



Financial Statements

(NSUARB Accounting and Reporting Handbook)

Halifax Regional Water Commission

March 31, 2011

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Independent auditor's report

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

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We have audited the accompanying financial statements of Halifax Regional Water Commission, which comprise the balance sheet as at March 31, 2011, and the statements of operations, contributed capital surplus, operating surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of the Accounting and Reporting Handbook for Water Utilities ("the Water Utility Handbook") issued by the Nova Scotia Utility and Review Board.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the Water Utility Handbook, 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 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 of Halifax Regional Water Commission for the year ended March 31, 2011 are prepared, in all material respects, in accordance with the financial reporting provisions of the Water Utility Handbook.

Basis of Accounting

Without modifying our opinion, we draw attention to note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Halifax Regional Water Commission to comply with the financial reporting provisions of the Water Utility Handbook referred to above. As a result, the financial statements may not be suitable for another purpose.

Other matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included on pages 14 to 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in that audit of the financial statements taken as a whole.



Halifax, Canada
June 30, 2011

Chartered Accountants

Halifax Regional Water Commission

Statement of operations

Year ended March 31, 2011

(in thousands)

	2011		2010
	Budget	Actual	Actual
Operating revenues			
Water service	\$ 31,334	\$ 30,719	\$ 31,017
Wastewater/stormwater services	49,688	45,532	42,829
Fire protection	8,837	9,502	9,502
Private fire protection services	1,798	362	355
Airport aerotech system	1,433	1,323	1,456
Other operating revenue	3,335	2,242	2,007
	<u>96,425</u>	<u>89,680</u>	<u>87,166</u>
Operating expenditures			
Water supply and treatment	6,698	6,286	7,042
Water transmission and distribution	9,017	7,928	7,555
Wastewater/stormwater collection	14,340	13,562	13,410
Wastewater treatment	18,148	17,139	10,090
Environmental pollution control	2,636	2,114	1,715
Engineering and information services	5,920	5,589	4,772
Customer service	3,365	3,329	2,962
Airport aerotech system	1,451	1,484	1,275
Administration and pension	4,397	6,536	4,147
Depreciation	10,502	8,865	6,333
	<u>76,474</u>	<u>72,832</u>	<u>59,301</u>
Operating profit	<u>19,951</u>	<u>16,848</u>	<u>27,865</u>
Financial and other revenues			
Interest	130	545	269
Other	2,246	2,279	2,361
	<u>2,376</u>	<u>2,824</u>	<u>2,630</u>
	<u>22,327</u>	<u>19,672</u>	<u>30,495</u>
Financial and other expenditures			
Interest on long term debt	8,786	8,896	9,026
Repayment of long term debt	13,046	13,158	13,076
Amortization of debt discount	67	70	60
Grant in lieu of taxes (note 9)	3,700	3,749	3,626
	<u>25,599</u>	<u>25,873</u>	<u>25,788</u>
Excess of (expenditures over revenues) revenues over expenditures	<u>\$ (3,272)</u>	<u>\$ (6,201)</u>	<u>\$ 4,707</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Balance sheet

March 31, 2011
(in thousands)

2011

2010

Assets

Current

Cash and cash equivalents	\$ 15,730	\$ 22,836
Receivables		
Customer charges and contractual	22,236	22,673
Halifax Regional Municipality	12,453	11,338
Materials and supplies	1,143	1,073
Prepays	653	548
	<u>52,215</u>	<u>58,468</u>
Receivable from Halifax Regional Municipality	176	190
Regulatory asset (note 5)	2,078	-
Plant under construction	13,527	29,680
Utility plant in service (schedule A)	893,633	670,921
	<u>\$ 961,629</u>	<u>\$ 759,259</u>

Liabilities

Current

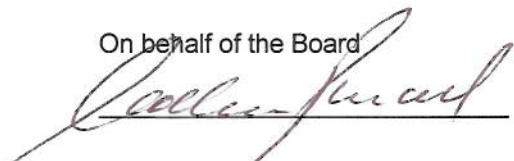
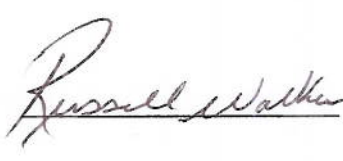
Payables and accruals		
Trade	\$ 14,485	\$ 12,673
Interest on long term debt	1,548	1,659
Contractor and customer deposits	150	145
Current portion of long term debt (schedule B)	13,272	13,211
Unearned revenue	121	95
	<u>29,576</u>	<u>27,783</u>
Long term debt (schedule B)	146,118	155,958
Accrued pension liability (note 4)	3,945	2,585
Accrued post retirement benefits (note 4)	803	872
Accrued long term service costs (note 6)	2,600	2,447
	<u>183,042</u>	<u>189,645</u>

Equity

Special purpose reserves (note 8)	17,973	20,357
Contributed capital surplus (page 5)	743,911	525,916
Operating surplus (page 5)	16,703	23,341
	<u>778,587</u>	<u>569,614</u>
	<u>\$ 961,629</u>	<u>\$ 759,259</u>

Contingent liabilities (note 3)
Commitment (note 9)

On behalf of the Board

 Commissioner  Commissioner

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Statement of cash flows

Year ended March 31, 2011
(in thousands)

2011

2010

Increase (decrease) in cash and cash equivalents

Operating

Excess of (expenditures over revenues) revenues over expenditures	\$ (6,201)	\$ 4,707
Depreciation and amortization	9,727	6,923
Accrued pension liability	1,360	(141)
Decrease in accrued post retirement benefits	(69)	(76)
Repayment of long term debt included in statement of operations	13,158	13,076
Increase in accrued long term service costs	153	196
Grant in lieu of taxes	-	3,626
	<u>18,128</u>	<u>28,311</u>
Change in non-cash operating working capital items (note 10)	<u>1,994</u>	<u>849</u>
	<u>20,122</u>	<u>29,160</u>

Financing

Proceeds from issuance of long term debt	5,150	15,250
Increase in receivable from Halifax Regional Municipality	(1,101)	(14,972)
Contributions to reserves	3,836	2,474
Debt issue costs	(32)	53
Principal repayment on Harbour Solutions long term debt	(6,500)	(6,500)
Principal repayments of long term debt	<u>(8,461)</u>	<u>(8,556)</u>
	<u>(7,108)</u>	<u>(12,251)</u>

Investing

Capital cost contributions	2,662	2,377
Proceeds from sale of plant in service	1,702	112
Purchase of capital work in progress	(5,282)	(9,748)
Purchase of plant in service	<u>(19,202)</u>	<u>(14,096)</u>
	<u>(20,120)</u>	<u>(21,355)</u>

Increase (decrease) in cash and cash equivalents	(7,106)	(4,446)
Cash and cash equivalents, beginning of year	<u>22,836</u>	<u>27,282</u>
Cash and cash equivalents, end of year	<u>\$ 15,730</u>	<u>\$ 22,836</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission Statement of contributed capital surplus

Year ended March 31, 2011 (in thousands)	2011	2010
Contributed capital surplus, beginning of year	\$ 525,916	\$ 451,088
Contributions to plant in service	40,573	18,252
Transfer from special purpose reserve (note 8)	6,220	8,167
Debt repayment	13,158	15,538
Gain on sale of land	1,600	14
Capital surplus transferred to Halifax Regional Municipality (note 12)	(4,600)	-
Capital surplus transferred with Halifax Harbour Solutions (note 12)	<u>167,241</u>	<u>42,091</u>
	750,108	535,150
Less: amortization (note 2(b))	<u>6,197</u>	<u>9,234</u>
Contributed capital surplus, end of year	<u>\$ 743,911</u>	<u>\$ 525,916</u>

Halifax Regional Water Commission Statement of operating surplus

Year ended March 31, 2011 (in thousands)	2011	2010
Operating surplus, beginning of year	\$ 23,341	\$ 18,634
Excess of (expenditures over revenues) revenues over expenditures	(6,201)	4,707
Stewardship contributions charged to current surplus	<u>(437)</u>	<u>-</u>
Operating surplus, end of year	<u>\$ 16,703</u>	<u>\$ 23,341</u>

See accompanying notes to the financial statements.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011
(in thousands)

1. Nature of operations

The Commission is a public utility owned by the Halifax Regional Municipality (HRM). The Commission is responsible for the supply of municipal water, wastewater and stormwater services to the residents of the HRM.

2. Summary of significant accounting policies

(a) Regulation

In matters of administrative policy relating to rates, capital expenditures, depreciation rates and accounting matters, the Commission is subject to the jurisdiction of the Nova Scotia Utility and Review Board (NSUARB). Rates charged to and collected from customers are designed to recover costs of providing the regulated services. These statements have been prepared in accordance with the Accounting and Reporting Handbook for Water Utilities (Handbook) issued by the NSUARB. There are differences in the accounting treatment of certain transactions from Canadian generally accepted accounting principles in the areas of principal debt payments and gains and losses on the disposal of fixed assets.

Regulatory assets represent costs incurred that have been deferred as approved by the NSUARB and will be recovered through future rates collected from customers.

(b) Utility plant

Utility plant in service (schedule A) is recorded at cost, including interest capitalized on the financing of projects during construction. Contributions for capital expenditures are credited to the contributed capital surplus account. Structures and land taken out of service are removed from utility plant in service and placed in plant not in service at cost less accumulated depreciation. Losses or gains related to assets retired, demolished or sold are charged or credited to contributed capital surplus for the period.

The Handbook permits the recording of contributed assets. The estimated value of contributed assets is credited to contributed capital surplus. Commencing in fiscal 2005, contributed assets are depreciated over their estimated remaining useful lives. The related contributed capital surplus is being amortized on the same basis as the contributed assets to which it relates.

The Commission has implemented a policy to account for infrastructure extensions into its water and wastewater/stormwater service districts, which for the most part will be recovered by capital contributions from developers in current and future periods. The objective is for these extensions to be cost neutral to the Commission with regard to current customers, unless there is a benefit to them. The related infrastructure extensions may include costs incurred by the Commission to provide additional capacity, not required at the present time, but undertaken to allow for future expansion. The estimated portion of these costs that do not benefit existing customers are recorded as contributed assets. The capital cost contribution is credited to contributed capital surplus when receivable and estimates adjusted, if required, when the development into the water service area is complete. The capital cost contributions are subject to approval by the NSUARB.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011

(in thousands)

2. Summary of significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, net of bank indebtedness.

(d) Depreciation

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

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

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

(e) Depreciation fund

The Commission does not maintain a depreciation fund. The Commission has received NSUARB approval for exemption from setting up a depreciation fund as long as net depreciable additions to plant exceed the depreciation charged.

(f) Materials and supplies

Materials and supplies inventories are carried at the lower of cost and net realizable value with cost being determined on a moving average cost basis. The cost of materials and supplies recognized as an expense during the period was \$286 (2010 - \$320).

(g) Revenues and expenditures

All revenues and expenditures are recorded on an accrual basis. Receivables include outstanding revenue billed by the Commission and estimated metered revenue not yet billed.

(h) Long term debt

Interest on long term debt is recorded on an accrual basis. Debt issue costs are deferred and amortized over the term of the debt to which it relates.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011
(in thousands)

2. Summary of significant accounting policies (continued)

(i) Reserves

Certain funds within the reserves can be used for capital expenditures only with the approval of the NSUARB. The Wastewater and Stormwater reserve does not require approval from the NSUARB for capital expenditures. System connection charges approved by the NSUARB are added to these reserves as collected. The reserves are to be used for capital expenditures on the wastewater/stormwater system (note 8).

(j) Measurement uncertainty

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Significant estimates and assumptions are not limited to but include the following:

Specifically, at year end, revenue from water and wastewater services have 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 also used in the actuarial determination of the deferred pension liability and the accrued post retirement benefit. These assumptions are outlined in note 4 of the financial statements.

Actual results could differ from these estimates.

(k) Financial instruments

The Commission is required to initially recognize and measure its financial assets and liabilities at fair value. Loans and receivables, held to maturity financial assets and other financial liabilities are subsequently measured at cost or amortized cost.

The Commission classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired; c) available for sale - measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011

(in thousands)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

The Commission's financial assets and liabilities are classified and measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Receivable from HRM	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost

Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of the Commission's financial instruments approximates their carrying values.

3. Contingent liabilities

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

The Commission has been named along with the contractor for a flooding incident that occurred as a result of an overflow of wastewater at a pumping station associated with the HHS project. The claim is being defended by the Commission's insurer and the Commission believes its exposure in this regard is minimal.

The Commission has several outstanding grievances for alleged violations of the collective agreements with its union. These grievances are working their way through the grievance process provided for in the collective agreements. The financial risk of these grievances is not considered material.

4. Pension plan and post retirement benefits

The Commission maintains a contributory defined benefit pension plan for all employees and offers post retirement health and insurance benefits to its employees. The pension plan provides pensions based upon length of service and best five years' earnings. The Commission follows the recommendations of Section 3461 "Employee Future Benefits" of the CICA Handbook.

The Commission is responsible for funding the employer share of the contributions to the HRM pension plan for certain employees that transferred from HRM as of August 1, 2007. During the year, the Commission funded \$670 in contributions to the HRM plan.

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. Extended health coverage for these retirees and their spouses after the age of 65 is available on an optional basis at 100% retiree cost.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011

(in thousands)

4. Pension plan and post retirement benefits (continued)

Information about the Commission's plans, based on an actuarial extrapolation as at March 31, 2011, is as follows:

	2011	2010	2011 Post Retirement Benefits	2010 Post Retirement Benefits
	<u>Pension Plan</u>	<u>Pension Plan</u>	<u>Retirement Benefits</u>	<u>Retirement Benefits</u>
Accrued benefit obligation				
Balance, beginning of year	\$ 70,716	\$ 50,458	\$ 629	\$ 634
Current service cost	3,825	2,124	-	-
Interest cost	4,065	3,775	27	39
Actuarial loss	4,069	16,728	-	-
Benefit payments	(2,655)	(2,401)	(85)	(100)
Transfers in	38	32	-	-
Actuarial gain	-	-	7	56
Balance, end of year	<u>80,058</u>	<u>70,716</u>	<u>578</u>	<u>629</u>
Fair value of plan assets				
Balance, beginning of year	50,105	41,417	-	-
Actual return on plan assets	4,273	7,835	-	-
Transfers in	38	32	-	-
Benefit payments	(2,655)	(2,401)	-	-
Contributions: Employee	1,516	1,286	-	-
Employer	2,166	1,936	-	-
Balance, end of year	<u>55,443</u>	<u>50,105</u>	<u>-</u>	<u>-</u>
Plan deficit	<u>24,615</u>	<u>20,611</u>	<u>578</u>	<u>629</u>
Unamortized transitional asset	\$ 1,179	\$ 1,375	\$ -	\$ -
Unamortized experience loss	(21,021)	(18,478)	225	243
Unamortized plan amendments	(828)	(923)	-	-
Accrued benefit liability	<u>\$ 3,945</u>	<u>\$ 2,585</u>	<u>\$ 803</u>	<u>\$ 872</u>
Accrued benefit liability, beginning of year	\$ 2,585	\$ 2,726	\$ 872	\$ 948
Expense for 2010/2011	3,526	1,795	16	24
Employer contributions for 2010/2011	<u>(2,166)</u>	<u>(1,936)</u>	<u>(85)</u>	<u>(100)</u>
Accrued benefit liability recognized	<u>\$ 3,945</u>	<u>\$ 2,585</u>	<u>\$ 803</u>	<u>\$ 872</u>

Administration and pension expense includes pension expense of \$3,526 (2010 - \$1,795). This amount includes the amortization of experience gains and losses and plan improvements. Amortization is calculated on a straight-line basis over the estimated average remaining service life of the employee group, currently estimated at 17 years.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011
(in thousands)

4. Pension plan and post retirement benefits (continued)

The following assumptions have been used in the actuarial extrapolation of the accrued benefit liability at March 31, 2011:

	Pension Plan 2011	Pension Plan 2010	Post Retirement Benefits 2011	Post Retirement Benefits 2010
Discount rate	5.40%	5.70%	4.50%	4.75%
Expected return on plan assets	6.00%	6.75%	N/A	N/A
Rate of compensation increase	3.75%	3.75%	N/A	N/A
Expenses for life benefits as a % of claims	N/A	N/A	5-10%	5-10%
Health benefit inflation per year	N/A	N/A	5-10%	5-10%
Dental benefit inflation per year	N/A	N/A	5%	5%

Funding for the pension plan is based on regular actuarial reviews. There was an actuarial valuation completed January 1, 2011 and the next review is scheduled for no later than January 1, 2014.

5. Regulatory asset

In June 2011, the NSUARB granted the Commission approval to defer depreciation charges on certain assets transferred in 2010 from HRM relating to the Halifax Harbour Solutions Project. As a result, the Commission has recognized a \$2,078 regulatory asset. The amortization of this asset will be determined by the NSUARB in early fiscal 2012. In absence of rate regulation, the Commission would have otherwise recorded \$2,078 of additional depreciation in the determination of excess of expenditures over revenues on the statement of operations.

6. Pre-retirement leave (long term service award)

The Commission has a non-funded pre-retirement leave benefit that is payable on retirement, termination or death if the employee has at least 10 years of continuous service. The benefit is equal to three days' pay for each completed year of service, up to a maximum of six month's salary.

	2011	2010
Pre-retirement leave liability	\$ 2,600	\$ 2,447

The following assumptions have been used in the valuation of the Halifax Regional Water Commission's pre-retirement leave liability at March 31, 2011:

	2011	2010
Pre-retirement benefits		
Discount rate	5.40%	5.70%
Rate of compensation increase	3.75%	3.75%

7. Return on rate base of water service

	2011	2010
Rate of return on rate base	3.40%	4.47%

The return on rate base is calculated for water service. The wastewater/stormwater assets were transferred to the Commission in exchange for the debt servicing responsibilities associated with these facilities and therefore were not included in rate base.

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011
(in thousands)

8. Special purpose reserves

	Other Capital Reserves	Sewer Redevelopment Reserve	Wastewater Infrastructure Reserve	Wastewater & Stormwater Reserve	2011 Total	2010 Total
Reserve, beginning of year	\$ 190	\$ 4,712	\$ 8,017	\$ 7,438	\$ 20,357	\$ 22,450
Additions	207	-	-	-	207	3,600
Contributions and interest	-	1,574	2,055	-	3,629	2,474
Expenditures	-	(3,438)	(361)	(2,421)	(6,220)	(8,167)
Reserve, end of year	<u>\$ 397</u>	<u>\$ 2,848</u>	<u>\$ 9,711</u>	<u>\$ 5,017</u>	<u>\$ 17,973</u>	<u>\$ 20,357</u>

9. Commitments

An agreement with HRM for renewal of the dividend/grant in lieu of taxes for fiscal years 2011 to 2015 for water services was approved by the NSUARB as part of the January 1, 2011 rate decision. There was no dividend/grant in lieu of taxes approved for wastewater/stormwater. The Commission is committed to a payment of \$3,944 million for the 2012 fiscal year.

10. Supplemental cash flow information

	2011	2010
Changes in non-cash operating working capital items		
Receivables	\$ 437	\$ (3,700)
Materials and supplies	(70)	28
Prepays	(105)	72
Payables and accruals	1,812	4,396
Accrued interest on long term debt	(111)	-
Contractor and consumer deposits	5	35
Unearned revenue	26	18
	<u>\$ 1,994</u>	<u>\$ 849</u>

During the year, plant in service of \$52,370 (2010 - \$21,047) was contributed and recorded as donated assets.

Interest paid during the year was \$8,896 (2010 - \$9,026).

Halifax Regional Water Commission

Notes to the financial statements

March 31, 2011

(in thousands)

11. Capital management

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

The Commission considers its total capitalization to include all long term debt and total equity. The calculation is set out in the following table:

	<u>2011</u>	<u>2010</u>
Long-term debt (current portion)	\$ 13,272	\$ 13,211
Long-term debt	<u>146,118</u>	<u>155,958</u>
Funded debt	159,390	169,169
Equity	<u>778,587</u>	<u>569,614</u>
Capital under management	<u>\$ 937,977</u>	<u>\$ 738,783</u>

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

12. Related party transactions

On August 1, 2010, the remaining components of the Halifax Harbour Solutions Project ("HHS Project") were transferred to the Commission from HRM. This transaction is non-cash and the transfer was approved by the NSUARB. The utility plant transferred has been recorded at HRM's recorded net book value of \$167,241 and credited to contributed capital surplus.

The transfer of \$4,600 represents net settlements to HRM for the Beaverbank Reservoir, a project previously managed by HRM that has been transferred to the Commission, along with final payments to conclude the HHS Project, net of HHS Project funds transferred to the Commission. These transactions were recorded at carrying value.

Transactions with HRM are recorded at carrying value in accordance with the CICA Handbook Section 3840 "Related Party Transactions".

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

13. Comparative figures

Certain of the comparative figures for 2010 have been reclassified to conform with the financial statement presentation adopted for 2011.

Halifax Regional Water Commission

Schedule of utility plant in service

Schedule A

Year ended March 31, 2011
(in thousands)

2011

2010

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Water				
Intangible plant	\$ 546	\$ 111	\$ 435	\$ 490
Land and land rights	15,909	-	15,909	15,660
Structures and improvements	75,421	21,150	54,271	54,918
Pumping equipment	7,992	4,773	3,219	3,397
Purification equipment	25,256	14,028	11,228	12,186
Transmission and distribution mains	282,714	57,459	225,255	209,313
Services	28,178	3,474	24,704	23,276
Meters	10,824	2,676	8,148	7,562
Hydrants	16,537	2,293	14,244	13,317
Tools and work equipment	2,302	1,535	767	695
Transportation equipment	4,576	2,252	2,324	2,765
Office equipment and furniture	8,385	5,567	2,818	2,658
Airport Aerotech system	595	119	476	330
Small systems	7,694	713	6,981	3,458
	<u>486,929</u>	<u>116,150</u>	<u>370,779</u>	<u>350,025</u>
Wastewater/stormwater				
Intangible plant	4,001	829	3,172	3,471
Land and land rights	8,573	-	8,573	966
Structures and improvements	151,352	33,505	117,847	75,593
Pumping and treatment equipment	130,630	5,905	124,725	55,552
Manholes and catchbasins	4,215	62	4,153	1,046
Collection system	290,546	56,019	234,527	167,599
Laterals	5,478	187	5,291	4,730
Outfalls	15,312	86	15,226	7,075
Tools and work equipment	729	119	610	29
Transportation equipment	5,743	5,422	321	75
Office equipment	648	226	422	900
Small systems	5,777	747	5,030	1,564
Airport Aerotech system	3,115	158	2,957	2,296
	<u>626,119</u>	<u>103,265</u>	<u>522,854</u>	<u>320,896</u>
Total	<u>\$ 1,113,048</u>	<u>\$ 219,415</u>	<u>\$ 893,633</u>	<u>\$ 670,921</u>

During the year, the amount of \$322 of interest was capitalized to Utility Plant in Service.

Schedule of long term debt

Year ended March 31, 2011

(in thousands)

	Interest Rate	Final Maturity	Balance Remaining	
			2011	2010
Payable to Municipal Finance Corporation				
Water				
Debenture 21 A 1	5.250% to 6.250%	2011	\$ 1,901	\$ 2,303
Debenture 22 A 1	4.250% to 6.125%	2012	2,620	2,930
Debenture 25 A 1	2.970% to 4.560%	2015	3,750	4,000
Debenture 96 A 1	5.500% to 8.000%	2016	480	560
Debenture 26 A 1	4.350% to 4.880%	2016	3,200	3,400
Debenture 27 A 1	4.650% to 5.010%	2017	6,776	7,577
Debenture 23 A 1	3.500% to 5.750%	2018	1,300	1,400
Debenture 98 A 1	5.625% to 6.125%	2019	24,019	26,288
Debenture 99 A 1	6.500% to 6.750%	2019	2,025	2,250
Debenture 28 A 1	3.750% to 5.088%	2023	1,800	1,900
Debenture 20 A 1	6.125% to 6.375%	2020	1,750	1,925
Halifax Harbour Solutions				
Debenture 29 A 1	0.900% to 4.329%	2019	12,350	13,000
Wastewater/stormwater				
Debenture 30 A 1	1.510% to 4.500%	2020	3,400	-
Payable to Halifax Regional Municipality				
Municipal Finance Corporation – Wastewater/stormwater				
Debenture 99 A 1	5.250% to 5.375%	2010	-	256
Debenture 20 A 1	6.750% to 6.875%	2010	-	17
Debenture 20 B 1	6.250% to 6.375%	2010	-	14
Debenture 21 A 1	8.000% to 8.000%	2012	85	171
Debenture 21 B 1	3.125% to 6.000%	2011	15	31
Debenture 22 A 1	3.375% to 6.125%	2012	176	263
Debenture 22 B 1	3.250% to 5.625%	2012	89	133
Debenture 23 A 1	3.500% to 5.375%	2013	136	182
Debenture 23 B 1	2.750% to 5.000%	2013	13	17
Debenture 24 A 1	2.550% to 5.450%	2014	333	416
Debenture 24 B 1	2.840% to 5.940%	2024	77,138	82,672
Debenture 24 C 1	7.000% to 7.000%	2015	235	293
Debenture 25 A 1	2.970% to 4.560%	2015	869	1,043
Debenture 25 B 1	3.630% to 4.830%	2020	169	203
Debenture 26 A 1	4.350% to 4.880%	2016	753	879
Debenture 26 B 1	4.265% to 4.410%	2016	29	34
Debenture 27 A 1	4.450% to 4.625%	2017	460	525
Federation of Canadian Municipalities – Wastewater/stormwater				
Debenture GMIF 1599	1.330% to 3.127%	2014	14,000	15,000
			<u>159,871</u>	<u>169,682</u>
Less: debt issue costs			481	513
			<u>159,390</u>	<u>169,169</u>
Less: amount payable within one year			13,272	13,211
			<u>\$ 146,118</u>	<u>\$ 155,958</u>

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

2012	\$ 13,272
2013	\$ 13,109
2014	\$ 13,067
2015	\$ 13,230
2016	\$ 13,278

Halifax Regional Water Commission

Schedule of operations for water service

Schedule C

Year ended March 31, 2011
(in thousands)

	2011		2010
	Budget	Actual	Actual
Operating revenues			
Water service	\$ 31,334	\$ 30,719	\$ 31,017
Fire protection	8,837	9,502	9,502
Private fire protection services	1,798	362	355
Other operating revenue			
Bulk water stations	209	278	251
Customer late payment fees	163	146	144
Miscellaneous	136	183	281
	<u>42,477</u>	<u>41,190</u>	<u>41,550</u>
Operating expenditures			
Water supply and treatment	6,698	6,286	7,042
Water transmission and distribution	9,017	7,928	7,555
Engineering and information services	2,992	2,827	2,317
Environmental services	682	507	459
Customer service	1,714	1,696	1,510
Administration and pension	2,240	3,327	2,414
Depreciation	6,525	6,263	6,028
	<u>29,868</u>	<u>28,834</u>	<u>27,325</u>
Operating profit	<u>12,609</u>	<u>12,356</u>	<u>14,225</u>
Financial and other revenues			
Interest	66	273	137
Other	115	208	235
	<u>181</u>	<u>481</u>	<u>372</u>
Financial and other expenditures			
Interest on long term debt	2,983	2,806	3,191
Repayment of long term debt	5,000	4,925	4,780
Amortization of debt discount	57	58	56
Grant in lieu of taxes	3,700	3,749	3,626
	<u>11,740</u>	<u>11,538</u>	<u>11,653</u>
Excess of revenues over expenditures	<u>\$ 1,050</u>	<u>\$ 1,299</u>	<u>\$ 2,944</u>

Halifax Regional Water Commission
**Schedule of operations for wastewater/
stormwater services**

Schedule D

Year ended March 31, 2011
(in thousands)

	<u>2011</u>		<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues			
Wastewater/stormwater services	\$ 49,688	\$ 45,532	\$ 42,829
Other operating revenue			
Leachate and other contract revenue	446	556	449
Sludge tipping	800	552	828
Overstrength surcharge	1,252	232	(75)
Customer late payment fees	153	119	122
Miscellaneous	176	176	7
	<u>52,515</u>	<u>47,167</u>	<u>44,160</u>
Operating expenditures			
Wastewater/stormwater collection	14,340	13,562	13,410
Wastewater treatment	18,148	17,139	10,090
Engineering and information services	2,928	2,762	2,455
Environmental pollution control	1,954	1,607	1,256
Customer service	1,651	1,633	1,452
Administration and pension	2,157	3,209	1,733
Depreciation	3,977	2,602	305
	<u>45,155</u>	<u>42,514</u>	<u>30,701</u>
Operating profit	<u>7,360</u>	<u>4,653</u>	<u>13,459</u>
Financial and other revenues			
Interest	64	272	132
Other	2,131	2,071	2,126
	<u>2,195</u>	<u>2,343</u>	<u>2,258</u>
Financial and other expenditures			
Interest on long term debt	5,803	6,056	5,835
Repayment of long term debt	8,046	8,193	8,296
Amortization of debt discount	10	12	4
	<u>13,859</u>	<u>14,261</u>	<u>14,135</u>
Excess of (expenditures over revenues) revenues over expenditures	<u>\$ (4,304)</u>	<u>\$ (7,265)</u>	<u>\$ 1,582</u>

Halifax Regional Water Commission
Airport aerotech system
Schedule of operations for water service

Schedule E

Year ended March 31, 2011
(in thousands)

	2011		2010
	Budget	Actual	Actual
Operating revenues			
Metered sales	\$ 577	\$ 503	\$ 562
Fire protection	142	142	142
Customer late payment charges	-	1	-
Miscellaneous	5	5	5
	<u>724</u>	<u>651</u>	<u>709</u>
Operating expenditures			
Plant operations	587	537	576
Pumping stations	29	22	21
Transmission and distribution	153	81	77
Depreciation	66	42	36
	<u>835</u>	<u>682</u>	<u>710</u>
Operating loss	<u>(111)</u>	<u>(31)</u>	<u>(1)</u>
Financial and other expenditures			
Interest on long term debt	-	23	-
Repayment of long term debt	-	27	-
	<u>-</u>	<u>50</u>	<u>-</u>
Excess of expenditures over revenues	<u>\$ (111)</u>	<u>\$ (81)</u>	<u>\$ (1)</u>

Halifax Regional Water Commission
Airport aerotech system
**Schedule of operations for wastewater/
stormwater services**

Year ended March 31, 2011
(in thousands)

	2011		2010
	Budget	Actual	Actual
Operating revenues			
Metered sales	\$ 566	\$ 501	\$ 576
Dewater facility/sludge lagoon	95	98	95
Airline effluent	15	34	40
Customer late payment charges	32	38	-
Area charges	1	1	36
	<u>709</u>	<u>672</u>	<u>747</u>
Operating expenditures			
Wastewater treatment	536	696	493
Wastewater/stormwater collection	80	89	64
Depreciation	-	17	8
	<u>616</u>	<u>802</u>	<u>565</u>
Operating (loss) profit	<u>93</u>	<u>(130)</u>	<u>182</u>
Financial and other expenditures			
Interest on long term debt	-	11	-
Repayment of long term debt	-	13	-
	<u>-</u>	<u>24</u>	<u>-</u>
Excess of (expenditures over revenues) revenues over expenditures	<u>\$ 93</u>	<u>\$ (154)</u>	<u>\$ 182</u>