



Grant Thornton

Financial Statements

(NSUARB Accounting and Reporting Handbook)

Halifax Regional Water Commission

March 31, 2013

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## Independent auditor's report

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

We have audited the accompanying financial statements of Halifax Regional Water Commission, which comprise the balance sheet as at March 31, 2013, and the statements of operations, contributed capital surplus, operating surplus, operating surplus used to fund capital 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, 2013 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 18 to 23 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.

*Grant Thornton LLP*

Halifax, Canada  
June 6, 2013

Chartered Accountants

# Halifax Regional Water Commission

## Statement of operations

Year ended March 31, 2013  
(in thousands)

|                                      | 2013                  |                | 2012          |
|--------------------------------------|-----------------------|----------------|---------------|
|                                      | Budget<br>(Unaudited) | Actual         | Actual        |
| Operating revenues                   |                       |                |               |
| Water service                        | \$ 30,572             | \$ 32,218      | \$ 30,562     |
| Wastewater/stormwater services       | 54,221                | 57,896         | 54,383        |
| Fire protection                      | 9,502                 | 9,844          | 9,502         |
| Private fire protection services     | 367                   | 370            | 366           |
| Airport Aerotech system              | 1,295                 | 1,397          | 1,352         |
| Other operating revenue              | 2,399                 | 2,345          | 2,662         |
|                                      | <u>98,356</u>         | <u>104,070</u> | <u>98,827</u> |
| Operating expenditures               |                       |                |               |
| Water supply and treatment           | 7,314                 | 6,863          | 6,598         |
| Water transmission and distribution  | 8,930                 | 8,372          | 7,834         |
| Wastewater/stormwater collection     | 15,808                | 12,781         | 15,008        |
| Wastewater treatment                 | 17,873                | 16,762         | 16,380        |
| Engineering and information services | 6,608                 | 6,564          | 5,813         |
| Environmental services               | 2,486                 | 2,503          | 2,290         |
| Customer service                     | 3,513                 | 3,793          | 3,330         |
| Administration and pension           | 6,693                 | 9,365          | 7,121         |
| Airport Aerotech system              | 1,801                 | 1,857          | 1,520         |
| Depreciation                         | 15,035                | 14,177         | 11,347        |
|                                      | <u>86,061</u>         | <u>83,037</u>  | <u>77,241</u> |
| Operating profit                     | <u>12,295</u>         | <u>21,033</u>  | <u>21,586</u> |
| Financial and other revenues         |                       |                |               |
| Interest                             | 480                   | 674            | 402           |
| Other                                | 2,256                 | 2,295          | 2,193         |
|                                      | <u>2,736</u>          | <u>2,969</u>   | <u>2,595</u>  |
|                                      | <u>15,031</u>         | <u>24,002</u>  | <u>24,181</u> |
| Financial and other expenditures     |                       |                |               |
| Interest on long term debt           | 8,456                 | 7,605          | 8,100         |
| Repayment of long term debt          | 13,693                | 14,566         | 13,066        |
| Amortization of debt discount        | 97                    | 88             | 64            |
| Grant in lieu of taxes (note 13)     | 3,932                 | 3,971          | 3,944         |
|                                      | <u>26,178</u>         | <u>26,230</u>  | <u>25,174</u> |
| Excess of expenditures over revenues | \$ (11,147)           | \$ (2,228)     | \$ (993)      |

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Balance sheet

March 31  
(in thousands)

2013

2012

### Assets

#### Current

|                                  |    |               |    |               |
|----------------------------------|----|---------------|----|---------------|
| Cash and cash equivalents        | \$ | 22,353        | \$ | 16,403        |
| Receivables                      |    |               |    |               |
| Customer charges and contractual |    | 23,861        |    | 20,563        |
| Halifax Regional Municipality    |    | 2,115         |    | 1,385         |
| Materials and supplies           |    | 1,294         |    | 1,154         |
| Prepays                          |    | 748           |    | 709           |
|                                  |    | <u>50,371</u> |    | <u>40,214</u> |

|                                               |    |                  |    |                |
|-----------------------------------------------|----|------------------|----|----------------|
| Receivable from Halifax Regional Municipality |    | -                |    | 163            |
| Regulatory asset (note 5)                     |    | 4,156            |    | 4,156          |
| Plant under construction                      |    | 44,597           |    | 23,951         |
| Utility plant in service (schedule A)         |    | 937,692          |    | 900,385        |
|                                               | \$ | <u>1,036,816</u> | \$ | <u>968,869</u> |

### Liabilities

#### Current

|                                                |    |               |    |               |
|------------------------------------------------|----|---------------|----|---------------|
| Payables and accruals                          |    |               |    |               |
| Trade                                          | \$ | 17,203        | \$ | 15,484        |
| Interest on long term debt                     |    | 1,653         |    | 1,421         |
| Halifax Regional Municipality                  |    | 2,281         |    | 1,235         |
| Contractor and customer deposits               |    | 194           |    | 177           |
| Current portion of long term debt (schedule B) |    | 15,553        |    | 13,109        |
| Unearned revenue                               |    | 117           |    | 119           |
|                                                |    | <u>37,001</u> |    | <u>31,545</u> |

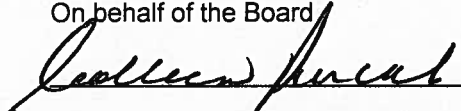
|                                           |  |                |  |                |
|-------------------------------------------|--|----------------|--|----------------|
| Long term debt (schedule B)               |  | 166,879        |  | 133,063        |
| Accrued pension liability (note 4)        |  | 7,107          |  | 4,309          |
| Accrued post retirement benefits (note 4) |  | 677            |  | 741            |
| Accrued long term service awards (note 6) |  | 2,929          |  | 2,780          |
|                                           |  | <u>214,593</u> |  | <u>172,438</u> |

### Equity

|                                                 |    |                  |    |                |
|-------------------------------------------------|----|------------------|----|----------------|
| Special purpose reserves (note 8)               |    | 22,670           |    | 19,627         |
| Contributed capital surplus (page 5)            |    | 786,170          |    | 761,180        |
| Operating surplus (page 5)                      |    | 1,003            |    | 3,244          |
| Operating surplus used to fund capital (page 5) |    | 12,380           |    | 12,380         |
|                                                 |    | <u>822,223</u>   |    | <u>796,431</u> |
|                                                 | \$ | <u>1,036,816</u> | \$ | <u>968,869</u> |

Contingent liabilities (note 3)  
Commitments (note 9)  
Subsequent events (note 15)

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  
(in thousands)

2013

2012

Increase (decrease) in cash and cash equivalents

| <b>Operating</b>                                             |                  |                  |
|--------------------------------------------------------------|------------------|------------------|
| Excess of expenditures over revenues                         | \$ (2,228)       | \$ (993)         |
| Refund of Airport Aerotech stormwater revenue                | -                | (86)             |
| Depreciation and amortization                                | 15,328           | 12,270           |
| Accrued pension liability                                    | 2,798            | 364              |
| Decrease in accrued post retirement benefits                 | (64)             | (62)             |
| Repayment of long term debt                                  | 14,566           | 13,066           |
| Increase in accrued long term service awards                 | <u>149</u>       | <u>180</u>       |
|                                                              | <b>30,549</b>    | <b>24,739</b>    |
| Change in non-cash operating working capital items (note 10) | <u>(1,195)</u>   | <u>14,807</u>    |
|                                                              | <b>29,354</b>    | <b>39,546</b>    |
| <b>Financing</b>                                             |                  |                  |
| Proceeds from issuance of long term debt                     | 51,726           | -                |
| Decrease in receivable from Halifax Regional Municipality    | 163              | 13               |
| Contributions to reserves                                    | 4,024            | 3,158            |
| Debt issue costs                                             | (357)            | (54)             |
| Principal repayment on Harbour Solutions long term debt      | (6,500)          | (6,500)          |
| Principal repayments of long term debt                       | <u>(8,609)</u>   | <u>(6,772)</u>   |
|                                                              | <b>40,447</b>    | <b>(10,155)</b>  |
| <b>Investing</b>                                             |                  |                  |
| Capital cost contributions                                   | 2,643            | 1,492            |
| Proceeds from sale of plant in service                       | 670              | 71               |
| Purchase of plant under construction                         | (33,388)         | (14,199)         |
| Purchase of utility plant in service                         | <u>(33,776)</u>  | <u>(16,082)</u>  |
|                                                              | <b>(63,851)</b>  | <b>(28,718)</b>  |
| Increase in cash and cash equivalents                        | 5,950            | 673              |
| Cash and cash equivalents, beginning of year                 | <u>16,403</u>    | <u>15,730</u>    |
| Cash and cash equivalents, end of year                       | <b>\$ 22,353</b> | <b>\$ 16,403</b> |

See accompanying notes to the financial statements.

## Halifax Regional Water Commission Statement of contributed capital surplus

| Year ended March 31<br>(in thousands)                      | 2013              | 2012              |
|------------------------------------------------------------|-------------------|-------------------|
| Contributed capital surplus, beginning of year             | \$ 761,180        | \$ 743,911        |
| Contributions to plant in service                          | 18,683            | 15,203            |
| Transfer from special purpose reserve (note 8)             | 981               | 1,504             |
| Debt repayment                                             | 14,566            | 13,066            |
| Gain (loss) on sale of land                                | 531               | (37)              |
| Capital surplus transferred with Halifax Harbour Solutions | -                 | (52)              |
|                                                            | <u>795,941</u>    | <u>773,595</u>    |
| Less: amortization (note 2(b))                             | <u>9,771</u>      | <u>12,415</u>     |
| Contributed capital surplus, end of year                   | <u>\$ 786,170</u> | <u>\$ 761,180</u> |

## Halifax Regional Water Commission Statement of operating surplus

| Year ended March 31<br>(in thousands)                | 2013            | 2012            |
|------------------------------------------------------|-----------------|-----------------|
| Operating surplus, beginning of year                 | \$ 3,244        | \$ 8,043        |
| Operating surplus used to fund capital               | -               | (3,720)         |
| Excess of expenditures over revenues                 | (2,228)         | (993)           |
| Refund of Airport Aerotech stormwater revenue        | -               | (86)            |
| Stewardship contributions charged to current surplus | <u>(13)</u>     | <u>-</u>        |
| Operating surplus, end of year                       | <u>\$ 1,003</u> | <u>\$ 3,244</u> |

## Halifax Regional Water Commission Statement of operating surplus used to fund capital

| Year ended March 31<br>(in thousands)                             | 2013             | 2012             |
|-------------------------------------------------------------------|------------------|------------------|
| Operating surplus used to fund capital, beginning of year         | \$ 12,380        | \$ 8,660         |
| Additions to utility plant in service funded by operating surplus | <u>-</u>         | <u>3,720</u>     |
| Operating surplus used to fund capital, end of year               | <u>\$ 12,380</u> | <u>\$ 12,380</u> |

See accompanying notes to the financial statements.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

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### 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.

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### 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 including the accounting 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 contributed capital surplus. 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.



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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

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### 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<br>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 \$290 (2012 - \$277).

#### (g) Revenues and expenditures

All revenues and expenditures are recorded on an accrual basis with the exception of repayment of long term debt. 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.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

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### 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. All reserve withdrawals in excess of \$250,000 require approval from the NSUARB. 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:

- At year end, revenue from water 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 also used in the actuarial determination of the accrued pension liability, accrued post retirement benefits, and accrued long term service awards. These assumptions are outlined in notes 4 and 6.

Actual results could differ from these estimates.

#### (k) Financial instruments

The Commission initially recognizes and measures 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; and c) 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.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

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### 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     |
| Deposits               | 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.

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### 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 Halifax Harbour Solutions (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 certain outstanding grievances for alleged violations of the collective agreements with its unions. The financial risk of these grievances is not considered material.

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### 4. Pension plan and post retirement benefits

The Commission is responsible for funding the employer share of the contributions to the HRM pension plan for certain employees that transferred from HRM as of August 1, 2007. HRM administers this defined benefit pension plan and the Commission reimburses HRM for the pension costs related to the Commission's proportionate share of the employees covered under the plan. Due to the nature of the plan, the Commission does not have sufficient information to account for the plan as a defined benefit; therefore, the multiemployer defined benefit plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period when the Commission is obligated to make contributions for services rendered by the employee. During the year, the Commission funded \$709 (2012 - \$637) in contributions to the plan.

For all other employees, the Commission maintains a defined benefit pension plan and offers post retirement health and insurance benefits to all of its employees. The pension plan provides pensions based upon length of service and best five years' earnings. This defined pension plan is funded by employer and employee contributions, each contributing 10.47% of regular employee earnings. The Commission follows the recommendations of Section 3461 "Employee Future Benefits" of the CICA Handbook, Part V (Pre-changeover accounting standards).

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

### 4. Pension plan and post retirement benefits (continued)

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 1, 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.

Information about the Commission's plans, based on an actuarial extrapolation as at March 31, 2013, is as follows:

|                                                 | 2013                | 2012                | 2013<br>Post<br>Retirement<br>Benefits | 2012<br>Post<br>Retirement<br>Benefits |
|-------------------------------------------------|---------------------|---------------------|----------------------------------------|----------------------------------------|
|                                                 | <u>Pension Plan</u> | <u>Pension Plan</u> | <u>Benefits</u>                        | <u>Benefits</u>                        |
| <b>Accrued benefit obligation</b>               |                     |                     |                                        |                                        |
| Balance, beginning of year                      | \$ 100,192          | \$ 80,058           | \$ 726                                 | \$ 578                                 |
| Current service cost                            | 6,542               | 4,096               | -                                      | -                                      |
| Interest cost                                   | 4,583               | 4,347               | 24                                     | 24                                     |
| Actuarial loss                                  | 4,209               | 14,897              | -                                      | -                                      |
| Benefit payments                                | (3,252)             | (3,217)             | (88)                                   | (76)                                   |
| Transfers in                                    | 17                  | 11                  | -                                      | -                                      |
| Actuarial gain                                  | -                   | -                   | 74                                     | 200                                    |
| Balance, end of year                            | <u>112,291</u>      | <u>100,192</u>      | <u>736</u>                             | <u>726</u>                             |
| <b>Fair value of plan assets</b>                |                     |                     |                                        |                                        |
| Balance, beginning of year                      | 60,201              | 55,443              | -                                      | -                                      |
| Actual return on plan assets                    | 4,325               | 2,689               | -                                      | -                                      |
| Transfers in                                    | 17                  | 11                  | -                                      | -                                      |
| Benefit payments                                | (3,252)             | (3,217)             | -                                      | -                                      |
| Contributions: Employee                         | 2,138               | 1,692               | -                                      | -                                      |
| Employer                                        | 3,760               | 3,583               | -                                      | -                                      |
| Balance, end of year                            | <u>67,189</u>       | <u>60,201</u>       | <u>-</u>                               | <u>-</u>                               |
| Plan deficit                                    | 45,102              | 39,991              | 736                                    | 726                                    |
| Unamortized transitional asset                  | 786                 | 982                 | -                                      | -                                      |
| Unamortized experience (loss) gain              | (38,144)            | (35,932)            | (59)                                   | 15                                     |
| Unamortized plan amendments                     | (637)               | (732)               | -                                      | -                                      |
| Accrued benefit liability                       | <u>\$ 7,107</u>     | <u>\$ 4,309</u>     | <u>\$ 677</u>                          | <u>\$ 741</u>                          |
| Accrued benefit liability,<br>beginning of year | \$ 4,309            | \$ 3,945            | \$ 741                                 | \$ 803                                 |
| Expense                                         | 6,558               | 3,947               | 24                                     | 14                                     |
| Employer contributions                          | <u>(3,760)</u>      | <u>(3,583)</u>      | <u>(88)</u>                            | <u>(76)</u>                            |
| Accrued benefit liability recognized            | <u>\$ 7,107</u>     | <u>\$ 4,309</u>     | <u>\$ 677</u>                          | <u>\$ 741</u>                          |

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## Halifax Regional Water Commission

### Notes to the financial statements

March 31, 2013  
(in thousands)

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#### 4. Pension plan and post retirement benefits (continued)

Administration and pension expense includes pension expense of \$6,558 (2012 - \$3,947). 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 19 years.

The following assumptions have been used in the actuarial extrapolation of the accrued benefit liability at March 31, 2013:

|                                             | <b>Pension<br/>Plan<br/>2013</b> | Pension<br>Plan<br>2012 | <b>Post<br/>Retirement<br/>Benefits<br/>2013</b> | Post<br>Retirement<br>Benefits<br>2012 |
|---------------------------------------------|----------------------------------|-------------------------|--------------------------------------------------|----------------------------------------|
| Discount rate                               | 4.30%                            | 4.50%                   | 3.30%                                            | 3.60%                                  |
| Expected return on plan assets              | 6.00%                            | 6.00%                   | 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                     | 10%                                              | 10%                                    |
| Health benefit inflation per year           | N/A                              | N/A                     | 4.50-8.23%                                       | 4.50-8.50%                             |
| Dental benefit inflation per year           | N/A                              | N/A                     | 4.50%                                            | 4.50%                                  |

Funding for the pension plan is based on regular actuarial reviews. The last actuarial valuation was completed January 1, 2011 and the next review is scheduled for January 1, 2014.

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#### 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. Depreciation of \$2,078 was deferred in each of fiscal 2010-11 and 2011-2012. As a result, the Commission has recognized a \$4,156 regulatory asset. In absence of rate regulation, this regulatory asset would have been expensed as depreciation in fiscal 2010-11 and 2011-12. In May 2012, the NSUARB granted approval of the amortization of this asset over the remaining useful lives of the underlying assets, beginning in 2013-14.

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

### 6. Accrued long term service awards

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

|                                  | <u>2013</u>     | <u>2012</u>     |
|----------------------------------|-----------------|-----------------|
| Accrued long term service awards | <u>\$ 2,929</u> | <u>\$ 2,780</u> |

The following assumptions have been used in the valuation of the Commission's accrued long term service awards at March 31, 2013:

|                               | <u>2013</u>  | <u>2012</u> |
|-------------------------------|--------------|-------------|
| Discount rate                 | <b>4.30%</b> | 4.50%       |
| Rate of compensation increase | <b>3.75%</b> | 3.75%       |

### 7. Return on rate base

|                                                                     | <u>2013</u>      | <u>2012</u> |
|---------------------------------------------------------------------|------------------|-------------|
| Rate of return on rate base for water service                       | <b>2.42%</b>     | 2.87%       |
| Rate of return on rate base for wastewater/stormwater services      | <b>2.67%</b>     | 2.62%       |
| Rate of return on rate base for Airport Aerotech water service      | <b>(44.76)%</b>  | (3.88)%     |
| Rate of return on rate base for Airport Aerotech wastewater service | <b>(153.99)%</b> | (74.07)%    |

### 8. Special purpose reserves

|                               | <u>Other<br/>Capital<br/>Reserves</u> | <u>Sewer<br/>Redevelopment<br/>Reserve</u> | <u>Wastewater<br/>Infrastructure<br/>Reserve</u> | <u>Wastewater &amp;<br/>Stormwater<br/>Reserve</u> | <u>2013<br/>Total</u> | <u>2012<br/>Total</u> |
|-------------------------------|---------------------------------------|--------------------------------------------|--------------------------------------------------|----------------------------------------------------|-----------------------|-----------------------|
| Reserve,<br>beginning of year | \$ 397                                | \$ 4,112                                   | \$ 11,327                                        | \$ 3,791                                           | \$ 19,627             | \$ 17,973             |
| Additions                     | -                                     | -                                          | -                                                | -                                                  | -                     | -                     |
| Contributions and<br>interest | 4                                     | 1,784                                      | 2,236                                            | -                                                  | <b>4,024</b>          | 3,158                 |
| Expenditures                  | <u>(190)</u>                          | <u>(576)</u>                               | <u>-</u>                                         | <u>(215)</u>                                       | <u>(981)</u>          | <u>(1,504)</u>        |
| Reserve,<br>end of year       | <u>\$ 211</u>                         | <u>\$ 5,320</u>                            | <u>\$ 13,563</u>                                 | <u>\$ 3,576</u>                                    | <u>\$ 22,670</u>      | <u>\$ 19,627</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 \$4,187 for the 2014 fiscal year.

At March 31, 2013, the Commission had \$35,494 in expenditures from current and past approved capital budgets not yet expended.

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

| <b>10. Supplemental cash flow information</b>       | <b><u>2013</u></b>       | <b><u>2012</u></b>      |
|-----------------------------------------------------|--------------------------|-------------------------|
| Changes in non-cash operating working capital items |                          |                         |
| Receivables                                         | \$ (3,298)               | \$ 1,092                |
| Payable to/receivable from HRM, net                 | 316                      | 12,302                  |
| Materials and supplies                              | (140)                    | (11)                    |
| Prepays                                             | (39)                     | (56)                    |
| Payables and accruals, trade                        | 1,719                    | 1,581                   |
| Accrued interest on long term debt                  | 232                      | (127)                   |
| Contractor and consumer deposits                    | 17                       | 27                      |
| Unearned revenue                                    | (2)                      | (1)                     |
|                                                     | <b><u>\$ (1,195)</u></b> | <b><u>\$ 14,807</u></b> |

Interest paid during the year was \$7,605 (2012 - \$8,100).

### 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 used to finance capital projects.

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

|                                  | <b><u>2013</u></b>         | <b><u>2012</u></b>       |
|----------------------------------|----------------------------|--------------------------|
| Long term debt (current portion) | \$ 15,553                  | \$ 13,109                |
| Long term debt                   | <u>166,879</u>             | <u>133,063</u>           |
| Funded debt                      | <b>182,432</b>             | 146,172                  |
| Equity                           | <u>822,223</u>             | <u>796,431</u>           |
| Capital under management         | <b><u>\$ 1,004,655</u></b> | <b><u>\$ 942,603</u></b> |

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. Financial risk management

#### *Credit risk*

Credit risk arises from the possibility that the Commission's customers may experience financial difficulty and be unable to fulfill their obligations. The Commission's maximum exposure to credit risk corresponds to the customer charges and contractual accounts receivable. However, the Commission's customers are numerous and diverse, which reduces the concentration of credit risk. The Commission considers the credit quality of its accounts receivables that are neither past due or impaired to be collectible.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

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### 12. Financial risk management (continued)

#### *Interest risk*

Interest risk arises from the possibility that change in interest rate will cause the Commission a potential loss. All of the Commission's long term debt is at varying fixed rates and has staggered maturity dates. The Commission, therefore, considers its exposure to interest rate fluctuations to be minimal.

#### *Market risk*

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

#### *Liquidity risk*

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

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### 13. Related party transactions

Transactions with HRM are recorded at carrying value in accordance with Section 3840 "Related Party Transactions" of the CICA Handbook, Part V (Pre-changeover accounting standards).

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

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

During the year, the Commission had the following related party transactions with HRM:

- The Commission recorded revenue for provision of water, wastewater and stormwater services to HRM in the amount of \$552 (2012 - \$541).
  - The Commission recorded fire protection revenue from HRM of \$10,000 (2012 - \$9,644).
  - The Commission paid a grant in lieu of tax of \$3,971 (2012 - \$3,944).
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### 14. Comparative figures

Certain of the comparative figures for 2012 have been reclassified to conform with the financial statement presentation adopted for 2013.



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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2013  
(in thousands)

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### **15. Subsequent events**

Subsequent to year end, the Commission issued long term debt in the amount of \$27,512. Principal payments are due annually and interest semi-annually at rates ranging from 1.330% to 2.979%. Final maturity of this debt is in 2023.

Subsequent to year end, the Commission appeared before the NSUARB for a rate hearing during April 15 – 17, 2013. The Application requested a general rate increase contingent on meter size and a change in the method of billing stormwater customers, including the approval of the Cost of Service Rate Design Manual. The decision is pending and the approved rate adjustments will be effective immediately following the NSUARB order.

# Halifax Regional Water Commission

## Schedule of utility plant in service

# Schedule A

Year ended March 31  
(in thousands)

2013

2012

|                                     | <u>Cost</u>         | <u>Accumulated<br/>Depreciation</u> | <u>Net<br/>Book Value</u> | <u>Net<br/>Book Value</u> |
|-------------------------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| <b>Water</b>                        |                     |                                     |                           |                           |
| Intangible plant                    | \$ 1,353            | \$ 260                              | \$ 1,093                  | \$ 381                    |
| Land and land rights                | 15,873              | -                                   | 15,873                    | 15,906                    |
| Structures and improvements         | 83,452              | 23,549                              | 59,903                    | 54,278                    |
| Pumping equipment                   | 9,711               | 5,366                               | 4,345                     | 3,112                     |
| Purification equipment              | 26,044              | 16,344                              | 9,700                     | 10,770                    |
| Transmission and distribution mains | 305,002             | 64,580                              | 240,422                   | 230,340                   |
| Services                            | 31,223              | 4,280                               | 26,943                    | 25,506                    |
| Meters                              | 12,766              | 3,159                               | 9,607                     | 8,851                     |
| Hydrants                            | 17,581              | 2,784                               | 14,797                    | 14,486                    |
| Tools and work equipment            | 2,633               | 1,750                               | 883                       | 886                       |
| Transportation equipment            | 5,156               | 3,300                               | 1,856                     | 2,266                     |
| Office equipment and furniture      | 9,007               | 6,745                               | 2,262                     | 2,511                     |
| Small systems                       | 8,473               | 1,255                               | 7,218                     | 6,738                     |
| Airport Aerotech system             | 666                 | 200                                 | 466                       | 433                       |
|                                     | <u>528,940</u>      | <u>133,572</u>                      | <u>395,368</u>            | <u>376,464</u>            |
| <b>Wastewater/stormwater</b>        |                     |                                     |                           |                           |
| Intangible plant                    | 5,695               | 1,497                               | 4,198                     | 2,872                     |
| Land and land rights                | 9,566               | -                                   | 9,566                     | 9,547                     |
| Structures and improvements         | 162,702             | 41,733                              | 120,969                   | 115,903                   |
| Pumping equipment                   | 9,403               | 7,295                               | 2,108                     | 3,226                     |
| Treatment equipment                 | 126,456             | 13,968                              | 112,488                   | 115,150                   |
| Collection system                   | 310,107             | 62,404                              | 247,703                   | 239,963                   |
| Manholes and catchbasins            | 8,492               | 376                                 | 8,116                     | 6,058                     |
| Laterals                            | 10,506              | 382                                 | 10,124                    | 6,433                     |
| Outfalls                            | 15,383              | 591                                 | 14,792                    | 15,150                    |
| Tools and work equipment            | 844                 | 473                                 | 371                       | 488                       |
| Transportation equipment            | 6,847               | 5,401                               | 1,446                     | 724                       |
| Office equipment and furniture      | 1,200               | 570                                 | 630                       | 528                       |
| Small systems                       | 8,251               | 1,135                               | 7,116                     | 5,073                     |
| Airport Aerotech system             | 3,115               | 418                                 | 2,697                     | 2,806                     |
|                                     | <u>678,567</u>      | <u>136,243</u>                      | <u>542,324</u>            | <u>523,921</u>            |
| Total                               | <u>\$ 1,207,507</u> | <u>\$ 269,815</u>                   | <u>\$ 937,692</u>         | <u>\$ 900,385</u>         |

During the year, \$944 of interest was capitalized to Utility Plant in Service (2012 - \$195).

# Halifax Regional Water Commission

## Schedule of long term debt

## Schedule B

Year ended March 31, 2013  
(in thousands)

|                                                               | Interest<br>Rate | Final<br>Maturity | Balance Remaining |                   |
|---------------------------------------------------------------|------------------|-------------------|-------------------|-------------------|
|                                                               |                  |                   | <u>2013</u>       | <u>2012</u>       |
| Payable to Municipal Finance Corporation                      |                  |                   |                   |                   |
| Water                                                         |                  |                   |                   |                   |
| Debenture 22 A 1                                              | 4.250% to 6.125% | 2012              | \$ -              | \$ 2,310          |
| Debenture 25 A 1                                              | 2.970% to 4.560% | 2015              | 3,250             | 3,500             |
| Debenture 96 A 1                                              | 5.500% to 8.000% | 2016              | 320               | 400               |
| Debenture 26 A 1                                              | 4.350% to 4.880% | 2016              | 2,800             | 3,000             |
| Debenture 27 A 1                                              | 4.650% to 5.010% | 2017              | 5,059             | 5,937             |
| Debenture 23 A 1                                              | 3.500% to 5.750% | 2018              | 1,100             | 1,200             |
| Debenture 28 A 1                                              | 3.750% to 5.088% | 2018              | 1,600             | 1,700             |
| Debenture 98 A 1                                              | 5.625% to 6.125% | 2019              | 19,051            | 21,610            |
| Debenture 99 A 1                                              | 6.500% to 6.750% | 2019              | 1,575             | 1,800             |
| Debenture 30 B 1                                              | 1.550% to 3.870% | 2020              | 1,400             | 1,575             |
| Debenture 31 A 1                                              | 1.630% to 4.221% | 2021              | 1,350             | 1,500             |
| Debenture 32 A 1                                              | 1.636% to 3.480% | 2022              | 2,000             | -                 |
| Debenture 32 C 1                                              | 0.000% to 3.160% | 2022              | 10,734            | -                 |
| Halifax Harbour Solutions                                     |                  |                   |                   |                   |
| Debenture 29 A 1                                              | 0.900% to 4.329% | 2019              | 11,050            | 11,700            |
| Wastewater/stormwater                                         |                  |                   |                   |                   |
| Debenture 30 A 1                                              | 1.510% to 4.500% | 2020              | 3,060             | 3,230             |
| Debenture 32 A 1                                              | 1.636% to 3.480% | 2022              | 2,397             | -                 |
| Debenture 32 B 1                                              | 1.380% to 3.156% | 2022              | 32,000            | -                 |
| Debenture 32 C 1                                              | 0.000% to 3.160% | 2022              | 4,595             | -                 |
| Payable to Halifax Regional Municipality                      |                  |                   |                   |                   |
| Municipal Finance Corporation – Wastewater/stormwater         |                  |                   |                   |                   |
| Debenture 22 A 1                                              | 3.375% to 6.125% | 2012              | -                 | 88                |
| Debenture 22 B 1                                              | 3.250% to 5.625% | 2012              | -                 | 44                |
| Debenture 23 A 1                                              | 3.500% to 5.375% | 2013              | 46                | 91                |
| Debenture 23 B 1                                              | 2.750% to 5.000% | 2013              | 4                 | 9                 |
| Debenture 24 A 1                                              | 2.550% to 5.450% | 2014              | 166               | 249               |
| Debenture 24 B 1                                              | 2.840% to 5.940% | 2024              | 66,069            | 71,604            |
| Debenture 24 C 1                                              | 7.000% to 7.000% | 2015              | 117               | 176               |
| Debenture 25 A 1                                              | 2.970% to 4.560% | 2015              | 522               | 696               |
| Debenture 25 B 1                                              | 3.630% to 4.830% | 2020              | 101               | 135               |
| Debenture 26 A 1                                              | 4.350% to 4.880% | 2016              | 502               | 628               |
| Debenture 26 B 1                                              | 4.265% to 4.410% | 2016              | 19                | 24                |
| Debenture 27 A 1                                              | 4.450% to 4.625% | 2017              | 329               | 394               |
| Federation of Canadian Municipalities – Wastewater/stormwater |                  |                   |                   |                   |
| Debenture GMIF 1599                                           | 1.330% to 3.127% | 2014              | 12,000            | 13,000            |
|                                                               |                  |                   | <b>183,216</b>    | 146,600           |
| Less: debt issue costs                                        |                  |                   | <b>784</b>        | 428               |
|                                                               |                  |                   | <b>182,432</b>    | 146,172           |
| Less: amount payable within one year                          |                  |                   | <b>15,553</b>     | 13,109            |
|                                                               |                  |                   | <b>\$ 166,879</b> | <b>\$ 133,063</b> |

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

|      |           |
|------|-----------|
| 2014 | \$ 15,553 |
| 2015 | \$ 25,716 |
| 2016 | \$ 14,765 |
| 2017 | \$ 16,795 |
| 2018 | \$ 14,737 |

# Halifax Regional Water Commission

## Schedule of operations for water service

## Schedule C

Year ended March 31, 2013  
(in thousands)

|                                                                      | 2013                  |                 | 2012          |
|----------------------------------------------------------------------|-----------------------|-----------------|---------------|
|                                                                      | Budget<br>(Unaudited) | Actual          | Actual        |
| Operating revenues                                                   |                       |                 |               |
| Water service                                                        | \$ 30,572             | \$ 32,218       | \$ 30,562     |
| Fire protection                                                      | 9,502                 | 9,844           | 9,502         |
| Private fire protection services                                     | 367                   | 370             | 366           |
| Other operating revenue                                              |                       |                 |               |
| Bulk water stations                                                  | 244                   | 255             | 264           |
| Customer late payment fees                                           | 254                   | 277             | 206           |
| Miscellaneous                                                        | 170                   | 143             | 155           |
|                                                                      | <u>41,109</u>         | <u>43,107</u>   | <u>41,055</u> |
| Operating expenditures                                               |                       |                 |               |
| Water supply and treatment                                           | 7,314                 | 6,863           | 6,598         |
| Water transmission and distribution                                  | 8,930                 | 8,372           | 7,834         |
| Engineering and information services                                 | 3,266                 | 3,362           | 2,958         |
| Environmental services                                               | 629                   | 642             | 628           |
| Customer service                                                     | 1,790                 | 1,934           | 1,696         |
| Administration and pension                                           | 3,410                 | 4,701           | 3,628         |
| Depreciation                                                         | 7,516                 | 6,768           | 6,458         |
|                                                                      | <u>32,855</u>         | <u>32,642</u>   | <u>29,800</u> |
| Operating profit                                                     | <u>8,254</u>          | <u>10,465</u>   | <u>11,255</u> |
| Financial and other revenues                                         |                       |                 |               |
| Interest                                                             | 240                   | 337             | 201           |
| Other                                                                | 177                   | 230             | 106           |
|                                                                      | <u>417</u>            | <u>567</u>      | <u>307</u>    |
| Financial and other expenditures                                     |                       |                 |               |
| Interest on long term debt                                           | 2,834                 | 2,249           | 2,472         |
| Repayment of long term debt                                          | 5,357                 | 5,140           | 4,904         |
| Amortization of debt discount                                        | 60                    | 57              | 51            |
| Grant in lieu of taxes                                               | 3,932                 | 3,971           | 3,944         |
|                                                                      | <u>12,183</u>         | <u>11,417</u>   | <u>11,371</u> |
| Excess of (expenditures over revenues)<br>revenues over expenditures | \$ <u>(3,512)</u>     | \$ <u>(385)</u> | \$ <u>191</u> |

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

**Schedule D**

Year ended March 31, 2013  
(in thousands)

|                                      | <u>2013</u>                  |                   | <u>2012</u>     |
|--------------------------------------|------------------------------|-------------------|-----------------|
|                                      | <u>Budget</u><br>(Unaudited) | <u>Actual</u>     | <u>Actual</u>   |
| Operating revenues                   |                              |                   |                 |
| Wastewater/stormwater services       | \$ 54,221                    | \$ 57,896         | \$ 54,383       |
| Other operating revenue              |                              |                   |                 |
| Leachate and other contract revenue  | 785                          | 475               | 807             |
| Septage tipping fees                 | 400                          | 598               | 747             |
| Overstrength surcharge               | 204                          | 195               | 165             |
| Customer late payment fees           | 120                          | 184               | 141             |
| Miscellaneous                        | 222                          | 218               | 177             |
|                                      | <u>55,952</u>                | <u>59,566</u>     | <u>56,420</u>   |
| Operating expenditures               |                              |                   |                 |
| Wastewater/stormwater collection     | 15,808                       | 12,781            | 15,008          |
| Wastewater treatment                 | 17,873                       | 16,762            | 16,380          |
| Engineering and information services | 3,342                        | 3,202             | 2,855           |
| Environmental services               | 1,857                        | 1,861             | 1,662           |
| Customer service                     | 1,723                        | 1,859             | 1,634           |
| Administration and pension           | 3,283                        | 4,664             | 3,493           |
| Depreciation                         | 7,519                        | 7,409             | 4,889           |
|                                      | <u>51,405</u>                | <u>48,538</u>     | <u>45,921</u>   |
| Operating profit                     | <u>4,547</u>                 | <u>11,028</u>     | <u>10,499</u>   |
| Financial and other revenues         |                              |                   |                 |
| Interest                             | 240                          | 337               | 201             |
| Other                                | 2,079                        | 2,065             | 2,087           |
|                                      | <u>2,319</u>                 | <u>2,402</u>      | <u>2,288</u>    |
| Financial and other expenditures     |                              |                   |                 |
| Interest on long term debt           | 5,553                        | 5,305             | 5,593           |
| Repayment of long term debt          | 8,272                        | 9,357             | 8,120           |
| Amortization of debt discount        | 37                           | 31                | 13              |
|                                      | <u>13,862</u>                | <u>14,693</u>     | <u>13,726</u>   |
| Excess of expenditures over revenues | \$ <u>(6,996)</u>            | \$ <u>(1,263)</u> | \$ <u>(939)</u> |

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

**Schedule E**

Year ended March 31, 2013  
(in thousands)

|                                      | 2013                  |                 | 2012           |
|--------------------------------------|-----------------------|-----------------|----------------|
|                                      | Budget<br>(Unaudited) | Actual          | Actual         |
| Operating revenues                   |                       |                 |                |
| Water service                        | \$ 516                | \$ 537          | \$ 537         |
| Fire protection                      | 142                   | 156             | 142            |
| Customer late payment charges        | 1                     | 1               | 1              |
| Miscellaneous                        | 5                     | 5               | 5              |
|                                      | <u>664</u>            | <u>699</u>      | <u>685</u>     |
| Operating expenditures               |                       |                 |                |
| Water supply and treatment           | 754                   | 742             | 563            |
| Water transmission and distribution  | 155                   | 103             | 94             |
| Depreciation                         | 44                    | 36              | 42             |
|                                      | <u>953</u>            | <u>881</u>      | <u>699</u>     |
| Operating loss                       | <u>(289)</u>          | <u>(182)</u>    | <u>(14)</u>    |
| Financial and other expenditures     |                       |                 |                |
| Interest on long term debt           | 29                    | 34              | 24             |
| Repayment of long term debt          | 33                    | 44              | 29             |
|                                      | <u>62</u>             | <u>78</u>       | <u>53</u>      |
| Excess of expenditures over revenues | <u>\$ (351)</u>       | <u>\$ (260)</u> | <u>\$ (67)</u> |

**Halifax Regional Water Commission**  
**Airport Aerotech system**

**Schedule E**

**Schedule of operations for wastewater service**

Year ended March 31, 2013

(in thousands)

|                                                                           | <b>2013</b>                  |                 | <b>2012</b>     |
|---------------------------------------------------------------------------|------------------------------|-----------------|-----------------|
|                                                                           | <u>Budget</u><br>(Unaudited) | <u>Actual</u>   | <u>Actual</u>   |
| Operating revenues                                                        |                              |                 |                 |
| Wastewater service                                                        | \$ 492                       | \$ 459          | \$ 528          |
| Dewatering                                                                | 98                           | 182             | 98              |
| Airplane sewage                                                           | 40                           | 56              | 40              |
| Customer late payment charges                                             | 1                            | 1               | 1               |
|                                                                           | <u>631</u>                   | <u>698</u>      | <u>667</u>      |
| Operating expenditures                                                    |                              |                 |                 |
| Wastewater treatment                                                      | 732                          | 906             | 733             |
| Wastewater/stormwater collection                                          | 68                           | 44              | 62              |
| Depreciation                                                              | 48                           | 26              | 26              |
|                                                                           | <u>848</u>                   | <u>976</u>      | <u>821</u>      |
| Operating loss                                                            | <u>(217)</u>                 | <u>(278)</u>    | <u>(154)</u>    |
| Financial and other expenditures                                          |                              |                 |                 |
| Interest on long term debt                                                | 40                           | 17              | 11              |
| Repayment of long term debt                                               | 31                           | 25              | 13              |
|                                                                           | <u>71</u>                    | <u>42</u>       | <u>24</u>       |
| Excess of expenditures over revenues                                      | <u>\$ (288)</u>              | <u>\$ (320)</u> | <u>\$ (178)</u> |
| Excess of expenditures over revenues<br>for water and wastewater combined | <u>\$ (639)</u>              | <u>\$ (580)</u> | <u>\$ (245)</u> |

The Commission no longer provides stormwater services for the Airport Aerotech system effective November 18, 2011.

# Halifax Regional Water Commission

## Schedule of regulated activities

## Schedule F

Year ended March 31, 2013  
(in thousands)

|                                             | 2013                  |                | 2012          |
|---------------------------------------------|-----------------------|----------------|---------------|
|                                             | Budget<br>(Unaudited) | Actual         | Actual        |
| <b>Operating revenues</b>                   |                       |                |               |
| Water service                               | \$ 30,572             | \$ 32,218      | \$ 30,562     |
| Wastewater/stormwater services              | 54,221                | 57,896         | 54,383        |
| Public fire protection                      | 9,502                 | 9,844          | 9,502         |
| Private fire protection services            | 367                   | 370            | 366           |
| Airport Aerotech system                     | 1,157                 | 1,159          | 1,214         |
| Other operating revenue                     | 1,178                 | 1,245          | 1,070         |
|                                             | <u>96,997</u>         | <u>102,732</u> | <u>97,097</u> |
| <b>Operating expenditures</b>               |                       |                |               |
| Water supply and treatment                  | 7,299                 | 6,855          | 6,584         |
| Water transmission and distribution         | 8,930                 | 8,372          | 7,834         |
| Wastewater/stormwater collection            | 15,808                | 12,781         | 15,008        |
| Wastewater treatment                        | 17,180                | 15,949         | 15,716        |
| Engineering and information services        | 6,608                 | 6,564          | 5,813         |
| Environmental services                      | 2,486                 | 2,503          | 2,290         |
| Customer service                            | 3,513                 | 3,793          | 3,330         |
| Administration and pension                  | 6,693                 | 9,365          | 7,121         |
| Airport Aerotech system                     | 1,801                 | 1,857          | 1,520         |
| Depreciation                                | 15,035                | 14,174         | 11,347        |
|                                             | <u>85,353</u>         | <u>82,213</u>  | <u>76,563</u> |
| <b>Financial and other revenues</b>         |                       |                |               |
| Interest                                    | 480                   | 674            | 402           |
| Other                                       | 2,074                 | 2,061          | 2,044         |
|                                             | <u>2,554</u>          | <u>2,735</u>   | <u>2,446</u>  |
| <b>Financial and other expenditures</b>     |                       |                |               |
| Interest on long term debt                  | 8,456                 | 7,605          | 8,100         |
| Repayment of long term debt                 | 13,693                | 14,566         | 13,066        |
| Amortization of debt discount               | 97                    | 88             | 64            |
| Grant in lieu of taxes                      | 3,932                 | 3,971          | 3,944         |
|                                             | <u>26,178</u>         | <u>26,230</u>  | <u>25,174</u> |
| <b>Excess of expenditures over revenues</b> | \$ (11,980)           | \$ (2,976)     | (2,194)       |



# Halifax Regional Water Commission

## Schedule of unregulated activities

## Schedule F

Year ended March 31, 2013  
(in thousands)

|                                       | 2013                  |               | 2012            |
|---------------------------------------|-----------------------|---------------|-----------------|
|                                       | Budget<br>(Unaudited) | Actual        | Actual          |
| Operating revenues                    |                       |               |                 |
| Dewatering                            | \$ 98                 | \$ 182        | \$ 98           |
| Airplane sewage                       | 40                    | 56            | 40              |
| Leachate treatment & contract revenue | 785                   | 475           | 807             |
| Septage tipping fees                  | 400                   | 598           | 747             |
| Other operating revenue               | 36                    | 27            | 38              |
|                                       | <u>1,359</u>          | <u>1,338</u>  | <u>1,730</u>    |
| Operating expenditures                |                       |               |                 |
| Water supply and treatment            | 15                    | 8             | 14              |
| Wastewater treatment                  | 693                   | 813           | 664             |
| Depreciation                          | -                     | 3             | -               |
|                                       | <u>708</u>            | <u>824</u>    | <u>678</u>      |
| Financial and other revenues          |                       |               |                 |
| Other                                 | 182                   | 234           | 149             |
| Excess of revenues over expenditures  | <u>\$ 833</u>         | <u>\$ 748</u> | <u>\$ 1,201</u> |