

**BOARD OF COMMISSIONERS  
OF PUBLIC UTILITIES**

**FINANCIAL STATEMENTS  
MARCH 31, 2016**



## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of Public Utilities

We have audited the accompanying financial statements of the Board of Commissioners of Public Utilities, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board of Commissioners of Public Utilities as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

  
Chartered Professional Accountants  
St. John's, Newfoundland & Labrador  
June 9, 2016



# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Financial Position Year Ended March 31, 2016

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash	\$ 60,172	\$ 659,405
Receivables (Note 4)	1,904,434	59,901
HST receivable (Note 5)	-	60,174
Recoverable costs (Notes 2 & 6)	1,262,184	2,370,331
	<b>3,226,790</b>	<b>3,149,811</b>
<b>LIABILITIES</b>		
Payables and accruals	\$ 442,242	\$ 548,196
HST payable (Note 5)	15,872	-
Government remittances payable	304	1,295
Payroll accruals	1,055,989	1,015,808
	<b>1,514,408</b>	<b>1,565,299</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,712,382</b>	<b>1,584,512</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	\$ 53,820	\$ 53,751
Prepaid expenses	7,975	9,159
	<b>61,795</b>	<b>62,910</b>
<b>ACCUMULATED SURPLUS</b>	<b>1,774,177</b>	<b>1,647,422</b>
<b>Accumulated surplus comprised of:</b>		
Invested in capital assets (Note 8)	\$ 53,820	\$ 53,751
Internally restricted (Note 11)	1,575,573	1,527,800
Unrestricted	144,782	65,871
	<b>\$ 1,774,175</b>	<b>\$ 1,647,422</b>

Commitments (Note 12)

On Behalf of the Board:

Chairperson and CEO

Vice Chairperson

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Operations Year Ended March 31, 2016

	Budget 2016 (Note 13) (Unaudited)	2016	2015
<b>REVENUES</b>			
Regulatory assessments	\$ 2,620,764	\$ 2,620,418	\$ 2,479,527
Interest and other income	10,000	2,458	7,462
	2,630,764	2,622,876	2,486,989
<b>EXPENDITURES</b>			
Amortization	\$ -	\$ 21,037	\$ 24,460
Consulting fees	282,750	160,535	137,338
Office equipment, supplies, and services	100,220	79,237	72,957
Rent and insurance	225,100	225,063	225,063
Salaries and associated costs (Note 7)	1,875,898	1,931,087	1,801,252
Telecommunications	34,380	30,694	29,066
Training and membership	70,975	26,028	17,017
Travel	41,441	22,444	23,315
	2,630,764	2,496,125	2,330,468
<b>Excess of revenues over expenditures</b>	\$ -	\$ 126,751	\$ 156,521

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Change in Net Financial Assets Year Ended March 31, 2016

	Budget 2015 (Note 13) (Unaudited)	2016	2015
Annual surplus	\$ -	\$ 126,751	\$ 156,521
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets		(21,105)	(22,365)
Amortization of tangible capital assets		21,037	24,460
	-	(68)	2,095
<b>Change in other non-financial assets</b>			
Assessment reductions (Note 14)		-	(499,104)
Net acquisition of prepaid expenses		1,185	(2,097)
	-	1,185	(501,201)
Decrease (increase) in net assets	-	127,868	(342,585)
Net financial assets, beginning of year	1,584,512	1,584,512	1,927,097
Net financial assets, end of year	\$ -	\$ 1,712,380	\$ 1,584,512

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Cash Flows Year Ended March 31, 2016

	2016	2015
<b>Operating transactions</b>		
Cash receipts from assessments and other revenues	\$ 838,517	\$ 2,270,462
Cash paid to suppliers and employees	(2,524,791)	(2,272,527)
Cash (used in) operating transactions	(1,686,275)	(2,065)
<b>Hearing and review transaction</b>		
Decrease (Increase) in recoverable costs	1,108,147	(1,152,519)
Cash from (used in) hearing and review transaction	1,108,147	(1,152,519)
<b>Capital transaction</b>		
Purchase of capital assets	(21,105)	(22,365)
Cash used in capital transaction	(21,105)	(22,365)
Decrease in cash during year	(599,233)	(1,176,949)
Cash position, beginning of year	659,405	1,836,354
Cash position, end of year	\$ 60,172	\$ 659,405

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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## Notes to Financial Statements Year Ended March 31, 2016

### 1. GENERAL

The Board of Commissioners of Public Utilities (the "Board") is an independent, quasi-judicial regulatory tribunal constituted in 1949 by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board regulates the electric utilities in the Province of Newfoundland and Labrador and is responsible for ensuring that the rates charged are reasonable and that the service provided is safe and reliable. Other responsibilities include: (a) the regulation of automobile insurance rates; (b) the regulation of, from June 8, 2004, fuel prices pursuant to the Petroleum Products Act; (c) limited regulation of the motor carrier industry as it relates to certain passenger and ambulance operations; and (d) establishing compensation for matters referred to the Board pursuant to the *Expropriation Act*. The Board was incorporated on May 12, 2000 pursuant to an amendment to the *Public Utilities Act* and as a Crown entity of the Province is not subject to provincial or federal income taxes.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The Board is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Board does not prepare a statement of re-measurement gains and losses as the Board does not enter into relevant transactions or circumstances that are addressed by that statement.

#### Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash, receivables, recoverable costs, payables and accruals, HST payable, government remittances payable and payroll accruals. The Board generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Board subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Transaction costs and any gains or losses arising from changes in fair value are recognized immediately in the statement of revenues and expenditures. Receivables are classified as loans and accounts payable are classified as other financial liabilities. Both are measured at amortized cost.

The Board's carrying value of cash, receivables, recoverable costs, payables and accruals, government remittance payable, HST payable and payroll accruals approximates its fair value due to the immediate or short term maturity of these instruments.

#### Cash

Cash includes cash in bank.

#### Recoverable costs

Recoverable costs relating to regulatory hearings and specific enquiries held by the Board are accrued until the Board orders payment. The costs and subsequent recoveries for these enquiries are not included in the operating revenues and expenditures of the Board.

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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## Notes to Financial Statements Year Ended March 31, 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Tangible capital assets

Capital assets are recorded on the Statement of Financial Position at cost net of accumulated amortization and are amortized as follows:

Furniture and equipment	20%	declining balance method
Computer hardware	35%	declining balance method
Computer software	50%	declining balance method
Leasehold improvements		the lesser of five year straight-line or remaining term of the lease

Capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

#### Prepaid expenses

Prepaid expenses include amounts paid in advance for services, insurance, and workers compensation and are charged to expense over the periods expected to benefit from it.

#### Funds and reserves

Certain amounts, as approved by the Board, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

#### Employee future benefits

##### (i) Severance pay

Certain employees of the Board are entitled to severance pay. Severance pay is accounted for on the accrual basis and is based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continual service and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

##### (ii) Sick pay

The Board provides accumulating, non-vesting sick leave benefits to its employees. The cost of non-vesting sick leave benefits are determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

##### (iii) Pension fund

The employees of the Board are subject to the *Public Service Pension Act 1991*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. Contributions of the Board to the plan are recorded as expenses in the year the contributions are made.



# **BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

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## **Notes to Financial Statements Year Ended March 31, 2016**

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

#### Expenditures

Expenditures are reported on an accrual basis. The costs of all goods consumed and services received during the year are expensed.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

### 3. FINANCIAL INSTRUMENTS

The Board is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2016:

#### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Board is exposed to credit risk with respect to regulatory assessments. An allowance for doubtful accounts may be established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Board manages exposure through its normal operating and financing activities. The Board is exposed to interest rate risk primarily through its floating interest rate bank credit agreement.

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Notes to Financial Statements Year Ended March 31, 2016

### 4. RECEIVABLES

	2016	2015
Revenues receivable	\$ 1,902,010	\$ 56,796
Accrued interest receivable	22	2,696
Other receivables	2,402	409
	<u>\$ 1,904,434</u>	<u>\$ 59,901</u>

### 5. HST (PAYABLE) RECEIVABLE

	2016	2015
HST rebate receivable from federal government	\$ 259,092	\$ 65,508
HST payable to federal government	(274,964)	(5,334)
	<u>\$ (15,872)</u>	<u>\$ 60,174</u>

### 6. RECOVERABLE COSTS

	2016	2015
Recoverable costs, beginning of year	\$ 2,370,331	\$ 1,217,812
Add - specific enquiry costs incurred during the year:		
Consulting fees	1,598,339	1,473,841
Consumer Advocate	879,694	505,044
Legal	252,670	249,910
Advertising and notice	28,899	39,087
Other	45,569	51,234
Transcription and printing	71,789	8,174
	<u>2,876,961</u>	<u>2,327,290</u>
	5,247,292	3,545,102
Less - costs recovered during the year	<u>(3,985,108)</u>	<u>(1,174,771)</u>
Recoverable costs, end of year	<u>\$ 1,262,184</u>	<u>\$ 2,370,331</u>

### 7. DESIGNATED PENSION FUNDS AND PENSION ASSET (OBLIGATIONS)

Commissioners and employees for whom no designated pension plan has been established are members of The Public Service Pension Fund Act 1991. Pension contributions deducted from commissioners' and employees' salaries are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to commissioners and employees when they retire. The Board's share of pension expense for the year in the amount of \$154,685 (2015 - \$121,027) is included in salaries and associated costs.

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Notes to Financial Statements Year Ended March 31, 2016

### 8. CAPITAL ASSETS

	2016			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
<b>Cost</b>				
Opening balance	\$ 246,251	\$ 249,783	\$ 190,515	\$ 686,549
Additions	8,793	5,781	6,531	21,105
Disposals	-	-	-	-
Closing balance	255,044	255,564	197,046	707,654
<b>Accumulated amortization</b>				
Opening balance	221,231	221,052	190,515	632,798
Amortization	6,762	12,968	1,306	21,036
Disposals	-	-	-	-
Closing balance	227,993	234,020	191,821	653,834
Net book value	\$ 27,051	\$ 21,544	\$ 5,225	\$ 53,820

	2015			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
<b>Cost</b>				
Opening balance	\$ 242,404	\$ 231,265	\$ 190,515	\$ 664,184
Additions	3,847	18,518	-	22,365
Disposals	-	-	-	-
Closing balance	246,251	249,783	190,515	686,549
<b>Accumulated amortization</b>				
Opening balance	214,976	202,847	190,515	608,338
Amortization	6,255	18,205	-	24,460
Disposals	-	-	-	-
Closing balance	221,231	221,052	190,515	632,798
Net book value	\$ 25,020	\$ 28,731	\$ -	\$ 53,751

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Notes to Financial Statements Year Ended March 31, 2016

### 9. BANK CREDIT AGREEMENT

The Board has established a \$1,000,000 line-of-credit subject to a general security agreement over all accounts and book debts, equipment, tangible capital assets and certain other assets. Any outstanding balance bears interest at the bank prime rate plus 0.5%. As at March 31, 2016, the balance outstanding was \$Nil (2015- \$Nil).

### 10. NON-VESTED SICK LEAVE PAYOUTS

Prior to a change in government policy, several employees were allowed to accumulate unused sick day credits. As of March 31, 2016, there are three employees who have an accumulated sick-leave payout balance. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements.

### 11. INTERNALLY RESTRICTED SURPLUS

The Board has adopted a formal policy to accumulate and restrict estimated amounts required to meet expected future obligations. The amounts restricted as at March 31, 2016 are as follows:

	2016	2015
Lease commitments	\$ 223,300	\$ 223,300
Payroll contingency	70,726	68,426
Redundancy pay contingency	816,914	797,613
Working capital	464,633	438,461
	<b>\$ 1,575,573</b>	<b>\$ 1,527,800</b>

### 12. COMMITMENTS

The Board has a premises lease agreement in the amount of \$18,608 per month (\$223,296 per annum), concluding May 31, 2018.

### 13. BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Board.