Item No. 7

Halifax Water
Halifax Regional Water Commission
450 Cowie Hill Road, P.O. Box 8388 RPO CSC, Halifax, Nova Scotia B3K 5M1 phone 902 490-4820 fax 902 490-4808

March 4, 2010

Mayor Peter Kelly and Councillors
Halifax Regional Municipality
PO Box 1749
Halifax, Nova Scotia B3J 3A5

Re: Presentation of 2007/08 Annual Report

Please find attached a copy of the 2007/08 Annual Report for Halifax Water. The 2007/08 fiscal year marks the transition year as a merged water, wastewater and stormwater utility. It proved a year of great change and opportunities for Halifax Water to pull together as Canada's first regulated water, wastewater and stormwater utility. The theme of the annual report is Halifax Water's new mission and mandate.

With the merger complete, our expanded mandate required a new mission statement: **"To provide world class services for our customers and our environment".** The new mission statement provided a rallying cry for staff to deliver world class services, and be accountable for the outcome. The new mission statement elevates the environment to the same level as our customer and extends to our wastewater and stormwater services as well. These systems are all part of the natural water cycle and must be treated as such. A full system approach is required to ensure we can provide a long term, sustainable water, wastewater and stormwater system for our children, grandchildren and beyond.

The compilation of the 2007/08 annual report was delayed to free up staff time to focus on ensuring a smooth merger and acting on opportunities and challenges that our first year presented.

Should you have any questions with regard to this report or any aspect of water service delivery, please do not hesitate to contact me at 490-4840.

Yours in service,

Carl Yates

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

attach.

Halifax Water

Twelfth
Annual Report
March 31, 2008

Our Mission

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

Our Vision

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

- *Through the adoption of best practices, we will place the highest value on public health, customer service, fiscal responsibility, workplace safety and security, asset management, regulatory compliance, and stewardship of the environment.*

- *We will fully engage employees through teamwork, innovation, and professional development.*

Halifax Water

Letter from the Chair

November 7, 2008

Mayor Peter Kelly
Halifax Regional Municipality
P.O. Box 1749
Halifax, Nova Scotia B3J 3A5

On behalf of the Board of Halifax Water, I am pleased to submit the annual report for the fiscal year ending March 31, 2008. This was a year of great transition with the transfer of Halifax Regional Municipality's (HRM) wastewater and stormwater assets to Halifax Water, effective August 1, 2007. With this mandate comes a new mission, and the utility recognizes the historical significance. In 1945, the forerunner to the present day Commission was given the challenge of turning the water system around for the City of Halifax and by all accounts created a world class utility. Through the merger with HRM's environmental management services, the Commission has been given an even greater challenge as it attempts to revitalize the wastewater and stormwater system which has a significant infrastructure deficit [in the order of $1 billion] and is subject to stringent regulations in the near future. It is expected that 2009 will usher in new regulations with implementation of the Canadian Council of the Ministers of the Environment [CCME] municipal wastewater effluent strategy. As a result, the Commission has structured the utility to deal with the challenges head on. The utility has been structured for accountability with regulation of its affairs through the Nova Scotia Utility and Review Board [NSUARB] in conformance with the Public Utilities Act. In line with this accountability, the Commission received orders from the NSUARB for approval of standardized rates and rules and regulations for all three services offered to the public as a result of the merger. In recognition that a formal cost of service study [COSS] had never been done for the wastewater/stormwater system, they ordered Halifax Water to conduct a study to ensure fairness to rate payers based on cost causation principles. This COSS is expected to be filed by November 2, 2009. The NSUARB also ordered Halifax Water to treat the Airport/Aerotech system as a stand alone system with its own rate structure and file a rate application which at the time of this letter, has already been submitted.

Despite the many challenges during the transitional 2007/08 fiscal year, the Commission finished with a positive financial bottom line. A net income of $22,448,033 was realized on total operating revenue of $75,698,845 and allowed for principal debt repayment of $15,883,323. The better than anticipated financial results are primarily related to lower operating expenditures as a result of a delay in the construction of the Halifax Harbour Solutions Project [HHSP] assets. As part of the transfer agreement with HRM, the HHSP assets will be transferred to Halifax Water within six months of substantial completion.

Drinking water quality remains high with all systems delivering water with characteristics better than the health requirements contained in the Guidelines for Canadian Drinking Water Quality [GCDWQ]. A significant milestone was reached with the extension of the Pockwock system to Herring Cove and Lively subdivision in Middle Sackville allowing for the decommissioning of two problematic small systems. Next year will see the connection of North Preston to the Lake Major system and the construction of new membrane filtration plants at Wellington and Middle Musquodoboit, to ensure compliance with new provincial regulations.

Although 2007/08 was a year of many challenges, the current fiscal year also has its fair share. Halifax Water staff continue to be involved in commissioning of the HHSP wastewater facilities and their related collection systems in Halifax and Dartmouth. Many other construction projects are underway in all areas of HRM to upgrade major sewage lift stations and trunk sewers such as Red Bridge Pond [Waverley], Roaches Pond [Spryfield], North Dartmouth Trunk Sewer, and the Freshwater Brook combined sewer separation [Halifax].

Many of the water and wastewater projects noted above benefited from federal funding programs for infrastructure renewal, namely Gas Tax, Canadian Strategic Infrastructure Fund and the Municipal Rural Infrastructure Fund. Regional Council's support in obtaining these funds is greatly appreciated, and we respectfully request Council's nomination of future projects to support Halifax Water's drive for sustainable infrastructure.

We also wish to acknowledge the support of Council leading up to the combined utility formation and during the transition year. We look forward to Council's continued support as we lay the framework for a world class water, wastewater and stormwater utility.

Respectfully submitted,

Mr. Harry McInroy
Chair of the Board

A new mandate . . . a new mission

With the expanded mandate to include wastewater and stormwater services, it was obvious that a new mission was required. With the assistance of dedicated staff and an interactive process, a new mission and vision statement was developed. The new mission statement is a rallying cry for staff to deliver world class services to the customer and the environment and be accountable for the outcome. The environment was purposely elevated to the same status as the customer as we can no longer place them at different levels of importance. They are one and the same. It simply means that what we take from the environment is on a level playing field with what we give back. The customer expects clean drinking water delivered to the tap and the environment expects clean water when it returns. The combined water, wastewater and stormwater mandate provides the utility with an opportunity to integrate water resources and take a holistic approach from the source to the tap and back again.

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

BOARD OF COMMISSIONERS
March 31, 2008

Don Mason, P.Eng., MCIP
Chair

Councillor Harry McInroy
Vice Chair

Mayor Peter Kelly, MBA
Commissioner

Councillor Steve Streatch
Commissioner

Councillor Stephen Adams, B.Sc., BCom
Commissioner

James Kirby, BCom
Commissioner

Tim Hosford
Commissioner

Dan English, MPA
Commissioner

Contents

Executive Staff

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

B. Rooney, C.A.
Director, Finance and Customer Service

J. Hannam, MBA, P.Eng.
Director, Engineering and Information Services

J. Sheppard, P.Eng.
Director, Environmental Services

S. Arora, M.A.Sc., P.Eng.
Director, Wastewater Services

R. Campbell, M. Eng., P.Eng.
Director, Water Services

V. Veinot, MPA
Director, Human Resources

How to reach us: For more information about Halifax Water and its services, visit our website at www.halifaxwater.ca, contact Customer Service at (902) 490-4820, e-mail us at Cust_Inq@halifaxwater.ca, fax us at (902) 490-4749, or write us at P.O. Box 8388 RPO CSC, Halifax, N.S., B3K 5M1.

General Information of Utility

Year Ended March 31, 2008

Precipitation

Measured at Pockwock	
Rainfall	1 285.7 mm
Snowfall	92.8 cm
Measured at Lake Major	
Rainfall	1 550.0 mm
Snowfall	94.5 cm

Sources of Supply and Watershed Areas

Pockwock Lake	5 661 ha
Safe Yield	145 500 m^3/day
Chain Lake	206 ha
Safe Yield	4 500 m^3/day
Lake Major	6 944 ha
Safe Yield	65 900 m^3/day
Lake Lamont/Topsail	346 ha
Safe Yield	4 500 m^3/day
Bennery Lake	644 ha
Safe Yield	2 300 m^3/day

Water Supply Production (Cubic Metres)

Pockwock Lake	32 627 451
Lake Major	15 624 849
Bennery Lake	398 727
Small Systems	238 901
Total	**48 889 928**

Storage Reservoirs (Elevation Above Sea Level)

Lake Major	(60 m)	9 092 m^3
Pockwock	(170 m)	13 600 m^3
Geizer 158	(158 m)	36 400 m^3
Geizer 123	(123 m)	31 800 m^3
Cowie	(113 m)	11 400 m^3
Robie	(82 m)	15 900 m^3
Lakeside /Timberlea	(119 m)	5 455 m^3
Mount Edward 1	(119 m)	22 728 m^3
Mount Edward 2	(119 m)	22 728 m^3
Akerley Blvd.	(119 m)	37 727 m^3
North Preston	(125 m)	1 659 m^3
Meadowbrook	(95 m)	9 091 m^3
Sampson	(123 m)	12 273 m^3
Stokil	(123 m)	23 636 m^3
Waverley	(86 m)	1 364 m^3
Middle Musquodoboit	(81m)	275 m^3
Aerotech	(174 m)	4 085 m^3
Total Storage Capacity		**259 213 m^3**

Transmission and Distribution System

Size of mains	50 mm - 1 500 mm
Total water mains	1 295 km
Main valves	12 891
Fire hydrants	7 594
Distribution Pumping Stations	20
Pressure Control/Flow Meter Chambers	107

Services and Meters

Sprinkler services (25 mm - 300 mm)	1 841
Supply services (10 mm - 400 mm)	81 948
Meters (15 mm - 250 mm)	77 892

Population Served

Halifax Regional Municipality (including transients)	325 000
Consumption per capita	0.36 m^3/day

Wastewater

Treatment Facilities	Process	Design Capacity	Area Served	Receiving Water
Halifax*	Enhanced Primary	139 900 m^3/d	Halifax	Halifax Harbour
Dartmouth*	Enhanced Primary	83 800 m^3/d	Dartmouth	Halifax Harbour
Herring Cove*	Enhanced Primary	28 500 m^3/d	Halifax-Herring Cove	Halifax Harbour (Outer)
Mill Cove	Secondary	28 400 m^3/d	Bedford-Sackville	Bedford Basin
Eastern Passage	Primary	17 700 m^3/d	Cole Hbr-East Passage	Halifax Harbour
Timberlea	Enhanced Primary	4 540 m^3/d	Beechville-Lakeside-Timberlea	Nine Mile River
Aerotech	Tertiary	1 400 m^3/d	Aerotech Park-Airport	Johnson River
Springfield Lake	Secondary	543 m^3/d	Springfield Lake	Fenerty Lake
Fall River	Tertiary	454.5 m^3/d	Lockview-McPherson Road	Lake Fletcher
North Preston	Tertiary	345 m^3/d	North Preston	Winder Lake
Middle Musquodoboit	Secondary	114 m^3/d	Midd Musquodoboit	Musquodoboit River
Uplands Park	Tertiary	91 m^3/d	Uplands Park	Sandy Lake
Wellington	Secondary	68 m^3/d	Wellington Station	Grand Lake
Frame SD	Secondary	80 m^3/d	Frame Sub-Division	Lake William

* under construction

General Information of Utility

Year Ended March 31, 2008

Treatment Processes

J. Douglas Kline Water Supply Plant

Source	- Pockwock Lake
Process	- Dual media direct filtration - Iron and manganese removal
8 filters	143 m^2/each
Max. flow rate	0.137 m^3/m^2/min
Design capacity	227 000 m^3/day
Average production	91 872 m^3/day

Lake Major Water Supply Plant

Source	- Lake Major
Process	- Upflow clarification and trimedia filtration - Iron and manganese removal
4 filters	85 m^2/each
Max. flow rate	0.192 m^3/m^2/min
Design capacity	94 000 m^3/day
Average production	43 742 m^3/day

Small Systems

Bennery Lake

Source	- Bennery Lake
Process	- Manganese removal, sedimentation, dual media filtration
2 filters	26.65 m^2/each
Max. flow capacity	0.10/m^3/m^2/min
Design capacity	7 950 m^3/day
Average production	3 400 m^3/day

Lively Subdivision

Source	- 1 well
Process	- Green sand pressure filters - Iron and manganese removal
Average production	37 m^3/day

Collins Park

Source - Lake Fletcher
Process - Multi-media pressure filter/ultraviolet disinfection
- Turbidity removal
Average production 64 m^3/day

Middle Musquodoboit

Source- Musquodoboit River
Process- Raw water infiltration gallery
- Pressure filter
- Turbidity removal
Average production 61 m^3/day

Five Island Lake

Source - 1 well
Process - Ultraviolet disinfection
Average production 8 m^3/day

North Preston

Source - Long Lake
Process - Pressure filter/Ultraviolet disinfection
- Turbidity removal
Average production 486 m^3/day

Silver Sands

Source - 2 wells
Process - Green sand pressure filters
-Iron and manganese removal
Average production 27 m^3/day

Miller Lake

Source - 3 wells
Process - Arsenic removal with G2 Media
Average Production 24 m^3/day

ha - hectare
m - metre
m^2 - square metre
m^3 - cubic metre
mm - millimetre
km - kilometre
cm - centimetre

Financial Overview

Abbreviated Financial Information
March 31, 2008

ASSETS			
Fixed			
Utility Plant in Service at Cost			$ 608,978,615
Provision for Depreciation			($ 176,829,250)
Depreciated Cost of Utility Plant			$ 432,149,365
Plant Under Construction			$ 71,767,174
Other			$ 189,127
Current			$ 48,630,769
TOTAL ASSETS			**$ 552,736,435**
LIABILITIES			
Long Term Debt			$ 66,797,156
Other Than Long Term Debt			$ 17,062,920
TOTAL LIABILITIES			**$ 83,860,076**
EQUITY			
Special Purpose Reserves			$ 12,425,862
Contributed Capital Surplus			$ 412,122,561
			$ 424,548,423
Operating Surplus April 1, 2007			$ 21,879,903
2007/2008 OPERATIONS			
Operating Revenue		$ 75,698,845	
Financial Revenue		$ 3,182,378	
Revenue From all Sources		$ 78,881,223	
Expenditures			
Operating Expenses	$ 37,169,015		
Depreciation and Loss on Disposal	$ 5,558,790		
Grant in lieu of taxes HRM	$ 3,569,458		
Financial	$ 10,135,927	$ 56,433,190	
Excess of Revenue over Expenditures			$ 22,448,033
Operating Surplus March 31, 2008			**$ 44,327,936**
TOTAL EQUITY			**$ 468,876,359**
TOTAL LIABILITIES & EQUITY			**$ 552,736,435**

Year of Transition

As we mark the 2007-2008 year as one of transition—the beginnings of Halifax Water as a water, wastewater and stormwater utility—we are well positioned to serve our customers, both now and in the future. As a leader in the water industry, we take a long-term approach to planning for the needs and sustainability of the utility.

As reported in the last year's annual report, our Board and Halifax Regional Municipality (HRM) Council approved this merger, describing it as an excellent opportunity to deliver services in an integrated, cost-effective and environmentally sound manner. In May of 2007, both HRM Council and the Board approved the transfer of assets of the wastewater and stormwater division from HRM to the Halifax Regional Water Commission (HRWC). A joint press release stated:

"The merger will see responsibility for HRM assets, such as underground sewer lines, stormwater lines, wastewater-treatment facilities and pumping stations transferred to the HRWC.

Mayor Peter Kelly said, "As the first regulated water and wastewater utility in Canada, this new approach to wastewater and stormwater services will provide the financial sustainability necessary to ensure the future integrity and safety of our water and wastewater infrastructure."

Don Mason, chair of the HRWC, said, "Our Board is impressed with the diligence of HRM Council, their staff and the staff at the Commission. Their commitment to this change has made us

Carl Yates, GM of Halifax Water, Don Mason, Chair of Halifax Water, Mayor Peter Kelly, Dan English, CAO of HRM (Passing of the Guard)

feel comfortable with both the process and the challenge ahead."

"The existing water service will continue as in the past, and rates will continue to be set by the Nova Scotia Utility and Review Board (NSUARB). The only major change from a public perspective is that rates for storm and wastewater will also be set by the Utility and Review Board," said Carl Yates, general manager of the HRWC. "This will allow the Commission to develop a long-term strategy for environmental compliance, infrastructure maintenance and replacement plans for both systems."

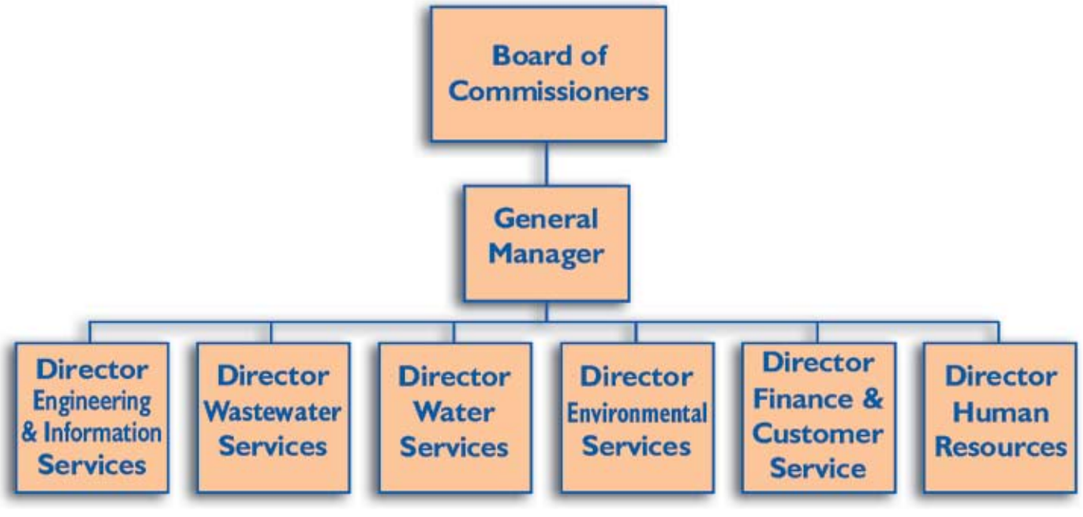
The agreement had to be presented to the NSUARB, our regulator, for its approval before it could come into effect. The NSUARB approved the transfer of assets effective August 1, 2007, and we became known as Halifax Water, to reflect the new mandate of the organization as a water, wastewater and stormwater utility. Although Halifax Regional Water Commission remains our legal name, the new entity will be branded as Halifax Water for simplicity recognizing that water is common to all three services we deliver. An organizational structure was announced reflective of new responsibilities within five departments – Engineering and Information Services, Environmental Services, Finance and Customer Service, Human Resources, Water Services and Wastewater

Services. A business merger is a complicated matter; consolidating two organizations into one is not an easy task. Navigating the merger's many details of merger required a great deal of effort from everyone involved, both staff and management. A transition-management team was formed of HRM and HRWC staff to guide merger activities. Key activities centered around completion of core work, the NSUARB approval process, organizational structure, business processes, communications and people. The NSUARB conducted public hearings in October of 2007 for the approval of rates, and rules and regulations (converted HRM Bylaws) for wastewater and stormwater services. A decision

was issued in January of 2008, followed by an order on March 3, 2008.

Workshops with 40 staff representing a cross-section of the merged utility were held to develop a new mission statement and vision to reflect our new organization and mandate. The vision was further interpreted with the establishment of a new Corporate Balanced Scorecard to *measure organizational performance under the following themes —high quality water, service excellence, responsible financial management, asset management, regulator compliance, environmental stewardship, motivated and satisfied employees, and workplace safety and security.*

ORGANIZATIONAL CHART



High-quality water

As we focused on the details of the merger, we remained committed to providing high-quality drinking water and reliable services.

Halifax Water's commitment to high-quality drinking water begins at the source. The primary sources of water we treat and deliver to our customers are Pockwock Lake and Lake Major. Our commitment and efforts to protect source waters in these watersheds include partnering with provincial environmental and natural resource departments and local communities.

Both the J.D. Kline plant at Pockwock and Lake Major treatment plant provide extraordinary levels of treatment that includes clarification and filtration. These treatment processes allow us to deliver exceptional water quality to the citizens of HRM.

In 2007-08 the pilot plant at the J.D. Kline water-supply plant was commissioned. This plant will serve as a critical tool for researching potential changes to water-treatment processes. It will support a proactive and continuous analytic approach to assure water-quality standards are maintained.

Tile turning ceremony, June 20, 2007, to celebrate the pilot plant at the J.D. Kline Water Supply Plant.
Back Row: Mysore Satish, Dalhousie University, Associate Dean Research and Graduate Studies, Andre Isabelle, Director, Natural Science and Engineering Research Council, David Briggins, Manager, Water and Wastewater Branch, Nova Scotia Department of Environment and Labour.
Front Row: Carl Yates, General Manager, HRWC, Graham Gagnon, Dalhousie University, Professor of Civil Engineering, and Robert Harvey, HRM Councillor.

PHOTO: DANNY ABRIEL, DALHOUSIE UNIVERSITY

Service excellence

Highly skilled and certified operators at the helm

Our commitment to rapidly responding to our customers' concerns were confirmed when we achieved high marks in our annual Quality of Service survey. Satisfaction with overall service delivery remains high with 96% of surveyed customers. Timely and effective repair of water and sewer breaks that minimize disruption to service contributes to an excellent result in customer satisfaction.

The Commission ended the year with 78,229 water-customer connections and 75,062 wastewater/stormwater customer connections. These included the urban core, satellite and Airport/ Aerotech systems.

Customer-service staff answered 59,760 telephone enquiries during the year, an increase of 1,205 from the previous year.

Rerouting of the meter routes within the HRWC's service area continued during the year with some delays due to staff resources that were allocated to the wastewater/stormwater merger. This will be completed in the next fiscal year and will result in more efficient and balanced routes for meter reading. The conversion of meters 20 mm (3/4 in.) to 50 mm (2 in.) to radio frequency (RF) technology continued, in conjunction with the completion of the large meters 80 mm (3 in.) and above. With the installation of the mobile RF reading system in the previous year, as these meters are converted, they are switched to monthly reading and billing. The status of 15 mm meters will be assessed when the meter rerouting is done.

The large meter and testing programs continued during the year to ensure fair and equitable customer billing and provide information to support the practice of replacing non-registering meters, or registers that are 15 years and older, with new meters. With the transfer of the wastewater/ stormwater operations, there was an increased emphasis on handling wastewater/stormwater calls while still using the HRM call centre, particularly for emergency calls. An increased awareness of collection and chronic delinquent customers was also initiated, with changes made in procedures to streamline the collection process for these accounts.

The wastewater/stormwater transfer resulted in additional staffing in the accounting department to accommodate the increased workload. Changes were made to the accounting system to separate the costs of delivering each service to provide for the proper allocation of expenses for a cost-of-service study and rate structure based on the cost of providing each service.

Responsible financial management

The ultimate measure of Halifax Water's efficiency is the rate we charge our customers. Halifax Water continues to maintain one of the lowest water rates of major Canadian cities. This is not an accident; we are committed to the continuous improvement of our business practices to ensure the most efficient use of our customers' resources.

As directed by the NSUARB, Halifax Water hired a consultant to conduct a customer consumption study for possible application with a cost-of-service study. This involved selecting metered customers from different customer classes and monitoring their consumption patterns for one year. Site selection was completed, with equipment installed to permit real-time monitoring of water consumption. By year-end, this was underway.

The 2007-08 fiscal year was unique from a financial perspective and cannot be compared to the previous year. The transfer of the wastewater/stormwater operations from HRM on Aug. 1, 2007, resulted in financial results that included twelve months of water operations and eight months of wastewater/stormwater operations. This transfer also resulted in some one-time transactions related to the transfer, which affected the reported income in the statement of operations.

The 2007-08 fiscal year was the first for the combined utility and the third year of the four-year business plan for water services that was adopted by the Commission's Board and submitted, as part of the its water-rate application, to the NSUARB in December of 2005. The second increase in the water-rate structure that was approved with the 2005 rate application was implemented on April 1, 2007.

A business plan covering wastewater/ stormwater services was developed prior to the transfer for the remaining eight months of the 2007-08 and the 2008-09 fiscal years. This was submitted to the NSUARB as part of the rate application for wastewater/ stormwater, and we requested that the NSUARB approve the rate structure that existed at the time of the transfer and that had been approved by HRM Council. The objective of the wastewater/stormwater business plan was to provide services under the existing rate structure during the period covered in the business plan, until a formal cost-of-service study could be done and a new business plan could be developed for the joint utility.

The NSUARB approved the existing rate structure for wastewater/storm-water, including the increase in pollution control rates effective on Oct. 1, 2007. And on March 3, 2008, an order giving approval of rules and regulations for wastewater and stormwater services that were developed from bylaws and other jurisdictions, was received.

In conjunction with the approval by the NSUARB of the wastewater/storm-water transfer, the Airport/Aerotech wastewater/stormwater system was ordered by the NSUARB to be treated as a stand-alone system similar to the water system. The existing rate structure was approved as an interim rate until a separate rate application covering this system could be developed.

The actual financial results achieved in fiscal year 2007-08 were better than budget. The net income of $22,448,033 exceeded the budget amount of $10,608,361 and provided funding for the principal debt repayments of $15,883,323, which no longer appear in the income statement. The financial statements are presented in accordance with the recommendations of the CICA Handbook, Section 1100, rather than the recommendations of the Accounting and Reporting Handbook for Water Utilities as issued by the NSUARB.

The audited financial statements contained in this report were prepared consistent with the previous year after giving effect to the transfer of wastewater/storm-water operations on Aug. 1, 2007.

There was an increase in the base and consumption charges for water service on April 1, 2007, ranging from 3.14% to 4.50%, depending on meter size.

There was also an increase in the environmental protection portion of the pollution control rates on Oct. 1, 2007, of $0.09 per m3 or 8.34% of pollution control rates. This was the final increase that had been approved by Council in connection to the Halifax Harbour Solutions (HHS) project. There were

no increases during the year on the wastewater management portion of the rates. Pollution control charges were billed and collected by the Commission on behalf of HRM up until Aug. 1, 2007. After that date, pollution-control rates accrued to the merged utility.

A detailed review of the financial results shows that total operating revenue amounted to $75,698,845 and exceeded budget by $6,278,274. While all categories of operating revenue exceeded budget, with the exception of water service and fire protection, the largest component of the increase over budget related to the setting up of accrued revenue on the estimated amount of metered but unbilled wastewater and stormwater revenue that accrued to HRWC after Aug. 1, 2007. This amount was offset somewhat by a larger than anticipated reduction in metered consumption on which pollution control rates are charged. Customers are much more aware of the financial and environmental benefits from conservation measures.

The net increase in wastewater/stormwater service revenue was $5,845,978 and did not translate into cash due to the one-time nature of the accrued revenue. Fire-protection revenue equalled the budget and the minimum as per the NSUARB-approved calculation. Sprinkler-service and small-system revenue exceeded budget by $69,435, reflecting higher than anticipated revenue. Revenue from the Airport/Aerotech system exceeded budget by $182,930 and reflects the installation of new meters and new customers.

Other operating income exceeded budget by $245,566; this reflects additional wastewater/stormwater revenue realized after the transfer and not identified in the budget. There was a slight increase in water consumption from the previous year, which reversed a small continual decline in water consumption that had been occurring in recent years. Actual consumption for the urban core and satellite systems totalled 40,414,055 m3, an increase of 0.15% over the previous year. The consumption at the Airport/Aerotech system totalled 279,889 m3 and increased 5.025% over 2006-07, mainly attributed to more accurate readings obtained from the newly installed meters.

Metered sales for both water and wastewater/stormwater service are the single largest component of operating revenue at $63,809,220, or 84.3%. Fire protection amounted to $8,885,101, or 11.7%, of total operating revenue. The remaining components of operating revenue are detailed above.

Operating expenditures, including depreciation, amounted to $42,729,258 and were under budget by $5,023,651. As with operating revenue, operating expenditures include twelve months of water service and eight months of wastewater/stormwater service. All of the direct operating costs of providing water, wastewater and stormwater services were under budget. Water supply and treatment, along with water transmission and distribution, which reflect the majority of costs of operating the water service, were under budget due to a combination of lower operating costs and staffing vacancies.

Wastewater/stormwater collection and wastewater treatment reflect the costs of operating the system, transferred from HRM, from Aug. 1, 2007, to the end of the fiscal year on March 31, 2008. Because this transfer occurred part-way through the year, the budget reflects 66.7% of the HRM-prepared budget for 2007-08. This budget anticipated that, based on the project schedule, the HHS project would essentially be complete, and the two main components—the Halifax and Dartmouth treatment plants and collections systems—would be in full operation. Delays in this project and the resulting reduction in operating costs were the main reason for the significant reduction from budget.

Common costs—such as environmental and pollution control, engineering and information services, customer service and administrative and pension—are applicable to all services. Some of these were not covered by the wastewater/storm-water rates prior to the transfer but by the tax rate. During the transition period, from the transfer date to the end of the fiscal year, these costs were moved to Halifax Water. Customer-service costs include a one-time allowance for doubtful accounts on wastewater/storm-water billings. Administrative and general costs include some costs transferred from HRM as a result of the merger, as well as funding of actuarial deficit payments into the pension plan. This was a result of an agreement reached during collective bargaining but was not included in the budget.

The uniqueness of the 2007-08 fiscal year makes it difficult to compare the budget to the previous year. Operating revenue and expenditures combined to generate an operating profit of $32,969,587, which was $11,301,925 more than budgeted. Financial and other revenue totalled $3,182,378 and exceeded the budget by $840,378. Most of this amount was interest on cash reserves as a result of the transfer and the timing of capital and operating expenditures.

Interest on long-term debt, amortization of debt-issue costs and grant in lieu of taxes for water service amounted to $13,703,932, exceeding budget by $302,631. This reflects the setting up of accrued interest associated with the wastewater/stormwater debt and takes into account the interest on both the water and wastewater/stormwater debt, including the HHS project long-term debt for which Halifax Water is responsible for servicing from the rates. The HHS assets and applicable long-term debt will be recognized on the balance sheet when the assets are transferred upon project completion, in accordance with the Transfer Agreement, dated June 12, 2007. In the statement of operations, principal debt payments are no longer included in financial expenditures, in compliance with generally accepted accounting principles.

The grant in lieu of taxes is applicable to water service and based on the current agreement with HRM, which has been approved by the NSUARB and expires in 2010. There is no provision for a payment of this nature for wastewater/stormwater service.

In October of 2007, the Commission borrowed $9,072,000 through the Nova Scotia Municipal Finance Corporation. This was to refinance a balloon payment for the remaining 10 years of the original 20-year amortization of the first issue of the Lake Major water-treatment project financing. There was no additional long-term debt issued during the year, apart from that transferred from HRM associated with the merger. The long-term debt outstanding as of March 31, 2008, totalled $66,797,156—a net increase of $839,906 from the previous year. All of this was related to long-term debt associated with the merger.

The combination of factors noted above resulted in an excess of revenue over expenditures of $22,448,033 for the year. This was more than sufficient to meet the principal repayments of long-term debt during the year in the amount of $15,883,323. We continue to experience flat revenue growth in water service, as the increase in the customer base is offset by a decrease in annual water sold because of conservation. This also results in a decrease in revenue for wastewater/stormwater service as the current rates are all consumption based. With operating and capital expenditures increasing through a combination of inflation, regulatory compliance and infrastructure renewal, the current rates are insufficient to carry out the Commission's mandate in the future.

Utility plant in service at year-end totalled $608,978,615 as detailed in Schedule A of the financial statements and represents net additions of $203,013,666 for the year. This includes $189,188,095 of wastewater/storm-water assets transferred from HRM and the costs associated with the merger. These were received at the recorded value on HRM's books, with depreciation estimated up to the date of transfer. Water system fixed assets increased by a net of $13,825,571, with the largest component in transmission and distribution mains with net additions of $9,858,826 representing the extension and rehabilitation of the distribution system. The remaining increase in plant in service consisted of services, watershed land purchases, structures and improvements, meters, hydrants, transportation and other equipment. Of the total increase in utility plant in service, $9,015,327 represented contributions of plant in service from developers or capital of water assets, and $169,017,878 representing the contributed capital associated with the wastewater/storm-water assets transferred.

As of March 31, 2008, the Commission had plant under construction in the amount of $71,767,174. Of that amount, $67,598,798 was transferred from HRM with many projects underway. These will be taken into plant in service in the next fiscal year. The remaining $4,168,371 represented water and wastewater capital projects started by Halifax Water that were in process and had not been completed at year-end.

Effective asset management

The reliability of the water-supply source is a critical concern for us. Halifax Water continues to work with other regulatory authorities to plan for the orderly management of existing water resources and the timely expansion to meet future needs. This long-term planning is essential to ensure an adequate supply. In addition, the reliability of our treatment, pumping, transmission and distribution systems also remains front and centre in our service delivery. To improve reliability, Halifax Water has invested in substantial upgrades to pumps, pipes, plants, tanks, control systems and electrical systems. The physical security of our systems has also been substantially improved.

Just after midnight on Aug. 8, 2007, the catastrophic failure of the 48-inch diameter transmission main on Dunbrack Street, near the intersection of Kearney Lake Road, occurred. This break, although identified in a pipe section due for replacement, erupted due to failure of pre-stressed wires. Emergency procedures were executed flawlessly, resulting in no disruption in water service to customers. Although the damage was extensive to nearby properties, staff worked diligently to make repairs, which were completed in two days with pavement reinstatement immediately following.

The vulnerability of the pre-stressed concrete cylinder pipe has been an ongoing concern. To this end, engineering and information services, and water service operations, have been working with a research team from the Pressure Pipe Inspection Company (PPIC) to build a new tool, PipeDriver™, to inspect pipes without de-watering. The tool is a neutrally buoyant, self-propelled, watertight device that can be launched and retrieved within large-diameter pipe via 300 mm-diameter access ports. The tool has been successfully used on a test site in Toronto and in December of 2007, our staff conducted successful field trials in Halifax. The instrument has the capability of detecting and pinpointing broken pre-stressed wires within suspect sections and allow for informed decision making on repair or replacement strategies.

As a result of this successful trial, PPIC intends to make this new technology available commercially as this will provide

Pockwock Transmission Main repairs, Kearney Lake Road

Lowering the PipeDriver™ into the launch chamber to inspect the 30 inch pre-stressed concrete pressure pipe on Hammonds Plains Road

an important inspection capability to utilities across North America and beyond. This project is an excellent example of Halifax Water's expertise, desire for improvement and overall commitment to being world class.

As we grow, it is becoming more and more important to properly maintain our infrastructure. With wastewater and stormwater governance established under the purview of the NSUARB, the focus of Halifax Water is to improve asset management, source financing and meet provincial and federal regulatory requirements. Halifax Water will provide and maintain the water, wastewater and stormwater (sewer) systems and facilities as required, with an emphasis on best practices management. To get us on this path, we launched the following infrastructure projects in 2007-08:

• Freshwater Brook sewer: to rehabilitate and separate a large combined sewer in the south end of Halifax. Estimated project value: $10 million.

• Pockwock transmission main: sectional renewals. Estimated project value: $2 million

• Eastern Passage Wastewater Treatment Facility: to expand and upgrade the existing plant to secondary treatment. Estimated project value: $31.5 million.

• Sackville Drive water- and sewer-service extension. Estimated project value: $7 million.

• Completion of Ellenvale Run upgrades. Estimated project value: $4 million.

• North Dartmouth Trunk Sewer: complete important link in trunk sewer system adjacent to Lake Banook. Estimated project value: $3 million.

• 200 Waverley Road pumping-station upgrade. Estimated project value: $3 million.

• Roache's Pond pumping-station upgrade. Estimated project value: $4.5 million.

• Water treatment facilities for Collins Park and Middle Musquodoboit: using state-of-the-art membrane technology. Estimated project value: $4 million.

• Water service extension to North Preston: to provide an improved and a sustainable water supply for the community. Estimated project value: $3.5 million

Many of these projects will continue in to the 2008/2009 and 2009/2010 fiscal years.

Regulatory Compliance and Environmental Stewardship

As reflected in the new mission statement for the utility, significant focus on the environment is expected. So much so that it is difficult to separate the needs of the customer from our obligations to protect the environment. They are one and the same. To that end, the organization has been structured, from the get-go, to be ready to live up to our mission and be positioned for the next wave of regulations which are expected to be in force next year. These regulations are of course, the national strategy for municipal wastewater effluent as developed by the Canadian Council of the Ministers of the Environment [CCME]. A major consultation process, as part of the CCME strategy, has just concluded and it is expected that the provincial and territorial ministers of the environment will sign the final strategy in late 2008. These regulations have far reaching implications but are viewed as an important step in the wastewater industry to recognize our stewardship responsibility to leave the environment in better shape than we found it, for the betterment of future generations. Some of this work has already started in HRM with the continued progress on the Halifax Harbour Solutions Project [HHSP]. This $333 million project will see the construction of three new advanced primary treatment facilities and related collection system infrastructure in Halifax, Dartmouth and Herring Cove. These facilities will complement the existing plants operating in the Harbour at Mill Cove in the Bedford Basin and at Eastern Passage. With completion of the HHSP plants, all sewage entering the Harbour will be treated to at least primary levels with the exception of combined sewer overflows [CSOs] during wet weather events. It is recognized that the new CCME regulations will ultimately require secondary treatment for all treatment facilities and accordingly the HHSP plants were designed with this migration in mind. Another significant requirement associated with the CCME regulations will be the requirement to conduct risk assessments for sewersheds and where CSOs are in operation, a plan must be established to reduce their frequency and duration. This will be a focus of Halifax Water as we reclaim the potential of Halifax Harbour for recreational activities.

At the completion of the fiscal year, commissioning of the Halifax plant was well underway and construction was progressing on the Dartmouth and Herring Cove plants which are expected to begin commissioning in the summer of 2008 and fall of 2009, respectively. As reflected in the Transfer Agreement between HRM and Halifax Water, each of the treatment facilities associated with the HHSP will be transferred to Halifax Water within six months of substantial completion.

With the inclusion of wastewater and stormwater responsibilities under our wing, Halifax Water is in a unique position to manage water resources from the watershed to the customers' taps and from the customers' drains back to the sewershed. It will require an integrated and holistic approach to management of these resources, an approach which Halifax Water has been founded on.

Mill Cove Wastewater Treatment Facility, serving Bedford and Sackville

Motivated and satisfied employees

Halifax Water has a staff of more than 350 employees, all of whom are vital to helping achieve our mission and goals. Right across the board, they are a dedicated group committed to excellence. Like many organizations, Halifax Water is seeing changing demographics in its workforce and must strive to retain and attract the brightest minds to ensure world class service. In support of this goal Halifax Water offers competitive compensation, pension and benefit plans, and is making a concerted effort to develop succession plans to foster and promote employees to advance their careers. In essence we hire people with the intention that they work productively and retire from the utility after making their mark. Halifax Water continues to invest in its employees by funding training and professional-development efforts that provide education in safety, construction and technology to ensure that we have a skilled, safe and knowledgeable workforce.

Staff fundraising activities continue to be successful including Casual Day donations to support the Water For People projects. Water For People is a nonprofit international-development organization that helps people in developing countries improve their quality of life by supporting the development of locally sustainable drinking water resources, sanitation facilities, and health and hygiene education programs. This is a natural extension of what we do on a daily basis.

Mayor Kelly addressing the troops

During the year, the new retirees were:
Amrit Vig May 1, 2007
Lester Morash Dec. 1, 2007
Cheryl Wade March 1, 2008
Ken Nelson March 1, 2008

Long-service awards were given to:
30 years:
Joe Boudreau
Ralph Butler
Donna Garnett
Chris MacDonald
Virginia Veinot
Cheryl Wade

25 years:
James Roache

20 years:
Marcel Albert
Darryl Boone
Todd Masters
Robert Seguin
Heather Singer

10 years:
Rochelle Bellemare
Reid Kaiser
Denise MacDonald
Maria MacKinnon
Bonita Payne Fraser
Paul Sutherland

Workplace Safety & Security

In conjunction with the Joint Occupational Health and Safety Committee workplace safety of employees continues to be a number one priority within the merged utility. It includes efforts to organize safety orientation sessions, increase awareness for field operations and to ensure staff can do their jobs safely. Workplace security includes our efforts to safeguard all assets, prevent and/or mitigate loss, threats to physical assets, damage to technological property, or risks of any other kind arising from elements affecting the work environment. The merger has required a concentrated focus on the inventory of wastewater and stormwater assets to carry out a comprehensive risk assessment analysis. Attention was also placed on emergency preparedness to be structured as a coordinated effort, across water, wastewater and stormwater services. This will continue as we work with municipal and provincial levels of government to respond to emergencies.

Sesquicentury Club

The Halifax Regional Water Commission was recently inducted into the Cast Iron Pipe Sesquicentury Club. This water utility became the 3rd utility in Canada and the 23rd in North America to be so honored. The pipe that qualified Halifax was a 15-inch cast iron line installed on Quinpool Road in 1856; the water line is still in service today. The certificate was presented at a monthly board meeting.

Don Mason, Chairman of the Board of the Halifax Regional Water Commission and Normand De Agostinis, Eng. Senior Regional Engineer with DIPRA (Ductile Iron Pipe Research Association)

Welcome aboard

TYPICAL ANALYSIS OF POCKWOCK/LAKE MAJOR WATER
2007 - 2008

(in milligrams per litre unless shown otherwise)
Note: All Regulatory Compliance Analysis are Processed by Third Party Laboratories

PARAMETERS	(Halifax) POCKWOCK		(Dartmouth) LAKE MAJOR		GUIDELINES FOR CANADIAN DRINKING WATER QUALITY	
	Raw Water	Treated Water	Raw Water	Treated Water	Maximum Acceptable Concentration	Objective Concentration
Alkalinity (as $CaCO_3$)	<1.0	17.0	<1.0	13.3	-	-
Aluminum	0.153	0.111	0.230	0.053	-	*0.20/0.10
Ammonia (N)	<0.05	<0.05	<0.05	<0.05	-	-
Arsenic	<0.002	<0.002	<0.002	<0.002	0.010	-
Calcium	1.2	4.2	1.2	7.4	-	-
Chloride	6.5	8.5	6.0	7.5	-	≤250
Color (True Color Units)	16.0	3.0	30.0	3.0	-	≤15.0
Conductivity (µmho/cm)	39.0	84.0	36.0	98.0	-	-
Copper (Total)	0.002	<0.006	0.40	0.002	-	≤1.0
Fluoride	<0.10	0.74	<0.10	0.75	1.5	0.8 -1.0
Hardness (as $CaCO_3$)	5.1	13.8	4.6	19.5	-	-
Hardness (as $CaCO_3$) (Grains)	0.36	0.95	0.3	1.4	-	-
Iron (Total)	<0.035	<0.020	0.060	0.040	-	≤0.3
Langelier Index @ 5°C	-4.9	-2.7	-5.4	-2.3	-	-
Langelier Index @ 60°C	-4.5	-2.5	-4.4	-2.1	-	-
Lead (Total) (µg/l)	<0.5	<0.5	<0.5	<0.5	10.0	-
Magnesium	0.5	0.5	0.5	0.5	-	-
Manganese (Total)	0.052	0.008	0.073	0.008	-	≤0.05
Mercury (µg/l)	<0.01	<0.01	<0.01	<0.01	1.0	-
Nitrate (as N)	0.06	0.07	0.07	0.07	10.0	-
Nitrite (as N)	<0.01	<0.01	<0.01	<0.01	3.2	-
pH (pH Units)	5.5	7.3	5.6	7.4	-	6.5 - 8.5
Potassium	0.5	0.4	0.4	0.4	-	-
Sodium	4.0	12.0	4.0	11.0	-	≤200
Solids (Total Dissolved)	22.0	46.0	18.0	52.0	-	≤500
Solids (Total)	24.4	50.0	19.0	55.0	-	≤200
Sulfate	5.0	8.0	4.0	15.5	-	≤500
Turbidity (NTU)	0.30	<0.1	0.28	<0.1	**0.2/1.0	≤5
Total Organic Carbon (TOC)	2.9	1.4	4.0	1.5	-	-
THM's (avg.)	<0.001	0.077	<0.001	0.078	0.100	-
Uranium (µg/l)	<0.1	<0.1	0.1	<0.1	20.0	-
Zinc (Total)	0.008	0.081	0.014	0.100	-	≤5.0

* Aesthetic objective is related to type of plant filtration; the aesthetic objective for direct filtration (i.e. Pockwock) is <0.20 mg/l and conventional filtration (i.e. Lake Major) is 0.10 mg/l. **0.2/1.0 means the plant must produce water with turbidity of <0.2 NTU 90% of the time and <1.0 NTU 100% of the time, as is required by Provincial Permit. This is more stringent than the Canadian guideline of 1.0 NTU.

TYPICAL ANALYSIS SMALL SYSTEMS
2007 - 2008

(in milligrams per litre unless shown otherwise)
Note: All Regulatory Compliance Analysis are Processed by Third Party Laboratories

PARAMETERS	BENNERY LAKE		FIVE ISLAND LAKE		GUIDELINES FOR CANADIAN DRINKING WATER QUALITY	
	*Raw Water	Treated Water	Raw Water	Treated Water	Maximum Acceptable Concentration	Objective Concentration
Alkalinity (as $CaCO_3$)	<5.0	41	29.0	35.0	-	-
Aluminum	0.140	0.069	<0.010	<0.010	-	0.20/0.10
Ammonia (N)	<0.05	<0.05	<0.05	<0.07	-	-
Arsenic	<0.002	<0.002	0.004	0.004	0.010	-
Calcium	2.2	10.0	8.3	8.7	-	-
Chloride	5.0	11.0	3.0	7.0	-	≤250
Color (True Color Units)	45.0	<3.0	3.0	3.0	-	≤15.0
Conductivity (µmho/cm)	38.0	160.0	76.0	88.0	-	-
Copper (Total)	0.500	0.037	<0.010	0.037	-	≤1.0
Fluoride	<0.1	<0.1	0.50	0.50	1.5	0.8 -1.0
Hardness (as $CaCO_3$)	8.0	30.0	25.0	29.0	-	-
Hardness (as $CaCO_3$) (Grains)	0.55	2.1	1.8	2.1	-	-
Iron (Total)	0.190	0.040	<0.050	<0.035	-	≤0.3
Langelier Index @ 5°C	-2.8	-1.5	-1.6	-1.5	-	-
Langelier Index @ 60°C	-2.4	-1.3	-1.4	-1.3	-	-
Lead (Total) (µg/l)	1.1	<0.5	<0.5	<0.5	10.0	-
Magnesium	0.60	0.70	1.0	1.0	-	-
Manganese (Total)	0.072	0.020	<0.010	<0.002	-	≤0.05
Mercury (µg/l)	<0.01	<0.01	<0.01	<0.01	1.0	-
Nitrate and Nitrite (as N)	<0.07	0.06	<0.05	<0.05	10.0	-
pH (pH Units)	6.1	7.5	7.4	7.3	-	6.5 - 8.5
Potassium	0.5	0.5	0.5	0.5	-	-
Sodium	3.8	25.0	6.2	6.3	-	≤200
Solids (Total Dissolved)	21.0	95.0	56.0	65.0	-	≤500
Solids (Total)	23.0	97.0	56.0	65.0	-	≤200
Sulfate	5.0	14.5	2.0	2.0	-	≤500
Turbidity (NTU)	0.51	0.1	<0.1	<0.1	**0.2/1.0	≤5
Total Organic Carbon (TOC)	3.5	2.0	<0.5	<0.5	-	-
THM's (avg.)	<0.001	0.076	<0.001	<0.001	0.100	-
Uranium (µg/l)	0.1	<0.1	10.0	11.0	20.0	-
Zinc (Total)	0.018	0.029	<0.010	<0.010	-	≤5.0
PCB (µg/l)	<0.1	<0.1	<0.05	<0.05	-	-
Gross Alpha / Gross Beta	-	-	0.16/0.32	0.17/0.31	0.1 Bq/L / 1.0 Bq/L	-
Lead-210	-	-	<0.04	0.05	0.1 Bq/L	-

*Facility construction does not allow for raw water sampling.
**0.2/1.0 means the plant must produce water with turbidity of <0.2 NTU 90% of the time and <1.0 NTU 100% of the time, as is required by Provincial Permit. This is more stringent than the Canadian guideline of 1.0 NTU.

TYPICAL ANALYSIS SMALL SYSTEMS
2007 - 2008

(in milligrams per litre unless shown otherwise)
Note: All Regulatory Compliance Analysis are Processed by Third Party Laboratories

PARAMETERS	LIVELY SUBDIVISION		MILLER LAKE		GUIDELINES FOR CANADIAN DRINKING WATER QUALITY	
	Raw Water	Treated Water	Raw Water	Treated Water	Maximum Acceptable Concentration	Objective Concentration
Alkalinity (as $CaCO_3$)	21.0	67.0	120.0	82.0	-	-
Aluminum	<0.010	<0.010	<0.010	0.160	-	0.20/0.10
Ammonia (N)	<0.05	<0.05	<0.05	<0.05	-	-
Arsenic	<0.002	<0.002	0.024	<0.006	0.010	-
Calcium	11.0	11.0	71.0	72.0	-	-
Chloride	19.0	18.0	150.0	130.0	-	≤250
Color (True Color Units)	18.0	<5.0	<5.0	<5.0	-	≤15.0
Conductivity (μmho/cm)	160.0	210.0	750.0	660.0	-	-
Copper (Total)	<0.010	<0.002	<0.010	0.010	-	≤1.0
Fluoride	0.20	0.10	0.30	0.30	1.5	0.8 -1.0
Hardness (as $CaCO_3$)	37.0	38.0	220.0	196.0	-	-
Hardness (as $CaCO_3$) (Grains)	2.6	2.6	15.5	13.8	-	-
Iron (Total)	6.2	<0.020	<0.020	<0.050	-	≤0.3
Langelier Index @ 5°C	-2.4	-1.2	+0.3	+0.1	-	-
Langelier Index @ 60°C	-2.2	-0.9	+0.5	+0.50	-	-
Lead (Total) (μg/l)	<0.5	<0.5	<0.5	<0.5	10.0	-
Magnesium	2.2	2.2	10.0	9.3	-	-
Manganese (Total)	1.5	0.074	0.010	0.007	-	≤0.05
Mercury (μg/l)	<0.01	<0.01	<0.01	<0.01	1.0	-
Nitrate and Nitrite (as N)	<0.05	<0.05	0.07	0.07	10.0	-
pH (pH Units)	6.8	7.7	8.0	7.9	-	6.5 - 8.5
Potassium	0.4	2.2	1.5	1.3	-	-
Sodium	7.6	31.0	56.0	63.0	-	≤200
Solids (Total Dissolved)	83.0	122.0	408.0	412.0	-	≤500
Solids (Total)	83.0	122.0	408.0	412.0	-	≤200
Sulfate	15.0	17.0	35.0	34.0	-	≤500
Turbidity (NTU)	47.0	<0.10	<0.1	0.38	*0.2/1.0	≤5
Total Organic Carbon (TOC)	0.5	<0.5	<0.5	<0.5	-	-
THM's (avg.)	<0.001	<0.001	<0.001	0.060	0.100	-
Uranium (μg/l)	<0.10	<0.10	3.5	4.1	20.0	-
Zinc (Total)	0.012	0.050	0.013	0.033	-	≤5.0
PCB (μg/l)	<0.10	<0.10	<0.10	<0.10	-	-
Gross Alpha / Gross Beta	-	-	-	-	-	-
Lead-210	-	-	-	-	-	-

*0.2/1.0 means the plant must produce water with turbidity of <0.2 NTU 90% of the time and <1.0 NTU 100% of the time, as is required by Provincial Permit. This is more stringent than the Canadian guideline of 1.0 NTU.

TYPICAL ANALYSIS SMALL SYSTEMS
2007 - 2008

(in milligrams per litre unless shown otherwise)
Note: All Regulatory Compliance Analysis are Processed by Third Party Laboratories

PARAMETERS	MIDDLE MUSQUODOBOIT		COLLINS PARK		GUIDELINES FOR CANADIAN DRINKING WATER QUALITY	
	Raw Water	Treated Water	Raw Water	Treated Water	Maximum Acceptable Concentration	Objective Concentration
Alkalinity (as $CaCO_3$)	43.0	48.0	8.5	10.0	-	-
Aluminum	0.022	0.172	0.045	0.078	-	0.20/0.10
Ammonia (N)	<0.05	<0.05	<0.05	<0.05	-	-
Arsenic	<0.002	<0.002	0.002	<0.002	0.010	-
Calcium	16.2	15.7	5.9	6.1	-	-
Chloride	8.0	19.6	35.5	40.3	-	≤250
Color (True Color Units)	<5.0	<5.0	15.0	9.5	-	≤15.0
Conductivity (μmho/cm)	170.0	163.0	158.0	176.6	-	-
Copper (Total)	0.002	0.010	0.002	0.013	-	≤1.0
Fluoride	<0.1	<0.1	<0.1	<0.1	1.5	0.8 -1.0
Hardness (as $CaCO_3$)	66.0	65.0	18.5	18.3	-	-
Hardness (as $CaCO_3$) (Grains)	4.6	4.6	1.3	1.3	-	-
Iron (Total)	<0.020	<0.020	0.203	0.133	-	≤0.3
Langelier Index @ 5°C	-21.6	-1.8	-2.8	-2.8	-	-
Langelier Index @ 60°C	-1.3	-1.5	-2.5	-2.5	-	-
Lead (Total) (μg/l)	<0.5	<0.5	<0.5	<0.5	10.0	-
Magnesium	5.8	6.2	0.9	0.9	-	-
Manganese (Total)	<0.002	<0.002	0.070	0.008	-	≤0.05
Mercury (μg/l)	<0.01	<0.01	<0.01	<0.01	1.0	-
Nitrate and Nitrite (as N)	1.35	1.53	0.19	0.21	10.0	-
pH (pH Units)	7.0	6.9	7.1	7.4	-	6.5 - 8.5
Potassium	1.0	1.0	1.1	1.1	-	-
Sodium	5.2	7.2	22.0	25.0	-	≤200
Solids (Total Dissolved)	92.0	104.0	81.0	88.8	-	≤500
Solids (Total)	-	-	-	-	-	≤200
Sulfate	13.0	15.3	7.5	7.7	-	≤500
Turbidity (NTU)	0.21	0.20	0.46	0.88	*0.2/1.0	≤5
Total Organic Carbon (TOC)	0.6	0.5	3.4	3.4	-	-
THM's (avg.)	<0.001	0.007	<0.001	0.163	0.100	-
Uranium (μg/l)	0.10	<0.10	<0.10	<0.10	20.0	-
Zinc (Total)	0.008	0.013	0.011	0.015	-	≤5.0
PCB (μg/l)	<0.10	<0.10	<0.10	<0.10	-	-
Gross Alpha / Gross Beta	-	-	-	-	-	-
Lead-210	-	-	-	-	-	-

*0.2/1.0 means the plant must produce water with turbidity of <0.2 NTU 90% of the time and <1.0 NTU 100% of the time, as is required by Provincial Permit. This is more stringent than the Canadian guideline of 1.0 NTU.

TYPICAL ANALYSIS SMALL SYSTEMS 2007 - 2008

(in milligrams per litre unless shown otherwise)
Note: All Regulatory Compliance Analysis are Processed by Third Party Laboratories

PARAMETERS	NORTH PRESTON		SILVER SANDS (Cow Bay)		GUIDELINES FOR CANADIAN DRINKING WATER QUALITY	
	Raw Water	Treated Water	Raw Water	Treated Water	Maximum Acceptable Concentration	Objective Concentration
Alkalinity (as $CaCO_3$)	3.0	5.0	60.0	68.0	-	-
Aluminum	0.021	0.056	<0.010	<0.010	-	0.20/0.10
Ammonia (N)	<0.05	<0.05	<0.05	<0.05	-	-
Arsenic	<0.002	<0.002	<0.002	<0.002	0.010	-
Calcium	3.3	3.5	35.0	38.0	-	-
Chloride	20.0	23.0	71.0	70.0	-	≤250
Color (True Color Units)	7.0	<5.0	<5.0	<5.0	-	≤15.0
Conductivity (μmho/cm)	89.0	99.0	400.0	407.0	-	-
Copper (Total)	<0.006	0.046	<0.002	0.004	-	≤1.0
Fluoride	<0.1	0.70	0.20	0.20	1.5	0.8 -1.0
Hardness (as $CaCO_3$)	10.0	12.0	110.0	115.0	-	-
Hardness (as $CaCO_3$) (Grains)	0.7	0.9	7.7	8.1	-	-
Iron (Total)	<0.020	<0.050	0.513	0.080	-	≤0.3
Langelier Index @ 5°C	-3.3	-3.0	-0.0	-0.51	-	-
Langelier Index @ 60°C	-3.0	-2.6	-0.6	-0.32	-	-
Lead (Total) (μg/l)	<0.5	1.1	<0.5	<0.5	10.0	-
Magnesium	0.70	0.70	4.9	5.0	-	-
Manganese (Total)	0.030	0.008	0.68	0.24	-	≤0.05
Mercury (μg/l)	<0.01	<0.01	<0.01	<0.01	1.0	-
Nitrate and Nitrite (as N)	0.07	0.14	<0.05	<0.05	10.0	-
pH (pH Units)	7.0	7.0	7.5	7.6	-	6.5 - 8.5
Potassium	0.7	0.8	0.9	1.1	-	-
Sodium	11.0	15.0	25.0	33.0	-	≤200
Solids (Total Dissolved)	42.0	50.0	200.0	212.0	-	≤500
Solids (Total)	-	-	-	-	-	≤200
Sulfate	6.0	6.0	17.0	18.1	-	≤500
Turbidity (NTU)	0.3	0.25	2.9	0.60	*0.2/1.0	≤5
Total Organic Carbon (TOC)	2.4	2.1	<0.7	0.6	-	-
THM's (avg.)	<0.001	0.116	<0.001	<0.001	0.100	-
Uranium (μg/l)	<0.10	<0.10	<0.1	<0.1	20.0	-
Zinc (Total)	0.016	0.021	0.012	0.010	-	≤5.0
PCB (μg/l)	<0.10	<0.10	<0.10	<0.10	-	-
Gross Alpha / Gross Beta	0.02/0.04	0.02/0.06	0.09/0.15	0.08/0.07	0.1 Bq/L / 1.0 Bq/L	-
Lead-210	-	-	-	-	0.1 Bq/L	-

*0.2/1.0 means the plant must produce water with turbidity of <0.2 NTU 90% of the time and <1.0 NTU 100% of the time, as is required by Provincial Permit. This is more stringent than the Canadian guideline of 1.0 NTU.

Grant Thornton

Auditors' Report

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

We have audited the balance sheet of Halifax Regional Water Commission at March 31, 2008 and the statements of operations, contributed capital surplus, operating surplus and cash flows for the year then ended. These financial statements are the responsibility of the Halifax Regional Water Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Halifax Regional Water Commission as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
October 16, 2008

Chartered Accountants

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Statement of Operations
Year Ended March 31, 2008

	2008		2007
	Budget	**Actual**	Actual
Operating revenues			
Water service	$ 29,987,353	**$ 29,921,718**	$ 28,651,258
Wastewater/stormwater services	28,041,524	**33,887,502**	-
Fire protection	8,885,101	**8,885,101**	8,391,887
Sprinkler service and small systems	1,132,902	**1,202,337**	470,809
Airport aerotech system	447,225	**630,155**	395,285
Other operating revenue	926,466	**1,172,032**	397,449
	69,420,571	**75,698,845**	38,306,688
Operating expenditures			
Water supply and treatment	6,736,496	**6,308,187**	6,022,832
Water transmission and distribution	7,542,740	**6,839,477**	6,310,814
Wastewater/stormwater collection	8,842,652	**7,559,163**	-
Wastewater treatment	8,039,110	**4,985,880**	-
Environmental pollution control	1,307,484	**1,141,934**	-
Engineering and information services	2,454,130	**2,452,237**	2,265,735
Customer service	3,191,875	**3,572,833**	2,915,917
Airport aerotech system	791,779	**831,711**	436,113
Administration and pension	3,057,125	**3,477,593**	2,729,758
Depreciation	5,789,518	**5,560,243**	5,477,149
	47,752,909	**42,729,258**	26,158,318
Operating profit	21,667,662	**32,969,587**	12,148,370
Financial and other revenues			
Interest	250,000	**911,620**	523,572
Other	2,092,000	**2,270,758**	142,479
	2,342,000	**3,182,378**	666,051
	24,009,662	**36,151,965**	12,814,421
Financial and other expenditures			
(Gain) loss on disposals	-	**(1,453)**	126,349
Interest on long term debt	9,733,983	**10,079,567**	3,908,373
Amortization of debt discount	56,336	**56,360**	54,688
Grant in lieu of taxes (Note 8)	3,610,982	**3,569,456**	3,489,756
	13,401,301	**13,703,932**	7,579,166
Excess of revenue over expenditure	$ 10,608,361	**$ 22,448,033**	$ 5,235,255

See accompanying notes to the financial statements.

Balance Sheet

March 31

	2008	2007
Assets		
Current		
Cash and cash equivalents	**$ 28,288,330**	$ 10,337,480
Receivables		
Water, wastewater and stormwater charges	**18,670,061**	11,225,866
Materials and supplies	**1,268,948**	1,132,175
Prepaids	**403,430**	410,326
	48,630,769	23,105,847
Deferred charges (note 2 (l))	**-**	492,478
Receivable from Halifax Regional Municipality	**189,127**	331,051
Plant under construction	**71,767,174**	1,526,481
Utility plant in service (Schedule A)	**432,149,365**	316,557,360
	$ 552,736,435	$ 342,013,217
Liabilities		
Current		
Payables and accruals		
Trade	**$ 4,693,732**	$ 2,487,365
Interest on long term debt	**1,702,369**	1,038,985
Halifax Regional Municipality	**5,051,562**	8,728,096
Contractor and customer deposits	**133,090**	106,937
Current portion of long term debt (Schedule B)	**4,483,315**	4,199,250
Unearned revenue	**60,614**	39,175
	16,124,682	16,599,808
Long term debt (Schedule B)	**62,313,841**	61,758,000
Deferred pension liability (Note 4)	**2,289,300**	1,667,371
Accrued post retirement benefits (Note 4)	**991,525**	1,025,360
Accrued long term service costs (Note 2(h) & 5)	**2,140,728**	1,387,668
	83,860,076	82,438,207
Equity		
Special purpose reserves (note 7)		
Contributed capital surplus (Page 38)	**12,425,862**	-
Operating surplus (Page 38)	**412,122,561**	237,695,107
	44,327,936	21,879,903
	468,876,359	259,575,010
	$ 552,736,435	$ 342,013,217

Contingent liability (Note 3)
Commitment (Note 6)

On behalf of the Board

Donald L. Mosher Commissioner

James W. Kinley Commissioner

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended March 31

	2008	2007
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenditure	**$ 22,448,033**	$ 5,235,255
Depreciation and amortization	**5,902,922**	5,713,279
Deferred pension liability	**621,929**	400,317
Decrease in accrued post retirement benefits	**(33,835)**	(25,088)
Increase in accrued long term service costs	**753,060**	(159,365)
Grant in lieu of taxes	**3,569,458**	-
(Gain) loss on disposals	**(1,453)**	126,349
	33,260,114	11,290,747
Change in non-cash operating working capital items (Note 9)	**(8,333,263)**	164,569
	24,926,851	11,455,316
Financing		
Proceeds from issuance of long term debt	**9,072,000**	4,800,000
Receivable from Halifax Regional Municipality	**141,924**	(109,856)
Proceeds from reserves	**10,752,055**	-
Deferred charges	**(7,137)**	-
Principal repayment on Harbour Solutions long term debt (note 8)	**(7,209,109)**	-
Principal repayments of long term debt	**(13,980,354)**	(3,865,307)
	(1,230,621)	824,837
Investing		
Capital cost contributions	**995,970**	1,114,853
Purchase of plant in service	**(6,741,350)**	(6,689,263)
	(5,745,380)	(5,574,410)
Increase in cash and cash equivalents	**17,950,850**	6,705,743
Cash and cash equivalents, beginning of year	**10,337,480**	3,631,737
Cash and cash equivalents, end of year	**$ 28,288,330**	$ 10,337,480

Statement of Contributed Capital Surplus
Year Ended March 31

	2008	2007
Contributed capital surplus, beginning of year	**$ 237,695,107**	$ 229,301,303
Contributions to plant in service	**9,015,327**	9,409,007
Wastewater capital surplus transferred	**169,017,878**	**-**
	415,728,312	238,710,310
Less: amortization (Note 2 (b))	**3,605,751**	1,015,203
Contributed capital surplus, end of year	**$ 412,122,561**	$ 237,695,107

Statement of Operating Surplus
Year Ended March 31

	2008	2007
Operating surplus, beginning of year	**$ 21,879,903**	$ 16,644,648
Excess of revenue over expenditure	**22,448,033**	5,235,255
Operating surplus, end of year	**$ 44,327,936**	$ 21,879,903

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2008

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 residents of the HRM.

On August 1, 2007, municipal wastewater and stormwater facilities and their operation and administration including affected employees were transferred to the Commission from HRM. This transfer was approved by the Nova Scotia Utility and Review Board (NSUARB). The Commission assumed the responsibility for debt servicing associated with the wastewater and stormwater facilities and operations that were transferred. This transaction was deemed to have no commercial substance and was therefore recorded at carrying value in accordance with the CICA Handbook Section 3840, Related Party Transactions.

The utility plant transferred has been recorded at HRM's recorded cost of $183,292,292 and net book value of $109,537,062. The transfer also included work in progress in the amount of $64,676,687, and vehicles and equipment with a cost of $5,354,435 and a net book value of $600,027.

The associated debt transferred to the Commission from HRM was $6,247,875 and the contributed capital surplus transferred was $169,017,878. The Commission also received reserve funds of $12,425,862 for the purpose of capital expenditures only with the approval of the NSUARB.

The wastewater and stormwater operations from the transfer date are included in the results of operations for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Regulation

In matters of administrative policy relating to water rates, capital expenditures, depreciation rates and accounting matters, the Commission is subject to the jurisdiction of the NSUARB.

(b) Utility plant

Utility plant in service (Schedule A) is recorded at cost, including interest capitalized on the financing of major projects during construction. Contributions receivable 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 income for the period.

The Commission has received approval from the NSUARB to record donated assets. The estimated value of contributed assets is credited to the contributed capital surplus account. 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 donated assets to which it relates.

The Commission has implemented a policy to account for infrastructure extensions into its water and wasterwater/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 service area is complete. The capital cost contributions are subject to approval by the NSUARB.

The utility plant acquired with the transfer of the wastewater/stormwater operations from HRM has been recorded at historical cost as recorded by HRM, less estimated depreciation to the date of acquisition. Refer to Note 1, Nature of Operations, for details relating to this transaction.

(c) Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation is provided on assets for one half of the year in the year of acquisition.

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
Transmission and distribution 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

(d) 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.

(e) Materials and supplies

Materials and supplies inventories are recorded at average cost.

(f) Revenue and expenditures

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

(g) 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.

(h) Accrued long term service costs

The Commission provides a one-time long term service award to employees at retirement or resignation after ten years of continuous service based on three days pay for each completed year of service. The balance at March 31, 2008 is the actuarial value of the liability for these costs.

(i) Reserves

The Commission received reserve funds from HRM in the transfer of municipal wastewater and stormwater operations. Certain of these funds can be used for capital expenditures only with the approval of 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 of the wastewater/stormwater system.

(j) Use of estimates

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. Actual results could differ from these estimates.

(k) Financial instruments

The Commission's financial instruments include cash and cash equivalents, receivables, payables and accruals, and long term debt. 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 market value of these financial instruments approximates their carrying values.

(l) Changes in accounting policies

The Canadian Institute of Chartered Accountants has issued new accounting standards 1530 – Comprehensive Income and 3855 – Financial Instruments – Recognition and Measurement which were applicable to the Commission effective April 1, 2007. In accordance with the new accounting standards, the accounting policy changes were applied prospectively without restatement of prior periods.

The adoption of these new standards required the identification of the Commission's financial instruments and their classification into one of five categories; held for trading, available for sale, held to maturity, loans and receivables and other liabilities. Section 3855 requires that all financial instruments be recognized in the financial statements and measured at inception at fair values and that financial instruments classified as available for sale and held for trading be subsequently measured at fair value at each balance sheet date. Changes in fair value are recognized in net earnings for held for trading assets and liabilities, and in the statement of comprehensive income for available for sale financial assets. Any adjustments in the carrying amount of financial instruments were required to be recorded to the opening balance of retained earnings or other comprehensive income depending on their classification. The Commission has assessed the impact of these new standards at April 1, 2007 and has determined that no adjustment is required.

Due to the adoption of the new accounting standard 3855 – Financial Instruments – Recognition and Measurement, deferred charges are no longer shown on the balance sheet as a separate item, but rather they are netted against long term debt in schedule B.

In accordance with the new standard, the Commission's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Cash equivalents	Held for trading	Fair value
Receivables	Loans & receivables	Amortized cost
Deferred charges	Not applicable	Now netted against related debt
Receivable from HRM	Loans & receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Current portion of long term debt	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost
Accrued long term service costs	Other liabilities	Amortized cost

(m) Future accounting policies

The Canadian Institute of Chartered Accountants has issued new accounting standards 1535 – Capital Disclosures, 3031 – Inventories, 3862 Financial Instruments – Disclosures and 3863 – Financial Instruments – Presentation. These new accounting standards are applicable to Halifax Regional Water Commission's 2009 fiscal year.

Capital Disclosures
This new standard requires disclosure of the Commission's objectives, policies and processes for managing capital; quantitative data about what the Commission regards as capital; and whether the Commission has complied with any capital requirements. The new accounting standard will impact disclosure only, with no effect on the financial results of the Commission.

Inventories
The new standard provides more guidance on the measurements and disclosure requirements for inventories than the previous standard, 3030 – Inventories. The new standard requires that inventories be measured at the lower of cost and net realizable value, and provides more guidance on the determination of cost and subsequent write down to net realizable value. The Commission is assessing the effect of the new standard and does not anticipate a material effect on financial results.

Financial Instruments – Disclosures, and Financial Instruments – Presentation
These new standards replace accounting standard 3861 – Financial Instruments – Disclosure and Presentation. The new accounting standards requires enhanced disclosure to assists users of the financial statements in evaluating the impact of financial instruments on the Commission's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards impact disclosure only and will have no effect on financial results.

3. CONTINGENT LIABILITY

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.

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

Employees who retired prior to July 1, 1998 have extended health benefits coverage for life and drug coverage until age 65. Employees who retire 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.

Information about the Commission's plans, based on an accounting valuation as at March 31, 2008, is as follows:

	Pension Plan March 31, 2008	Pension Plan March 31, 2007	**Post Retirement Benefits March 31, 2008**	Post Retirement Benefits March 31, 2007
Accrued benefit obligation				
Balance, beginning of year	**$ 66,238,481**	$ 60,480,977	**$ 1,071,800**	$ 1,083,100
Current service cost	**2,693,933**	2,444,494	**4,000**	3,700
Interest cost	**3,324,456**	3,153,082	**49,037**	52,313
Experience (gain)/loss	**(6,893,888)**	2,294,005	**-**	-
Benefit payments	**(2,198,571)**	(2,172,260)	**(86,872)**	(81,101)
Transfers in	**5,925**	38,183	**-**	-
Actuarial (gain) loss	**-**	-	**(23,624)**	13,788
Balance, end of year	**63,170,336**	66,238,481	**1,014,341**	1,071,800
Plan assets				
Balance, beginning of year	**49,460,487**	44,679,409	**-**	-
Actual (loss) return on plan assets	**(340,343)**	4,301,223	**-**	-
Transfers in	**5,925**	38,183	**-**	-
Benefits paid	**(2,198,571)**	(2,172,260)	**-**	-
Contributions: Employee	**895,656**	871,950	**-**	-
Employer	**1,594,887**	1,741,982	**-**	-
Balance, end of year	**49,418,041**	49,460,487	**-**	-
Accounting valuation – plan deficit	**$ (13,752,295)**	$ (16,777,994)	**$ (1,014,341)**	$ (1,071,800)
Accrued liability, beginning of year	**$ (1,667,371)**	$ (1,267,054)	**$ (1,025,360)**	$ (1,050,448)
Expense for 2007/2008	**(2,216,829)**	(2,142,300)	**(53,037)**	(56,013)
Employer contributions for 2007/2008	**1,594,900**	1,741,983	**86,872**	81,101
Accrued liability recognized	**$ (2,289,300)**	$ (1,667,371)	**$ (991,525)**	$ (1,025,360)

Administration and pension expense includes pension expense of $2,216,829 (2007 - $2,142,300). 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.

The following assumptions have been used in the actuarial determination of the accrued benefit asset / liability at March 31, 2008:

	Pension Plan		Post Retirement Benefits	
	March 31, 2008	March 31, 2007	**March 31, 2008**	March 31, 2007
Discount rate	5.6%	5.0%	5.25%	5.00%
Expected return on plan assets	6.75%	6.75%	NA	NA
Rate of compensation increase	3.75%	3.75%	3.75%	4%
Expenses for life benefits as a % of claims	NA	NA	5 - 10%	5 - 10%
Health benefit inflation per year	NA	NA	6%-9%	6%-9%
Dental benefit inflation per year	NA	NA	4%	3%

Funding for the pension plan is based on regular actuarial reviews which are next scheduled for January 1, 2009.

5. PRE-RETIREMENT LEAVE (LONG TERM SERVICE AWARD)

The Commission has a 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.

	2008	2007
Pre-retirement leave	**$ 2,140,728**	$ 1,387,668

The following assumptions have been used in the valuation of the Halifax Regional Water Commission's pre-retirement leave benefit at March 31, 2008:

	Pre Retirement Benefits	
	March 31, 2008	March 31, 2007
Discount rate	5.60%	-
Rate of compensation increase	3.75%	-

Notes to the Financial Statements
March 31, 2008

6. RETURN ON RATE BASE

	2008	2007
Rate of return on rate base	**4.06%**	3.73%

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.

7. SPECIAL PURPOSE RESERVES

	Bomont Capital Reserve	Sewer Redevelopment Reserve	Wastewater Infrastructure Reserve	**2008 Total**	2007 Total
Reserve, beginning of year	$ -	$ -	$ -	**$ -**	$ -
Additions	190,000	-	-	**190,000**	-
Transfer from HRM	-	7,416,040	3,611,998	**11,028,038**	-
Contributions and interest	-	899,51030	8,314	**1,207,824**	-
Reserve, end of year	$ 190,000	$ 8,315,550	$ 3,920,312	**$12,425,862**	$ -

8. COMMITMENTS

The Commission has an agreement with HRM which was approved by the NSUARB for a grant in lieu of municipal taxes for the current year based on 1.56% of the rate base for water service at the end of the prior year. The current agreement expires at the end of the 2009/2010 fiscal year. The Commission is committed to a payment of $3,623,863 for the 2009 fiscal year.

The facilities associated with the Halifax Harbour Solutions (HHS) Project, presently under construction, and associated long term debt will be transferred from the HRM to the Commission following their completion in accordance with the transfer agreement. It is anticipated that the majority of the project will be completed within the next two fiscal years. The debt servicing associated with the HHS project is being funded by the Commission from the wastewater/stormwater rates.

9. SUPPLEMENTAL CASH FLOW INFORMATION

	2008	2007
Changes in non-cash operating working capital items		
Receivables	$ (7,444,195)	$ (1,578,421)
Materials and supplies	(136,773)	(90,123)
Prepaids	6,896	(3,581)
Payables and accruals	(780,630)	1,850,519
Unearned revenue	21,439	(13,825)
	$ (8,333,263)	$ 164,569

During the year, plant in service of $9,015,327 (2007 - $9,409,007) was contributed and recorded as donated assets.

10. COMPARATIVE FIGURES

Certain of the comparative figures for 2007 have been reclassified to conform with the financial statement presentation adopted for 2008.

Schedule of Utility Plant in Service - Schedule A
Year Ended March 31

	Cost	Accumulated Depreciation	**2008 Net Book Value**	2007 Net Book Value
Water				
Land and land rights	$ 15,314,297	$ -	**$ 15,314,297**	$ 15,247,543
Structures and improvements	70,814,534	17,769,855	**53,044,679**	53,583,986
Pumping equipment	7,666,936	4,045,103	**3,621,833**	3,823,771
Purification equipment	24,958,930	10,579,962	**14,378,968**	14,816,400
Transmission and distribution mains	239,316,873	49,655,134	**189,661,739**	182,608,587
Bennery Lake	123,978	19,202	**104,776**	73,235
Services	24,055,259	2,977,471	**21,077,788**	20,142,390
Meters	8,623,622	2,108,308	**6,515,314**	6,304,757
Hydrants	13,962,865	1,937,505	**12,025,360**	11,531,551
Tools and work equipment	2,019,115	1,332,480	**686,635**	691,401
Transportation equipment	2,287,417	1,108,201	**1,179,216**	1,143,033
Office equipment and furniture	6,635,850	3,698,460	**2,937,390**	3,119,947
Small systems	4,010,844	587,142	**3,423,702**	3,470,759
	$ 419,790,520	$ 95,818,823	**$323,971,697**	$ 316,557,360
Wastewater/stormwater				
Wastewater intangibles	$ 1,668,774	$ 30,140	**$ 1,638,634**	$ -
Land and land rights	586,128	-	**586,128**	-
Structures and improvements	51,835,195	26,507,451	**25,327,744**	-
Transmission and distribution mains	128,609,487	48,909,987	**79,699,500**	-
Aerotech	84,075	-	**84,075**	-
Transportation equipment	5,354,436	5,044,952	**309,484**	-
Small utilities	1,050,000	517,897	**532,103**	-
	$ 189,188,095	$ 81,010,427	**$108,177,668**	$ -
Total	$ 608,978,615	$176,829,250	**$432,149,365**	$ 316,557,360

Schedule of Long Term Debt - Schedule B
Year Ended March 31, 2007

	Interest Rate	Final Maturity	Balance Remaining **2008**	2007
Debentures				
Municipal Finance Corporation - Water				
Debenture 96 A 1	5.500% to 8.000%	2016	**$ 720,000**	$ -
Debenture 97 A 1	5.750% to 6.250%	2008	**-**	9,626,000
Debenture 97 B 1	4.250% to 6.250%	2008	**-**	10,000
Debenture 98 A 1	5.625% to 6.125%	2019	**30,436,000**	32,330,000
Debenture 99 A 1	6.500% to 6.750%	2009	**2,700,000**	2,925,000
Debenture 20 A 1	6.125% to 6.375%	2010	**2,275,000**	2,450,000
Debenture 21 A 1	5.250% to 6.250%	2011	**3,105,000**	3,506,250
Debenture 22 A 1	4.250% to 6.125%	2012	**3,550,000**	3,860,000
Debenture 23 A 1	3.500% to 5.750%	2018	**1,600,000**	1,700,000
Debenture 25 A 1	2.970% to 4.560%	2015	**4,500,000**	4,750,000
Debenture 26 A 1	4.350% to 4.880%	2016	**3,800,000**	4,800,000
Debenture 27 A 1	0.000% to 5.010%	2017	**9,072,000**	**-**
Municipal Finance Corporation - Wastewater				
Debenture 98 B 1	5.000% to 5.625%	2008	**20,528**	-
Debenture 99 A 1	5.250% to 5.375%	2009	**383,703**	-
Debenture 99 B 1	5.825% to 5.825%	2008	**1,053,958**	-
Debenture 20 A 1	6.750% to 6.875%	2010	**52,262**	-
Debenture 20 B 1	6.250% to 6.375%	2010	**42,183**	-
Debenture 21 A 1	8.000% to 8.000%	2012	**341,431**	-
Debenture 21 B 1	3.125% to 6.000%	2011	**61,516**	-
Debenture 22 A 1	3.370% to 6.125%	2012	**438,794**	-
Debenture 22 B 1	3.250% to 5.625%	2012	**221,365**	-
Debenture 23 A 1	3.500% to 5.375%	2013	**272,782**	-
Debenture 23 B 1	2.750% to 5.000%	2013	**25,920**	-
Debenture 24 A 1	2.550% to 5.450%	2014	**582,018**	-
Debenture 24 C 1	7.000% to 7.000%	2015	**410,484**	-
Debenture 25 A 1	2.970% to 4.560%	2015	**431,146**	-
Debenture 25 B 1	3.630% to 4.830%	2020	**270,106**	-
Debenture 26 A 1	4.350% to 4.880%	2016	**229,558**	-
Debenture 26 B 1	4.265% to 4.410%	2016	**43,662**	-
Debenture 27 A 1	4.450% to 4.625%	2017	**657,355**	-
			67,296,771	65,957,250
Less: deferred charges			**499,615**	-
			66,797,156	65,957,250
Less: amount payable within one year			**4,483,315**	4,199.250
			$ 62,313,841	$ 61,758,000

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:

2009	$ 12,220,656
2010	$ 12,486,104
2011	$ 12,306,536
2012	$ 12,197,218
2013	$ 12,034,991

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