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

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

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March 31, 2020 (in thousands)

4. Employee benefit obligations (continued)

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

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

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

The measurement date used to determine the plan assets and the accrued benefit obligation was March 31, 2020. The most recent valuation was completed January 1, 2019. The next review is scheduled for January 1, 2022.

The estimated employer contributions expected to be paid to the pension plans for the next fiscal year are $3,169.

5. Regulatory deferral account

In 2011, the NSUARB granted Halifax Water approval to defer depreciation charges on certain assets transferred in 2010 from HRM relating to the Halifax Harbour Solutions Project (HHSP). Depreciation of $2,078 was deferred in each of fiscal 2011 and 2012. As a result, Halifax Water recognized a $4,156 regulatory deferral account. In absence of rate regulation, this regulatory deferral account would have been expensed as depreciation in fiscal 2011 and 2012. In 2012, the NSUARB granted approval of the depreciation of this deferral account over the remaining useful lives of the underlying assets, beginning in 2014. The expense recognized in 2020 is $192 (2019 - $192).

	2020	2019
Balance, April 1	**$ 3,004**	$ 3,196
Depreciation	**(192)**	(192)
Balance, March 31	**$ 2,812**	$ 3,004

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March 31, 2020 (in thousands)

6. Commitments

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

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

7. Capital management

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

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

	2020	2019
Long term debt	$ **219,146**	$ 207,441
Equity	**204,697**	183,798
Capital under management	**$ 423,843**	$ 391,239

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

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

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March 31, 2020 (in thousands)

8. Financial instruments and risk management

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

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

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

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

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

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

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

Halifax Water makes use of a simplified approach in accounting for receivables and records the loss allowance as lifetime ECL. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, Halifax Water uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. Halifax Water includes 75% of the balance of closed accounts in the allowance and 1% of active accounts. Halifax Water assesses impairment of receivables on a collective basis. As receivables possess shared credit risk characteristics, receivables have been grouped based on the days past due.

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

	2020	2019
Receivables		
Customer charges, contractual, and unbilled service revenues	**$ 38,464**	$ 36,921
Less: allowance for doubtful accounts	**(2,692)**	(2,502)
	$ 35,772	$ 34,419

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

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March 31, 2020 (in thousands)

8. Financial instruments and risk management (continued)

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

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

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

9. Related party transactions

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

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

Amounts receivable from HRM have normal credit terms.

Halifax Water had the following related party transactions with HRM:

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

Compensation of key management personnel

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

The following is compensation expense for key management personnel:

	2020	2019
Short term benefits	**$ 1,428**	$ 1,421
Post-employment benefits	**111**	313
Total compensation	**$ 1,539**	$ 1,734

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March 31, 2020 (in thousands)

10. Intangible assets

	2020	2019
Cost		
Balance, April 1	**$ 20,798**	$ 17,888
Additions	**5,135**	2,910
Balance, March 31	**25,933**	20,798
Accumulated amortization		
Balance, April 1	**5,380**	4,011
Amortization	**1,602**	1,369
Balance, March 31	**6,982**	5,380
Net book value, March 31	**$ 18,951**	$ 15,418

11. Utility plant in service

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tools and work equipment	**Total**
Cost						
Balance, April 1, 2019	$ 21,603	$ 235,615	$ 250,944	$ 896,065	$ 28,835	**$ 1,433,062**
Additions	-	27,745	21,949	38,627	6,001	**94,322**
Disposals	-	-	(1,846)	-	(944)	**(2,790)**
Balance, March 31, 2020	21,603	263,360	271,047	934,692	33,892	**1,524,594**
Accumulated depreciation						
Balance, April 1, 2019	$ -	$ 52,737	$ 58,807	$ 77,046	$ 11,032	**$ 199,622**
Depreciation	-	9,909	14,474	17,645	4,386	**46,414**
Depreciation retired	-	-	(1,508)	-	(944)	**(2,452)**
Balance, March 31, 2020	-	62,646	71,773	94,691	14,474	**243,584**
Net book value, March 31, 2020	$ 21,603	$ 200,714	$ 199,274	$ 840,001	$ 19,418	**$ 1,281,010**

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tools and work equipment	Total
Cost						
Balance, April 1, 2018	$ 21,372	$ 218,876	$ 229,808	$ 862,357	$ 26,080	$ 1,358,493
Additions	231	16,739	23,461	33,708	3,610	77,749
Disposals	-	-	(2,325)	-	(855)	(3,180)
Balance, March 31, 2019	21,603	235,615	250,944	896,065	28,835	1,433,062
Accumulated depreciation						
Balance, April 1, 2018	$ -	$ 43,185	$ 47,080	$ 59,968	$ 7,830	$ 158,063
Depreciation	-	9,552	13,652	17,078	4,080	44,362
Depreciation retired	-	-	(1,925)	-	(878)	(2,803)
Total accumulated depreciation Balance, March 31, 2019	-	52,737	58,807	77,046	11,032	199,622
Net book value, March 31, 2019	$ 21,603	$ 182,878	$ 192,137	$ 819,019	$ 17,803	$ 1,233,440

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March 31, 2020 (in thousands)

12. Deferred contributed capital

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

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

13. Long-term debt

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

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

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

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March 31, 2020 (in thousands)

14. Operating expenditures by nature

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

15. Subsequent events

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

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

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Halifax Regional Water Commission Schedule A
Schedule of utility plant in service
Year ended March 31, 2020 (in thousands)

Water

	Land	Structures and improvements	Pumping equipment	Purification equipment	SCADA equipment	Transmission and distribution mains	Services	Meters	Hydrants	Aerotech and small systems	Tools and work equipment	**Total**
Cost												
Balance, April 1, 2019												
Cost	$ 16,240	$ 96,960	$ 10,503	$ 26,899	$ 5,607	$ 386,320	$ 39,899	$ 16,787	$ 20,638	$ 10,054	$ 29,621	**$ 659,528**
Additions	-	21,207	183	876	5,389	13,217	1,647	3,409	859	-	4,339	**51,126**
Disposals	-	-	-	-	-	-	-	(1,397)	-	-	(912)	**(2,309)**
Balance, March 31, 2020	16,240	118,167	10,686	27,775	10,996	399,537	41,546	18,799	21,497	10,054	33,048	**708,345**
Accumulated depreciation												
Balance, April 1, 2019	-	29,662	7,576	17,571	4,053	89,784	7,646	5,087	4,524	3,288	19,014	**188,205**
Depreciation	-	1,842	293	1,128	352	5,020	701	847	336	339	2,291	**13,149**
Depreciation retired	-	-	-	-	-	-	-	(852)	-	-	(912)	**(1,764)**
Total accumulated depreciation, March 31, 2020	-	31,504	7,869	18,699	4,405	94,804	8,347	5,082	4,860	3,627	20,393	**199,590**
Net book value, March 31, 2020	$ 16,240	$ 86,663	$ 2,817	$ 9,076	$ 6,591	$ 304,733	$ 33,199	$ 13,717	$ 16,637	$ 6,427	$ 12,655	**$ 508,755**
Cost												
Balance, April 1, 2018												
Cost	$ 16,009	$ 95,326	$ 10,303	$ 25,226	$ 5,171	$ 372,794	$ 37,241	$ 15,582	$ 19,917	$ 9,834	$ 28,124	$ 635,527
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)
Balance, March 31, 2019	16,240	96,960	10,503	26,899	5,607	386,320	39,899	16,787	20,638	10,054	29,621	659,528
Accumulated depreciation												
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	741	317	38	2,047	10,325
Depreciation retired	-	-	-	-	-	-	-	(1,729)	-	-	(428)	(2,157)
Total accumulated depreciation, March 31, 2019	-	29,662	7,576	17,571	4,053	89,784	7,646	5,087	4,524	3,288	19,014	188,205
Net book value, March 31, 2019	$ 16,240	$ 67,298	$ 2,927	$ 9,328	$ 1,554	$ 296,536	$ 32,253	$ 11,700	$ 16,114	$ 6,766	$ 10,607	$ 471,323

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

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

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2020 (in thousands)

Wastewater

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

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

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

Halifax Regional Water Commission — Schedule A
Schedule of utility plant in service
Year ended March 31, 2020 (in thousands)

Stormwater

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

Cumulative utility plant in service	**Water**	**Wastewater**	**Stormwater**	**Total**
Net book value, March 31, 2020	**$508,755**	**$591,803**	**$229,589**	**$ 1,330,147**
Net book value, March 31, 2019	$471,323	$584,837	$218,983	$ 1,275,143

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

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

Halifax Regional Water Commission — Schedule B

Schedule of long term debt

Year ended March 31, 2020 (in thousands)

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

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Halifax Regional Water Commission — Schedule C
Schedule of earnings
Year ended March 31, 2020 (in thousands)

Water

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

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

Halifax Regional Water Commission — Schedule C
Schedule of earnings
Year ended March 31, 2020 (in thousands)

Wastewater

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

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

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Halifax Regional Water Commission — Schedule C
Schedule of earnings
Year ended March 31, 2020 (in thousands)

Stormwater

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

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

Halifax Regional Water Commission
Schedule D
Schedule of earnings
Year ended March 31, 2020 (in thousands)

Regulated activities

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

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

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Halifax Regional Water Commission
Schedule D
Schedule of earnings

Year ended March 31, 2020 (in thousands)

Unregulated activities

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

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

Halifax Regional Water Commission
Nova Scotia Utility and Review Board information

Year ended March 31, 2020 (in thousands)

Schedule E

Return on rate base

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

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

Special purpose reserves

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

Summarized consolidated operating results

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

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

Grant Thornton
An instinct for growth™

ITEM # 4.1
HRWC Board
June 25, 2020
ATTACHMENT 2

Halifax Regional Water Commission

For the year ended March 31, 2020

Report to the Audit Committee
Audit results

June 8, 2020

Tom Brockway, CPA, CA
Engagement Partner
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Senior Manager
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Contents

Appendices

Executive summary

Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of Halifax Regional Water Commission ("Halifax Water") for the year ended March 31, 2020. This communication will assist the Audit Committee in understanding the results of audit procedures and includes comments on misstatements, significant accounting policies, sensitive estimates and other matters.

The information in this document is intended solely for the information and use of the Audit Committee. It is not intended to be distributed or used by anyone other than these specified parties.

We were engaged to provide the following deliverables:

Deliverable	Timing/Status
Discussions and communications regarding planning	February 5, 2020
Communication of audit and results	June 18, 2020
Report on the March 31, 2020 financial statements	June 25, 2020

Status of our audit

We have substantially completed our audit of the financial statements of Halifax Water and the results of that audit are included in this report.

We will finalize our report upon resolution of the following items outstanding as at June 8, 2020

- Receipt of final updated financial statements (for any final changes after June 1, 2020)
- Receipt of legal inquiry responses
- Receipt of certain debt and account balances from the Halifax Regional Municipality ("HRM")
- Receipt of signed management representation letter (a draft has been attached in the appendices)
- Approval of the financial statements by the Board of Commissioners
- Final inquiries regarding subsequent events
- Final communications to KPMG regarding our role as component auditor for their audit of HRM

We have successfully executed our audit strategy in accordance with the plan presented to the Audit Committee on February 5, 2020.

Independence

We confirm that there have been no changes to our status with respect to independence since we confirmed our independence to you on February 5, 2020.

Audit risks and results

We highlight our significant findings in respect of COVID-19 impacts on audit risks and responses, significant transactions, and accounting practices.

COVID-19 impact on audit risks and responses

Area of focus	Matter	Our response and findings
Impact of COVID-19	As a result of the COVID-19 pandemic, Halifax Water announced some measures to assist its clients during the pandemic in effect through July 31, 2020, including: • Allowing customers to defer payments on accounts; • Not charging interest on overdue accounts; • Waiving fees for dishonoured payments; and • Suspension of disconnection of service for non-payment. The impact of the above measures has been factored into Halifax Water's estimated allowance for doubtful accounts; however, did not have a material impact in the allowance recognized as at March 31, 2020. Additionally, subsequent to year end, Halifax Water recommended to the NSUARB that there be no rate increases in water rates for 2 years (fiscal 2020/21 and 2021/22) and no increase in wastewater rates for fiscal 2020/21 in recognition of the impact of the pandemic on the residents of HRM.	We examined management's disclosures relating to the impact of COVID-19 and examined management's estimate of the allowance for doubtful accounts. We have no findings to report.

Significant transactions

Area of focus	Matter	Our response and findings
Issuance of new debt	In the fall of 2019, Halifax Water participated in the Municipal Finance Commission debenture issue in the amount of $36.5 million for the purpose of re-financing a balloon payment on a previous debenture and to fund a portion of the 2019/2020 additions to Utility Plant in Service.	We performed the following: • Examined the new debenture agreement; • Confirmed the balances along with all other outstanding debt with Halifax Regional Municipality and the Nova Scotia Municipal Finance Corporation. We have no findings to report.

Area of focus	Matter	Our response and findings
Capital projects	During the year, Halifax Water had significant capital projects ongoing and approximately $69.3 million in purchased additions to ongoing and completed capital projects.	We performed the following: • Tested the operating effectiveness of controls over additions to capital assets; • On a test basis, examine invoices or other support for additions incurred during the year. We have no findings to report.
Advanced metering infrastructure (AMI) technology	During the year, Halifax Water substantially completed the installation of the new AMI technology, with over 80,000 customers now using the upgraded meters.	We performed the following: • Tested the operating effectiveness of controls over the accuracy and occurrence of revenue recognized, including customer set up and meter data collection and processing. • Performed substantive analytical procedures over revenue recognized to identify fluctuations that may be indicative of error or fraud for further investigation. We have no findings to report.

Areas of focus

The following is a summary of areas of focus, and the related matters and findings we would like to communicate to the Audit Committee.

Area of focus	Matter	Our response and findings
Revenue	There are a significant number of transactions in the billing process which leads to a significant risk from a financial reporting perspective.	We performed the following: • Tested the operating effectiveness of controls over the accuracy and occurrence of revenue recognized, including customer set up and meter data collection and processing. • Performed substantive analytical procedures over revenue recognized to identify fluctuations that may be indicative of error or fraud for further investigation. We have no findings to report.
Utility plant in service	Halifax Water has a significant balance in utility plant and many ongoing capital projects throughout the year. There is a risk involved from a financial reporting perspective as accounting for utility plant in service involves judgments around classification of assets, estimation of useful lives, etc.	We performed the following: • Tested the operating effectiveness of controls over additions to capital assets, including Work in Progress and Utility Plant in Service. • On a test basis, examine invoices or other support for additions incurred during the year. We have no findings to report.

Area of focus	Matter	Our response and findings
Employee benefit obligations	Halifax Water 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. Halifax Water contributes 10.34% of payroll. A full valuation was performed at January 1, 2019 with the results extrapolated as at March 31, 2020.	We performed the following: • Examined the valuation report prepared by Halifax Water's independent actuary; • Verifies amounts reported and disclosed in Halifax Water's financial statements are accurate; • Assess reasonability of assumptions used in the valuation as compared to expectations and market information; • Perform testing of the data used by the actuary in the performance of their work; and • Confirmation of independence of Halifax Water's actuary and materiality threshold. We have no findings to report.

Accounting practices

Area of focus	Matter	Our response and findings
Adoption of IFRS 16 *Leases*	Halifax Water adopted IFRS 16 – Leases effective April 1, 2019. The new accounting standard replaces IAS 17 – Leases and other related interpretations and guidance and sets out a new requirement for the accounting and reporting of lease contracts, including revisions to the definition of a lease contract and a requirement for lessees to recognize lease liabilities and right-of-use assets for substantially all leases with few exceptions. The adoption of IFRS 16 did not have a material impact on the financial statements.	We performed the following: • Discussed and understood management's process for identifying leases and contracts that may have the form of a lease. • Examined management's IFRS 16 position paper and analysis. • Examined management's disclosures in the financial statements. We have recorded an unadjusted misstatement to reflect the estimated impact of IFRS 16 not recorded in the financial statements.

Adjustments and uncorrected misstatements

Adjustments

Misstatements identified and adjusted in the financial statements by the Halifax Water as a result of our audit procedures are as follows:

Dr. / (Cr.) (in '000s)	Balance sheet			Income effect
Description	Assets	Liabilities	Equity	Earnings
Reclass credit balances in accounts receivable to account payable.	$ 1,425	$ (1,425)	$ -	$ -

Uncorrected misstatements

Our audit identified the unadjusted non-trivial misstatements noted below.

Dr. / (Cr.) (in '000s)	Balance sheet			Income effect
Description	Assets	Liabilities	Equity	Earnings
Impact of adoption of IFRS 16 *Leases* not reported on the financial statements.	$ 255	$ (259)	$ -	$ (4)

Summary of disclosure matters

Our audit did not identify any unadjusted non-trivial misstatements of disclosure matters.

Other reportable matters and technical updates – highlights

Internal control

The audit is designed to express an opinion on the financial statements. We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. Accordingly, we do not express an opinion on the effectiveness of internal control.

If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to the Members of the Audit Committee those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

We did not identify any deficiencies in internal control that we are required to communicate.

Accounting

There have not been any changes in accounting standards that would have a significant impact on Halifax Water in the current year, except those presented to the Committee as part of the communications on audit planning on February 5, 2020.

A summary of the financial reporting implications as a result of COVID-19 are included in **Appendix C**.

Assurance

There have not been any changes in auditing standards that would have a significant impact on the Halifax Water in the current year, except those presented to the Committee with the planning report on February 5, 2020.

Appendix A

Draft independent auditor's report

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

Opinion

We have audited the financial statements of the Halifax Regional Water Commission ("Halifax Water"), which comprise the statement of financial position as at March 31, 2020, and the statements of earnings and comprehensive earnings, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Halifax Regional Water Commission as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Other matter – supplemental schedules

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

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

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

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

Those charged with governance are responsible for overseeing Halifax Water's financial reporting process.

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Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halifax Water's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Halifax Water's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Halifax Water to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Halifax, Canada
June 25, 2020

Chartered Professional Accountants

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Appendix B

Draft management representation letter

June 25, 2020

Grant Thornton LLP
Nova Centre, North Tower, Suite 1000
1675 Grafton Street
Halifax, NS B3J 0E9

Attention: Mr. Tom Brockway, CPA, CA

Dear Sir:

We are providing this letter in connection with your audit of the financial statements of the Halifax Regional Water Commission as of March 31, 2020, and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Halifax Regional Water Commission in accordance with International Financial Reporting Standards.

We acknowledge that we have fulfilled our responsibilities for the preparation of the financial statements in accordance with International Financial Reporting Standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of June 25, 2020, the following representations made to you during your audit.

Financial statements

1 The financial statements referred to above present fairly, in all material respects, the financial position of the entity as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as agreed to in the terms of the audit engagement.

2 The financial statements have been prepared for the following users: Nova Scotia Utility and Review Board, Members of the Board of Commissioners, Halifax Regional Municipality (HRM) and management. These users will use the financial statements for meeting their financial reporting requirements.

Completeness of information

3 We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors, and committees of directors, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.

4 We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

5 There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. The adjusting journal entries which have been proposed by you are approved by us and will be recorded on the books of the entity.

6 There were no restatements made to correct a material misstatement in the prior period financial statements that affect the comparative information.

7 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

8 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.

9 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.

10 We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration, as disclosed in note 9 of the financial statements.

Fraud and error

11 We have no knowledge of fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.

12 We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

13 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Recognition, measurement and disclosure

14 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements, are reasonable and appropriate in the circumstances.

15 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the financial statements.

16 There are no tangible capital assets belonging to the Halifax Regional Water Commission that have not already been capitalized or would need to be capitalized in the future.

17 All related party transactions have been appropriately measured and disclosed in the financial statements.

18 The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

19 There were no business combinations that occurred during the year.

20 Any intangibles on the books of the entity are evaluated whenever events or changes in circumstances indicated the carrying amount may not be recoverable to determine whether or not they have been impaired, and an appropriate loss provision is provided in the accounts where there has been a permanent impairment.

21 Depreciation and amortization rates have been assessed to ensure they properly reflect the assets' useful lives.

22 Rate regulated assets and liabilities have been approved by the NSUARB and have been appropriately reflected in the financial statements. Refer to note 5 of the financial statements.

23 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements. Refer to Note 3 in the financial statements.

24 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

25 Long lived assets and finite lived intangibles are reviewed for impairment, when events or changes in circumstances indicate that the carrying amount of the long-lived assets may not be recoverable. Halifax Water assesses if any indicators of impairment are present at each financial reporting year end. No impairments have been recognized for the March 31, 2020 year-end.

26 With respect to environmental matters:

a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;

b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the financial statements; and

c) commitments have been measured and disclosed, as appropriate, in the financial statements.

27 The entity has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the entity's assets nor has any been pledged as collateral.

28 We have disclosed to you, and the entity has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt. Refer to Schedule B in the financial statements.

29 The Goods and Services Tax (GST) and Harmonized Sales Tax (HST) transactions recorded by the entity are in accordance with the federal and provincial regulations. The GST and HST liability/receivable amounts recorded by the entity are considered complete.

30 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of IAS 19 Employee Benefits of the Chartered Professional Accountants of Canada (CPA Canada) Handbook Part I – Accounting.

31 There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

32 Transition adjustments and related required disclosures made as part of Halifax Water's transition to IFRS 16 Leases have been appropriately recognized, measured and presented in accordance with IFRS.

Other

33 We have considered whether or not events have occurred or conditions exist which may cast significant doubt on Halifax Water's ability to continue as a going concern and have concluded that no such events or conditions are evident.

34 We have considered the implications of the COVID-19 pandemic and impact on Halifax Water and have provided sufficient disclosures in the financial statements accordingly. There are no other related significant matters arising that we have not disclosed to you.

Yours very truly,

Cathie O'Toole, MBA, FCPA, FCGA, ICD.D
General Manager

Louis de Montbrun, CPA, CA
Director, Corporate Services / CFO

Alicia Scallion, CPA, CA
Manager, Accounting

Appendix C

COVID-19 – Financial reporting impacts

The spread of COVID-19 is severely impacting economies around the globe, causing extensive disruptions to many industries and business operations and a level of economic uncertainty that is unprecedented in our time. In addition to the impact on ongoing operations, these events may affect the Halifax Water's financial reporting. While every entity will be impacted differently, the table below summarizes, at a high level, some key COVID-19 related financial reporting considerations that should be considered by most entities.

Matter	Impact	Considerations
Subsequent events	In determining whether the impact of COVID-19 requires adjustments to the Halifax Water's financial statements, management must first determine whether the impact occurred during the fiscal year, or subsequent to year-end. Entities are required to distinguish between subsequent events that are adjusting (provide further evidence of conditions that existed at the balance sheet date) and non-adjusting (indicate conditions that arose after the balance sheet date). Adjusting subsequent events are reflected in the recognition and measurement of amounts reported in the financial statements, while the impact of non-adjusting subsequent events may be required to be disclosed in the notes to the financial statements. Significant subsequent events that may require adjustment or disclosure include items such as: supply chain disruptions, waivers or modifications of contractual terms in lending arrangements or other contractual arrangements, announcing or commencing the implementation of a major restructuring or downsizing, and/or declines in fair values of investments after the reporting period.	Management should determine whether COVID-19 represents an adjusting or non-adjusting subsequent event, bearing in mind that the virus only became widespread in January 2020 and the magnitude of its impact increased from there. Where COVID-19 is determined to be a material non-adjusting subsequent event, management should determine the appropriate disclosures for the financial statements, including the nature and estimated financial effect of each specific impact identified.
Going concern	The preparation of the financial statements on a going concern basis is appropriate if management has determined that the Halifax Water has the ability to continue as a going concern for a period of at least twelve months from the balance sheet date. Management's assessment generally takes into consideration all available information about the future, including events that have occurred after the year-end. Current circumstances related to COVID-19 have resulted in many entities encountering financial difficulties, which could call into question use of the going concern assumption. If there is material uncertainty about the Halifax Water's ability to continue as a going concern, the Halifax Water should include going concern disclosure in the notes to its	Management should update their going concern assessment, considering all events that have occurred subsequent to year end and the wide-ranging impact of COVID-19 (including profitability, debt repayments, etc). In other words, everything that happens during the subsequent events period must be considered in determining if there is substantial doubt regarding the Halifax Water's ability to continue as a going concern, even if those events are otherwise considered non-adjusting. Material uncertainties around the going concern assumption should be disclosed in the financial statements and, depending on

Matter	Impact	Considerations
	financial statements and there will be an impact on the auditor's report. If management concludes that the Halifax Water may be liquidated (either by choice or because it has no realistic alternative but to do so), the going concern assumption would not be appropriate and the financial statements may have to be prepared on another basis, such as a liquidation basis.	the going concern assessment, it may not be appropriate to prepare the financial statements on a going concern basis. In certain lending agreements, the inclusion of an emphasis of matter paragraph in the auditor's report related to the going concern assumption may result in debt being classified as current. Management should review the terms of its lending arrangements carefully to determine if this may be the case.
Impairment	All entities are required to test assets for impairment when indicators of impairment are present. An impairment test must be performed in response to indicators of impairment in addition to any annual impairment test requirements for goodwill and intangible assets with indefinite useful lives. Although some indicators of impairment are based on internal information (e.g., plans to remove an asset from use), others could be triggered by COVID-19, which is an external event. Below are some examples of indicators of impairment that may exist as a result of the economic conditions caused by the spread of COVID-19: • Inventory: goods are damaged or spoiled due to cessation of operations or decrease in demand; decline in selling prices • Financial asset (e.g., accounts and loans receivable, portfolio investments): change in the expected timing or amount of future cash flows • Investments (other than portfolio investments, e.g., investment in a subsidiary): significant financial difficulty of the investee, change in economic conditions, in economic or legal environment (e.g., recession) • Tangible capital assets and intangible assets: change in use of the asset (e.g., switch to produce items to support COVID-19 battle which may reduce productive capacity) • Goodwill: a significant adverse change in legal factors or in the business climate (e.g., an entity expects a decrease in its exports to a particular foreign market as a result of lengthy border closings); a loss of key personnel that is other than temporary; the testing for write-down or impairment of a significant asset group; the recognition of a goodwill impairment loss in an investee's separate financial statements • Entities that are publicly listed are required to assess for indicators or impairment on a quarterly basis, even when they do not have their auditors perform a quarterly review.]	Management should assess whether there are any impairment indicators and test for impairment, where necessary, to the extent that COVID-19 affects the recoverability of the amounts of assets recorded in the financial statements, either due to impacts that occurred during the fiscal year or due to impacts that are considered adjusting subsequent events.
Other items	The accounting impacts of COVID-19 are expected to be wide-ranging. For example: • Employee future benefit costs and accruals could be affected by the Halifax Water's responses to COVID-19, due to the Halifax Water providing additional compensation to assist employees who are sick or who are working remotely, incurring termination costs or other unconventional responses to manage employee costs during the pandemic • The pattern of revenue recognition may be affected (e.g. due to new discounts and incentives that are being offered, refunds or credits). The application of the percentage of completion method to long-term sales contracts and services may	To the extent that COVID-19 affects the amounts recorded in the financial statements, either due to impacts that occurred during the fiscal period or due to impacts that are considered adjusting subsequent events, management needs to determine the appropriate accounting treatment.

Matter	Impact	Considerations
	need to be revisited if the estimate of total costs or expected efforts will change due to COVID-19's impact. Entities must also consider if the contract may become less profitable or even loss-making • Inventory costing may be affected if the Halifax Water's production is abnormally low (e.g., due to temporary shutdowns) or the Halifax Water may need to review its costing to ensure that unallocated fixed overhead costs related to excess capacity are expensed as incurred • Debt repayments, classification and, in some cases, recognition, may be affected (such as in the case where the Halifax Water's debtholder allows the deferral of principal repayments for a period of time). Also, management should also consider its ability to comply with covenants under this new economic climate. Furthermore, management must determine whether late release of their audited financial statements may be in and of itself considered a covenant violation that would require reclassification of debt to current presentation. The list above is not exhaustive. An entity's management must consider all of the ways in which COVID-19 is impacting its business and the related effect on financial reporting.	
Disclosures	In addition to the quantitative impact that COVID-19 may have on an entity's financial statements, management must also consider how the entity's financial statement note disclosures could be impacted. An entity may need to revise existing disclosures in its financial statements and/or add new disclosures (e.g., subsequent events, financial instrument risk, measurement uncertainty, going concern). Transparent and carefully worded disclosures will need to be included in the financial statements to convey how the Halifax Water's financial performance and financial position are impacted by COVID-19, and what new risks and uncertainties exist as a result of the pandemic.	Management should review existing financial statements disclosures to determine how they may be impacted by COVID-19 and consider what additional disclosures may be necessary.

ATTACHMENT 3

Halifax Water

Halifax Regional Water Commission

ITEM # 4.2
HRWC Board
June 25, 2020

TO:	Craig MacMullin, MBA, CPA, CGA, and Members of the Halifax Regional Water Commission Board
SUBMITTED BY:	Louis de Montbrun Digitally signed by Louis de Montbrun Date: 2020.06.19 13:10:37 -03'00' Louis de Montbrun, CPA, CA Director, Corporate Services / CFO
APPROVED:	Cathie O'Toole Digitally signed by Cathie O'Toole Date: 2020.06.19 13:36:05 -03'00' Cathie O'Toole, MBA, CPA, CGA, ICD.D General Manager
DATE:	June 18, 2020
SUBJECT:	**Halifax Regional Water Commission Employees' Pension Plan Financial Statements for the Year Ended December 31, 2019**

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, 2019.

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, 2019, with comparative figures for 2018. Page numbers and notes referenced in this report refer to the audited financial statements.

The auditor has indicated they are prepared to issue and unqualified Auditor's Report. 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, 2019, 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, 2019 of $8.7 million compares favourably to the surplus reported the prior year of $2.1 million, representing a change of $6.7 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, 2019, amounted to $141.6 million compared to $126.5 million the prior year, an increase of $15.1 million or 12.0%. Pension obligations increased $8.5 million or 6.8% to $132.8 million as at December 31, 2019, up from $124.4 million in 2018.

Table 1:

Statement of financial position
December 31

	2019	2018	Change $	Change %
Net assets available for benefits (note 4)	$141,579,814	$126,458,630	$15,121,184	12.0%
Pension obligations (note 5)	$132,840,559	$124,371,400	$8,469,159	6.8%
Surplus	$8,739,255	$2,087,230	$6,652,025	318.7%

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, 2019 are reported as $141.6 million, compared to $126.5 million the previous year, representing an increase of $15.1 million or 12.0%.

Table 2:

Statement of changes in net assets available for benefits December 31				
			Change	
	2019	2018	$	%
Revenue	$14,083,715	$4,536,454	$9,547,261	210.5%
Expenses	$5,397,997	$4,059,539	$1,338,458	33.0%
Increase in Net Revenue	$8,685,718	$476,915	$8,208,803	1721.2%
Contributions (note 7)	$6,435,466	$6,249,833	$185,633	3.0%
Increase in net assets available for benefits	$15,121,184	$6,726,748	$8,394,436	124.8%

Of the $15.1 million increase in net assets available for benefits in the current year, net revenue accounted for $8.7 million, with contributions of $6.4 million representing the remaining balance. Revenue consists of changes in the fair value of investment assets of $10.6 million, and net investment income of $3.5 million. Comparative to 2018, the value of investment assets increased by $8.9 million, and net investment income increased $0.7 million. Assets of the Plan are invested as part of the Halifax Regional Municipality Master Trust, and represent 6.3% (2018, 6.2%) of the Master Trust's assets. The Plan's gross fund rate for 2019 was 10.4% (2018, 4.1%), and the net fund rate after expenses was 10.1% (2017, 3.8%).

Contributions also factor into the increase in net assets available for benefits. Combined contributions from employees and Halifax Water are reported at $6.4 million for 2019, with a net increase of $0.2 million or 3.0% compared to 2018. Typically, this increase would be reflective of new hires, as well as associated increases in remuneration of existing employees, either through normal pay increases or movements within individual bands. However, as a result of the actuarial valuation performed January 1, 2019, changes were made with respect to required current service contributions for both employees and Halifax Water, and special payments previously paid by Halifax Water. Current service contributions for employees were reduced from 10.65% to 10.34%, and Halifax Water's were increased from 9.85% to 10.34%. With the Plan being in a surplus position as at January 1, 2019, Halifax Water was no longer required to make special payments towards the unfunded liability. It is also noted in 2019, a reciprocal transfer into the Plan in the amount of $0.4 million is reported within employee contributions. Further details with respect to contributions can be found in Note 7 (page 14) of the financial statements.

Expenses reduce net assets available for benefits, with retirement benefit payments being the main driver, representing $4.2 million of the $5.4 million reported in 2019. This is an increase of $0.4 million compared to 2018, and is attributed to 15 (2018, 10) new retirements in 2019, in addition to increases with respect to annual indexing. Termination benefit payments are also included in expenses and represent $1.0 million of reported expenses in 2019. Termination benefits paid in 2019 totaled 14 (2018, 6), representing an increase of $0.9 million compared to 2018. Termination benefits tend to vary year-over-year, and directly related to staff turnover levels.

The statement of changes in pension obligations is reported on page 5 of the financial statements and summarized in Table 3 below. The valuation of pension obligations as at December 31, 2019 was an extrapolation from the actuarial valuation performed January 1, 2019.

Table 3:

Statement of changes in pension obligations December 31				
			Change	
	2019	2018	$	%
Pension obligations, beginning of year	$124,371,400	$121,473,083	$2,898,317	2.4%
Changes in actuarial assumptions	$0	($5,383,916)	$5,383,916	(100.0%)
Miscellaneous sources of decrease	$0	($277,700)	$277,700	(100.0%)
Interest accrued on benefits	$7,248,500	$7,087,500	$161,000	2.3%
Benefits accrued	$6,407,700	$5,400,500	$1,007,200	18.7%
Benefits paid (note 8)	($5,187,041)	($3,928,067)	($1,258,974)	32.1%
	$8,469,159	$2,898,317	$5,570,842	192.2%
Pension obligations, end of year	$132,840,559	$124,371,400	$8,469,159	6.8%

Pension obligations increased to $132.8 million in 2019 compared to $124.4 million the prior year, an increase of $8.5 million or 6.8%. Increases to pension obligations came from two (2) sources, benefits accrued of $6.4 million and interest on accrued benefits of $7.2 million, with reported increases of $0.2 million and $1.0 million respectively, compared to 2018. Reductions to pension obligations totaled $5.2 million, and represent expenses related to retirement and termination benefit payments in 2019, as described previous in this report. Further details with respect to pension obligations including assumptions can be found in Note 5 (page 13) of the financial statements.

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. Under legislative effective April 1, 2020, should the solvency ratio fall below the 85% threshold, a full actuarial valuation report would be required every 3 years, and a cost certificate annually. The Superintendent may require a valuation sooner than the 3 years if deemed warranted. The next actuarial valuation is scheduled for January 1, 2022.

With the outbreak of COVID-19, global equity markets experienced significant volatility and weakness, with the value of the Plan's investment assets declining by 2.61% or $3.7 million as at May 31, 2020. The Plan does not foresee a significant impact to future operations currently, or its ability in making benefit payments.

BUDGET IMPLICATIONS

There are no budget implications associated with the audited financial statements of the Plan. Budget implications arise from the actuarial valuations.

ALTERNATIVES

None

ATTACHMENT

Halifax Regional Water Commission Employees' Pension Plan Financial Statements as at December 31, 2019

Report Prepared by: [redacted] Digitally signed by Allan Campbell
Date: 2020.06.19
12:37:32 -03'00'

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

Grant Thornton

ITEM # 4.2
HRWC Board
June 25, 2020
ATTACHMENT 1

Financial Statements

Halifax Regional Water Commission

Employees' Pension Plan

December 31, 2019

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Contents

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Independent auditor's report

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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, 2019, 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, 2019, 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.

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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 | Chartered Professional Accountants
Date | Licensed Public Accountants

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

December 31	2019	2018
Assets		
Investment assets	**$ 141,509,795**	$ 126,419,604
Contributions receivable	**97,120**	67,261
	141,606,915	126,486,865
Liabilities		
Payables and accruals		
Trade	**27,101**	28,235
Net assets available for benefits (note 4)	**141,579,814**	126,458,630
Pension obligations (page 5)	**132,840,559**	124,371,400
Surplus (deficiency)	**$ 8,739,255**	$ 2,087,230

On behalf of the Board

______________________________ Trustee

______________________________ Trustee

DRAFT

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		**2019**		2018
Revenue				
Net investment income (note 6)	**$**	**3,441,506**	$	2,773,356
Changes in the fair value of investment assets		**10,642,209**		1,763,098
		14,083,715		4,536,454
Contributions (note 7)				
Participants		**3,463,328**		2,845,791
Sponsor		**2,972,138**		3,404,042
		6,435,466		6,249,833
Expenses				
Benefit payments (note 8)		**5,187,041**		3,928,067
Administrative (note 9)		**210,956**		131,472
		5,397,997		4,059,539
Increase in net assets available for benefits	**$**	**15,121,184**	$	6,726,748
Net assets available for benefits, beginning of year	**$**	**126,458,630**	$	119,731,882
Increase in net assets available for benefits		**15,121,184**		6,726,748
Net assets available for benefits, end of year	**$**	**141,579,814**	$	126,458,630

See accompanying notes to the financial statements.

DRAFT

Halifax Regional Water Commission
Employees' Pension Plan
Statement of changes in pension obligations

Year Ended December 31	**2019**	2018
Pension obligations, beginning of year	**$ 124,371,400**	$ 121,473,083
Change in pension obligations		
Changes in actuarial assumptions (Note 5)	**-**	(5,383,916)
Miscellaneous sources of decrease	**-**	(277,700)
Interest accrued on benefits	**7,248,500**	7,087,500
Benefits accrued	**6,407,700**	5,400,500
Benefits paid (note 8)	**(5,187,041)**	(3,928,067)
	8,469,159	2,898,317
Pension obligations, end of year	**$ 132,840,559**	$ 124,371,400

See accompanying notes to the financial statements.

DRAFT

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, Amendment #11, effective retroactively to June 1, 2015, and Amendment #12, effective retroactively to January 1, 2019.

(a) General

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

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

(b) Funding policy

Employees' required contributions in 2019 were 10.34% (2018 – 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 10.34% (2018 – 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).

DRAFT

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.

DRAFT

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.

DRAFT

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.

DRAFT

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.

DRAFT

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 $132,840,559 (2018 - $124,371,400) 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.

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 6.32% (2018 – 6.24%) 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.

Investment	Asset Class	Market value
Wellington Management Global Total Return Fund	Foreign Bonds	$ 6,242,378
Putnam Canadian Fixed Income Global Alpha Fund	Canadian Bonds	4,034,567
Wellington Emerging Markets Local Equity Fund	Emerging Market Equities	3,608,373
UBS (UK) Real Estate Funds Selection Global Ex Canada, L.P.	Limited Partnership	3,555,668
Blackrock Active Canadian Equity Fund	Canadian Equities	3,137,558
Minto Multi-Residential Income Partners I, L.P.	Limited Partnership	3,112,589
		$ 23,691,133

4. Net assets available for benefits

Allocation of net assets available for benefits

	2019	2018
To pension plan	**$ 141,018,461**	$ 125,961,206
To extra voluntary contribution benefits	**337,712**	270,793
To individual locked in amounts	**223,641**	226,631
	$ 141,579,814	$ 126,458,630

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5. Pension obligations

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 (2018 – 5.80%);

c) salary scale assumption of 3.90% per annum (2018 – 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 in 2018 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

	2019	2018
Income from investment funds	**$ 3,644,079**	$ 2,939,026
Investment manager fees	**(202,573)**	(165,670)
	$ 3,441,506	$ 2,773,356

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7. Contributions

	2019	2018
Participants' contributions		
Required	**$ 3,393,051**	$ 2,788,280
Voluntary	**70,277**	57,511
	$ 3,463,328	$ 2,845,791
Sponsor's contributions		
Required	**$ 2,972,138**	$ 2,578,842
Unfunded liability – special payment	**-**	825,200
	$ 2,972,138	$ 3,404,042

8. Benefit payments

	2019	2018
Retirement benefit payments	**$ 4,226,855**	$ 3,848,218
Termination benefit payments	**960,186**	79,849
Death benefit payments	**-**	-
	$ 5,187,041	$ 3,928,067

During 2019, there were 14 termination benefit payments (2018 – 6) and no death benefit payments (2018 – none). 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

	2019	2018
Actuarial and consulting fees	**$ 118,659**	$ 50,409
Audit and accounting fees	**8,530**	8,441
Bank custodian fees	**28,636**	32,303
Insurance	**8,760**	8,347
Miscellaneous	**20,610**	16,195
Professional fees	**23,261**	13,440
Registration fees	**2,500**	2,337
	$ 210,956	$ 131,472

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.

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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 $141,509,795 at December 31, 2019 (2018 - $126,419,604). A one percent (1%) change in market risk (holding all variables constant) will impact the fair value of these investments by approximately $1,415,098 (2018 - $1,264,196).

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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, 2019

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Payables and accruals	**$ 27,101**	**$ 27,101**	**$ -**	**$ -**	**$ -**

Payments due year ending December 31, 2018

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Payables and accruals	$ 28,235	$ 28,235	$ -	$ -	$ -

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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, 2019

	Level 1	Level 2	Level 3	Total
Assets				
Pooled fund	**$ -**	**$ 141,509,795**	**$ -**	**$ 141,509,795**

Financial assets at fair value as at December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets				
Pooled fund	$ -	$ 126,419,604	$ -	$ 126,419,604

There were no transfers between the three levels between December 31, 2018 and December 31, 2019.

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, 2017 and 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.

13. Subsequent event

Since December 31, 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

As at May 31, 2020, the fair value of the Plan's investments declined by 2.61%, or approximately $3,685,000 since December 31, 2019. At this time, the Plan does not foresee significant impact to future operations or its ability to continue to make benefit payments.

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Grant Thornton
An instinct for growth™

Halifax Regional Water Commission Employees' Pension Plan

For the year ended December 31, 2019

Report to the Audit Committee
Audit results

June 8, 2020

Tom Brockway, CPA, CA
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Kevin Seely, CPA, CA
Manager
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Appendices

Executive summary

Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of Halifax Regional Water Commission Employees' Pension Plan (the "Plan") for the year ended December 31, 2019. This communication will assist the Audit Committee in understanding the results of audit procedures and includes comments on misstatements, significant accounting policies, sensitive estimates and other matters.

The information in this document is intended solely for the information and use of the Audit Committee. It is not intended to be distributed or used by anyone other than these specified parties.

We were engaged to provide the following deliverables:

Deliverable	Timing/Status
Discussions and communications regarding planning	February 5, 2020
Communication of audit and results	June 18, 2020
Report on the December 31, 2019 financial statements	June 25, 2020

Status of our audit

We have substantially completed our audit of the financial statements of the Plan and the results of that audit are included in this report.

We will finalize our report upon resolution of the following items outstanding as at June 8, 2020

- Receipt of final updated financial statements (for any final changes after June 8, 2020)
- Receipt of signed management representation letter (a draft has been attached in the appendices)
- Approval of the financial statements by the Board of Commissioners
- Final inquiries regarding subsequent events

We have successfully executed our audit strategy in accordance with the plan presented to the Audit Committee on February 5, 2020.

Independence

We confirm that there have been no changes to our status with respect to independence since we confirmed our independence to you on February 5, 2020.

Audit risks and results

Areas of focus

The following is a summary of areas of focus, and the related matters and findings we would like to communicate to the Audit Committee.

Area of focus	Matter	Our response and findings
Pension obligation	A full valuation of the plan was performed at January 1, 2019 with the results extrapolated as at December 31, 2019. As at December 31, 2019 the actuarial valuation reported an unfunded going concern excess of $8,372,300. Certain adjustments were made to arrive at the surplus of $8,739,255 reported in the 2019 financial statements. There were no required special payments in respect of going concern liabilities during the year as a result of the January 1, 2019 valuation.	We performed the following: • Examined the valuation report prepared by the independent actuary; • Assessed the reasonability of assumptions used in the valuation as compared to expectations and market information; • Performed testing of the data used by the actuary in the performance of their work; and • Confirmed the independence and qualifications of the Plan's actuary and materiality threshold. We have no findings to report.
Investments	As at December 31, 2019 the Plan holds and investment balance of $141,509,795. Subsequent to year end Plan assets have been significantly impacted by the effect of Covid-19. As at April 30, 2020 the Plan has lost 3.64% of it's market value (~$5.1M) due to economic factors.	We performed the following: • Agreed amounts to investment statements; • Performed valuation testing of investments; • Verified historical accuracy of balances based on audited HRM financial statements; and • Obtained investment statements subsequent to year end and ensured appropriateness of related disclosures. We have no findings to report.

Adjustments and uncorrected misstatements

Adjustments

We have no adjusted misstatements to report.

Summary of disclosure matters

Our audit did not identify any unadjusted non-trivial misstatements of disclosure matters.

Other reportable matters and technical updates – highlights

Internal control

The audit is designed to express an opinion on the financial statements. We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. Accordingly, we do not express an opinion on the effectiveness of internal control.

If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to the Members of the Audit Committee those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

We did not identify any deficiencies in internal control that we are required to communicate.

Accounting

There have not been any changes in accounting standards that would have a significant impact on the Plan in the current year, except those presented to the Committee as part of the communications on audit planning on February 5, 2020.

Assurance

There have not been any changes in auditing standards that would have a significant impact on the Plan in the current year.

Appendix A

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, 2019, 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, 2019, 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
Date

Chartered Professional Accountants

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Appendix B

Draft management representation letter

DATE

Mr. Tom Brockway, CPA, CA
Grant Thornton LLP
Suite 1000, Nova Centre, North Tower
1675 Grafton Street
Halifax, NS B3J 0E9

Dear Mr. Brockway:

We are providing this letter in connection with your audit of the financial statements of **Halifax Regional Water Commission Employees' Pension Plan** for the year ended December 31, 2019 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets available for benefits and changes in pension obligations in accordance with Canadian accounting standards for pension plans ("ASPP").

We acknowledge that we have fulfilled our responsibilities for the preparation of the financial statements in accordance with Canadian accounting standards for pension plans and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of DATE, the following representations made to you during your audit.

Financial statements

1. The financial statements referred to above present fairly, in all material respects, the statement of financial position as at December 31, 2019, and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans, as agreed to in the terms of the audit engagement.

Completeness of information

2. We have made available to you all financial records and related data and all minutes of the meetings of trustees and committees, as agreed to in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant trustee and committee actions are included in the summaries.

3. We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

4. We have also made available the plan instrument and any plan amendments thereto, the trust agreement and any insurance contracts entered into during the year, including any amendments to comply with applicable laws. The last amendment to the plan instrument was as of October 7, 2019. As well we

have made available all actuarial reports and other reports prepared by the actuary for the plan and the plan sponsor were provided to you.

5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

6. There were no restatements made to correct a material misstatement in the prior period financial statements that affect the comparative information.

7. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

8. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.

9. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.

10. We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration.

11. You provided a non-audit service by assisting us with drafting the financial statements and related notes. In connection with this non-audit service, we confirm that we have made all management decisions and performed all management functions, have the knowledge to evaluate the accuracy and completeness of the financial statements, and accept responsibility for such financial statements.

Fraud and error

12. We have no knowledge of fraud or suspected fraud affecting the plan involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the plan's financial statements communicated by employees, former employees, analysts, regulators or others.

14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Recognition, measurement and disclosure

15. We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

16. For non-readily marketable securities, we are in agreement with the methods used to estimate fair value or the approach used by the appraiser.

17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the financial statements.

18. All related party transactions have been appropriately measured and disclosed in the financial statements.

19. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

20. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and appropriately reflected in the financial statements.

21. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

22. The plan has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the plan's assets nor has any been pledged as collateral.

23. We have disclosed to you, and the plan has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

24. There have been no events subsequent to the year end date up to the date hereof that would require recognition or disclosure in the financial statements.

25. The plan has complied with the rules and regulations of the Nova Scotia Office of the Superintendent of Pensions and the Canada Revenue Agency to which the plan is subject.

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26. We are responsible for the preparation of plan amendments necessitated by changes in laws or regulations, or required by changes in the operation of the plan. All amendments required by such changes have been adopted by the plan.

27. All required filing of the plan (trust) documents with the appropriate agencies have been made.

28. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

29. There were no omissions from the participants' data provided to the plan's actuary for the purpose of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements.

30. We agree with the actuarial methods and assumptions used by the actuary for funding purposes and for determining accumulated plan benefits and have no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any instructions, nor cause any instructions to be given, to the plan's actuary with respect to how the valuation should be calculated from the underlying data, and we are not aware of any matters that have impacted the independence or objectivity of the plan's actuary.

31. The defined benefit obligation of the pension plan is appropriately measured as the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services in accordance with Section 3462 Employee Future Benefits.

32. There have been no changes in:

    (a) the actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements;

    (b) plan provisions between the actuarial extrapolation date and the date of this letter.

33. We have no intentions to terminate the plan.

Other

34. We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the plan's ability to continue as a going concern and have concluded that no such events or conditions are evident.

35. We have considered the implications of the COVID-19 pandemic and impact on Halifax Water and have provided sufficient disclosures in the financial statements accordingly. There are no other related significant matters arising that we have not disclosed to you.

Yours very truly,

Cathie O'Toole, MBA, FCPA, FCGA, ICD.D
General Manager

Louis de Montbrun, CPA, CA
Director Corporate Services / CFO

Allan Campbell, B.Comm., CPA, CMA
Manager, Finance

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Appendix C

COVID-19 – Financial reporting impacts

The spread of COVID-19 is severely impacting economies around the globe, causing extensive disruptions to many industries and business operations and a level of economic uncertainty that is unprecedented in our time. In addition to the impact on ongoing operations, these events may affect the Plan's financial reporting. While every entity will be impacted differently, the table below summarizes, at a high level, some key COVID-19 related financial reporting considerations that should be considered by most entities.

Matter	Impact	Considerations
Subsequent events	In determining whether the impact of COVID-19 requires adjustments to the Plan's financial statements, management must first determine whether the impact occurred during the fiscal year, or subsequent to year-end. Entities are required to distinguish between subsequent events that are adjusting (provide further evidence of conditions that existed at the balance sheet date) and non-adjusting (indicate conditions that arose after the balance sheet date). Adjusting subsequent events are reflected in the recognition and measurement of amounts reported in the financial statements, while the impact of non-adjusting subsequent events may be required to be disclosed in the notes to the financial statements. Significant subsequent events that may require adjustment or disclosure include items such as: supply chain disruptions, waivers or modifications of contractual terms in lending arrangements or other contractual arrangements, announcing or commencing the implementation of a major restructuring or downsizing, and/or declines in fair values of investments after the reporting period.	Management should determine whether COVID-19 represents an adjusting or non-adjusting subsequent event, bearing in mind that the virus only became widespread in January 2020 and the magnitude of its impact increased from there. Where COVID-19 is determined to be a material non-adjusting subsequent event, management should determine the appropriate disclosures for the financial statements, including the nature and estimated financial effect of each specific impact identified.
Going concern	The preparation of the financial statements on a going concern basis is appropriate if management has determined that the Plan has the ability to continue as a going concern for a period of at least twelve months from the balance sheet date. Management's assessment generally takes into consideration all available information about the future, including events that have occurred after the year-end. Current circumstances related to COVID-19 have resulted in many entities encountering financial difficulties, which could call into question use of the going concern assumption.	Management should update their going concern assessment, considering all events that have occurred subsequent to year end and the wide-ranging impact of COVID-19 (including profitability, debt repayments, etc). In other words, everything that happens during the subsequent events period must be considered in determining if there is substantial doubt regarding the Plan's ability to continue as a going concern, even if those events are otherwise considered non-adjusting.

Matter	Impact	Considerations
	If there is material uncertainty about the Plan's ability to continue as a going concern, the Plan should include going concern disclosure in the notes to its financial Material uncertainties around the going concern assumption should be disclosed in the financial statements and, depending on statements and there will be an impact on the auditor's report. If management concludes that the Plan may be liquidated (either by choice or because it has no realistic alternative but to do so), the going concern assumption would not be appropriate and the financial statements may have to be prepared on another basis, such as a liquidation basis.	Material uncertainties around the going concern assumption should be disclosed in the financial statements and, depending on the going concern assessment, it may not be appropriate to prepare the financial statements on a going concern basis. In certain lending agreements, the inclusion of an emphasis of matter paragraph in the auditor's report related to the going concern assumption may result in debt being classified as current. Management should review the terms of its lending arrangements carefully to determine if this may be the case.
Impairment	All entities are required to test assets for impairment when indicators of impairment are present. An impairment test must be performed in response to indicators of impairment in addition to any annual impairment test requirements for goodwill and intangible assets with indefinite useful lives. Although some indicators of impairment are based on internal information (e.g., plans to remove an asset from use), others could be triggered by COVID-19, which is an external event. Below are some examples of indicators of impairment that may exist as a result of the economic conditions caused by the spread of COVID-19: • Inventory: goods are damaged or spoiled due to cessation of operations or decrease in demand; decline in selling prices • Financial asset (e.g., accounts and loans receivable, portfolio investments): change in the expected timing or amount of future cash flows • Investments (other than portfolio investments, e.g., investment in a subsidiary): significant financial difficulty of the investee, change in economic conditions, in economic or legal environment (e.g., recession) • Tangible capital assets and intangible assets: change in use of the asset (e.g., switch to produce items to support COVID-19 battle which may reduce productive capacity) • Goodwill: a significant adverse change in legal factors or in the business climate (e.g., an entity expects a decrease in its exports to a particular foreign market as a result of lengthy border closings); a loss of key personnel that is other than temporary; the testing for write-down or impairment of a significant asset group; the recognition of a goodwill impairment loss in an investee's separate financial statements • Entities that are publicly listed are required to assess for indicators or impairment on a quarterly basis, even when they do not have their auditors perform a quarterly review.	Management should assess whether there are any impairment indicators and test for impairment, where necessary, to the extent that COVID-19 affects the recoverability of the amounts of assets recorded in the financial statements, either due to impacts that occurred during the fiscal year or due to impacts that are considered adjusting subsequent events.
Other items	The accounting impacts of COVID-19 are expected to be wide-ranging. For example: • Employee future benefit costs and accruals could be affected by the Plan's responses to COVID-19, due to the Plan providing additional compensation to assist employees who are sick or who are working remotely, incurring termination costs or other unconventional responses to manage employee costs during the pandemic	To the extent that COVID-19 affects the amounts recorded in the financial statements, either due to impacts that occurred during the fiscal period or due to impacts that are considered adjusting subsequent events, management needs to determine the appropriate accounting treatment.

Matter	Impact	Considerations
	• The pattern of revenue recognition may be affected (e.g. due to new discounts and incentives that are being offered, refunds or credits). The application of the percentage of completion method to long-term sales contracts and services may need to be revisited if the estimate of total costs or expected efforts will change due to COVID-19's impact. Entities must also consider if the contract may become less profitable or even loss-making • Inventory costing may be affected if the Plan's production is abnormally low (e.g., due to temporary shutdowns) or the Plan may need to review its costing to ensure that unallocated fixed overhead costs related to excess capacity are expensed as incurred • Debt repayments, classification and, in some cases, recognition, may be affected (such as in the case where the Plan's debtholder allows the deferral of principal repayments for a period of time). Also, management should also consider its ability to comply with covenants under this new economic climate. Furthermore, management must determine whether late release of their audited financial statements may be in and of itself considered a covenant violation that would require reclassification of debt to current presentation. The list above is not exhaustive. An entity's management must consider all of the ways in which COVID-19 is impacting its business and the related effect on financial reporting.	
Disclosures	In addition to the quantitative impact that COVID-19 may have on an entity's financial statements, management must also consider how the entity's financial statement note disclosures could be impacted. An entity may need to revise existing disclosures in its financial statements and/or add new disclosures (e.g., subsequent events, financial instrument risk, measurement uncertainty, going concern). Transparent and carefully worded disclosures will need to be included in the financial statements to convey how the Plan's financial performance and financial position are impacted by COVID-19, and what new risks and uncertainties exist as a result of the pandemic.	Management should review existing financial statements disclosures to determine how they may be impacted by COVID-19 and consider what additional disclosures may be necessary.