

Town of Pictou Water Utility

FINANCIAL STATEMENTS

March 31, 2026



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Independent Auditor's Report

To the Mayor and Council of Town of Pictou Water Utility

Opinion

We have audited the financial statements of the Town of Pictou Water Utility (the "Utility"), which comprise the statements of financial position as at March 31, 2026, and the statements of financial activities, cash flows, accumulated allowance for depreciation, investment in capital assets, depreciation fund cash and related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Utility as at March 31, 2026, and the results of its operations for the year then ended in accordance with the accounting principles prescribed by the Nova Scotia Regulatory and Appeals Board (the "Financial Reporting Framework").

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Utility in complying with the financial reporting requirements of Nova Scotia water utilities. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Utility for the year ended March 31, 2025 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 23, 2025.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

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

BDO Canada LLP

Chartered Professional Accountants

Halifax, Nova Scotia
September 22, 2026

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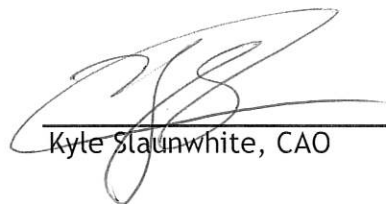
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Town of Pictou Water Utility
Statement of Financial Position - Operating Fund
March 31, 2026

	2026	2025
Financial Assets		
Cash and cash equivalents	\$ 37,460	\$ 33,539
Rates receivable, less allowance for doubtful accounts of \$2,728 (2025 -\$10,498)	426,929	383,011
Inventories, at cost	45,359	47,355
	<u>509,748</u>	<u>463,905</u>
Financial Liabilities		
Accounts payable and accrued liabilities	17,972	38,489
Accrued interest payable	19,587	23,134
Due to Water Utility, capital fund	19,687	19,683
Due to Town of Pictou, operating fund	839,572	764,731
	<u>896,818</u>	<u>846,037</u>
Net Debt		
Deficit	(387,070)	(382,132)
	<u>\$ 509,748</u>	<u>\$ 463,905</u>

Approved on behalf of Council:


Jim Ryan, Mayor


Kyle Stainwhite, CAO

Town of Pictou Water Utility
Statement of Financial Activities - Operating Fund
March 31, 2026

	2026 Budget	2026 Actual	2025 Actual
Operating Revenues			
Rates	\$ 1,354,410	\$ 1,349,017	\$ 1,206,198
Flat rate sales	5,432	5,925	4,798
Public fire protection	437,484	437,484	364,114
	1,797,326	1,792,425	1,575,110
Operating Expenses			
Source of supply	18,475	11,886	32,075
Pumping (Schedule A)	178,969	171,457	144,520
Water treatment (Schedule A)	183,295	189,643	164,445
Transmission and distribution (Schedule A)	268,710	348,399	442,969
Administration and general (Schedule A)	159,063	148,482	136,379
Depreciation attributable to capital fund	380,616	381,092	406,517
Taxes	131,454	119,211	107,134
	1,320,582	1,370,170	1,434,039
Operating income (rate of return - Note 4)	476,744	422,255	141,071
Non-Operating Revenues (Expenses)			
Principal payment on debenture	(384,942)	(376,444)	(257,944)
Debenture interest	(109,903)	(79,427)	(77,700)
Interest revenue	13,844	21,683	17,569
Miscellaneous	4,255	6,995	6,300
	(476,746)	(427,193)	(311,775)
Annual Deficit	(2)	(4,938)	(170,704)
Accumulated Deficit, Beginning of Year	(382,132)	(382,132)	(211,428)
Accumulated Deficit, End of Year	\$ (382,134)	\$ (387,070)	\$ (382,132)

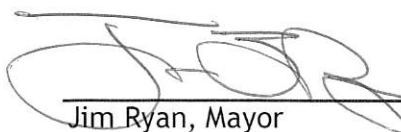
Town of Pictou Water Utility
Statement of Cash Flows - Operating Fund
March 31, 2026

	2026	2025
Cash flows from (used in) operating activities		
Annual deficit	\$ (4,938)	\$ (170,704)
Changes in non-cash operating working capital		
Rates receivable	(43,918)	(41,960)
Inventory, prepaid expenses and other	1,996	413
Accounts payable and accrued liabilities	(20,514)	14,331
Accrued interest payable	(3,547)	3,816
	(70,921)	(194,104)
Cash flows from financing activities		
Increase in due to Town of Pictou, operating fund	74,842	214,581
Increase in Cash and Cash Equivalents	3,921	20,477
Cash and Cash Equivalents, Beginning of Year	33,539	13,062
Cash and Cash Equivalents, End of Year	\$ 37,460	\$ 33,539

Town of Pictou Water Utility
Statement of Financial Position - Capital Fund
March 31, 2026

	2026	2025
Assets		
Restricted cash - depreciation reserve	\$ 77,496	\$ 122,355
Due from Water Utility, operating fund	19,687	19,683
Utility, plant and equipment (Schedule B)	16,438,536	16,571,007
	<u>16,535,719</u>	<u>16,713,045</u>
Liabilities		
Deferred capital contributions	3,899,610	4,138,776
Due to Town of Pictou, operating fund	377,559	276,544
Long-term debt (Note 2)	2,991,835	3,006,279
	<u>7,269,004</u>	<u>7,421,599</u>
Reserve		
Accumulated allowance for depreciation	3,530,731	3,717,945
Investment in capital assets	5,735,984	5,573,501
	<u>9,266,715</u>	<u>9,291,446</u>
	<u>\$ 16,535,719</u>	<u>\$ 16,713,045</u>

Approved on behalf of Council:


Jim Ryan, Mayor


Kyle Staunwhite, CAO

Town of Pictou Water Utility
Statement of Accumulated Allowance for Depreciation
March 31, 2026

	2026	2025
Balance, beginning of year	\$ 3,717,945	\$ 3,311,428
Depreciation	381,092	406,517
Disposal of utility, plant and equipment	(568,305)	-
Balance, end of year	\$ 3,530,731	\$ 3,717,945

Statement of Investment in Capital Assets
March 31, 2026

	2026	2025
Balance, beginning of year	\$ 5,573,501	\$ 5,210,255
Term debt retired	376,444	257,944
Deferred assistance amortized	128,070	105,302
Less: loss on disposal of asset	(342,031)	-
Balance, end of year	\$ 5,735,984	\$ 5,573,501

Statement of Depreciation Fund Cash
March 31, 2026

	2026	2025
Fund, beginning of year	227,497	141,038
Depreciation	381,092	406,517
Tangible capital assets acquired	(888,965)	(320,058)
Fund, end of year	(280,376)	227,497
Amount unfunded	357,872	(105,142)
Cash, end of year	\$ 77,496	\$ 122,355

1. Significant Accounting Policies

(a) Basis of presentation

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed for Nova Scotia water utilities by the Nova Scotia Regulatory and Appeals Board (the "NSRAB") (the "Financial Reporting Framework").

The basis of accounting used in these financial statements differs materially from Canadian Public Sector Accounting Standards ("PSAS") as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA").

The significant differences from PSAS are described below. The Framework requires that:

Financial statements should be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in net assets and in financial position of all organizations, commissions and agencies which are owned or controlled by the Water Utility. This would include, at a minimum, the individual funds represented in these March 31, 2026 financial statements - Operating Fund and Capital Fund.

Revenues and expenses be recorded on a full accrual basis;

The Water Utility capitalizes all of its capital acquisitions rather than charging some to operations in the year acquired; and

Principal debt repayments not be recorded as an expense of the Water Utility.

(b) Cash and cash equivalents

Cash and cash equivalents of the operating fund are defined as cash on hand and on deposit at banks net of outstanding cheques and deposits.

(c) Revenues and expenses

Major revenue and expense items are recorded on an accrual basis. Resident billings of rates for subsequent periods are recorded as deferred revenues.

Certain sources of revenues, including forfeited discounts and interest on past due rates, are recorded on an accrual basis.

Capital grants and contributions received for the purchase of capital assets are recorded using the deferral method of accounting and are amortized to revenues at a rate corresponding with the amortization of the related capital asset.

Principal relating to long-term debt is recorded as expenses when due for payment. Interest is recorded on an accrual basis.

1. Significant Accounting Policies (continued)

(d) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting consumer rates receivable outstanding.

(e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the valuation of rates receivable and the carrying amount of tangible capital assets. Actual results could differ from those estimates.

(f) Financial instruments

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Financial instruments consist of cash and cash equivalents, rates receivable, accounts payable and accrued liabilities, accrued interest payable and long-term debt.

The Utility regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Water Utility determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of financial activities. Any reversals of previously recognized impairment losses are recognized in the statement of financial activities in the year the reversal occurs.

Unless otherwise noted, it is management's opinion that the Utility is not exposed to significant interest or credit risks arising from financial instruments.

Town of Pictou Water Utility
Notes to Financial Statements
For the Year Ended March 31, 2026

2. Long-Term Debt

	<u>2026</u>	<u>2025</u>
Province of Nova Scotia, repayable in annual principal payments of \$193,744, plus interest at 1.24% to 2.38%, maturing in 2035	\$ 1,937,435	\$ 2,131,179
Province of Nova Scotia, repayable in annual principal payments of \$18,100, plus interest at 2.72% to 4.85%, maturing in 2045	362,000	-
Province of Nova Scotia, repayable in annual principal payments of \$40,300, plus interest at 3.72% to 4.11%, maturing in 2028	322,400	362,700
Province of Nova Scotia, repayable in annual principal payments of \$14,500, plus interest at 4.37% to 5.14%, maturing in 2044	275,500	290,000
Province of Nova Scotia, repayable in annual principal payments of \$13,500, plus interest at 3.34% to 3.58%, maturing in 2027	94,500	108,000
Province of Nova Scotia, repaid during the year	-	114,400
Total long-term debt	<u>\$ 2,991,835</u>	<u>\$ 3,006,279</u>

Principal payments required in each of the next five years are as follows:

2027	\$ 280,144
2028	347,644
2029	468,144
2030	226,344
2031	226,344

3. Transactions with Town of Pictou

In general, and where identifiable, costs incurred by the Town of Pictou (the "Town") on behalf of the Utility are charged to the Utility.

Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the Utility.

At March 31, 2026, the Water Utility owed \$1,217,131 to the Town (2025 - \$1,041,275) with respect to this inter-fund balance; no interest has been charged to the Utility.

The Utility provides public fire protection to the Town. The charge for this service (included in operating revenues) amounted to \$437,484 (2025 - \$364,114). The charge is governed by the Nova Scotia Regulatory and Appeals Board.

The Utility is not exempt from municipal taxation within the Town of Pictou.

4. Rate of return on rate base

For the year ended March 31, 2026, the Utility had a rate of return on rate base of 4.75% (2025 - 0.87%).

Town of Pictou Water Utility
Notes to Financial Statements
For the Year Ended March 31, 2026

5. Financial Instruments

The carrying value of cash and cash equivalents, receivables, trade payables and accrued interest payable approximate their fair value due to the relatively short terms to maturity.

The carrying value of inter-fund balances and due to/from Town of Pictou approximates its fair value due to special conditions attached thereto.

The carrying value of long-term debt approximates its fair value due to the terms and conditions being the same or similar to current market rates available to the Water Utility.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. The carrying amount of the Utility's financial instruments best represents the maximum exposure to credit risk. The Utility manages its credit risk by providing allowances for potentially uncollectible accounts receivable.

The risk has increased from the prior year as receivables balance have increased.

As at March 31	2026			2025		
	Rates	Less:		Rates	Less:	
	receivable	Impairment allowance	Total	receivable	Impairment allowance	Total
Current	\$ 367,455	\$ -	\$ 367,455	\$ 353,011	\$ -	\$ 353,011
91 to 180 days	45,754	-	45,754	30,401	(401)	30,000
181 to 270 days	1,464	-	1,464	1,852	(1,852)	-
271 to 360 days	14,984	(2,728)	12,256	8,245	(8,245)	-
	<u>\$ 429,657</u>	<u>\$ (2,728)</u>	<u>\$ 426,929</u>	<u>\$ 393,509</u>	<u>\$ (10,498)</u>	<u>\$ 383,011</u>

Town of Pictou Water Utility
Notes to Financial Statements
For the Year Ended March 31, 2026

5. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Utility will encounter difficulty meeting obligations associated with financial liabilities.

The Utility enters into borrowing arrangements with financial institutions that require

	Due within 1 year	Due within 2 years	Due within 3 years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 37,559		\$ -	\$ -	\$ 37,559
Long-term debt	280,144	347,644	468,144	1,895,903	2,991,835
	<u>\$ 317,703</u>	<u>\$ 347,644</u>	<u>\$ 468,144</u>	<u>\$1,895,903</u>	<u>\$3,029,394</u>

Interest rate

risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Utility's interest rate risk arises from long-term borrowings at a fixed rate that creates fair value interest rate risk. Changes in market interest rates cause the fair value of these long-term debt with fixed interest rates to fluctuate but do not affect net income, as the Utility's long-term debt is carried at amortized cost and the carrying value does not change as the interest rate changes.

6. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.

Town of Pictou Water Utility
Schedule A - Schedule of Expenses - Operating Fund
March 31, 2026

	2026 Budget	2026 Actual	2025 Actual
Pumping			
Supervision and engineering	\$ 16,212	\$ 17,744	\$ 16,402
Labour	18,346	14,235	-
Power	110,640	102,654	95,366
Maintenance	33,771	36,824	32,752
	<u>178,969</u>	<u>171,457</u>	<u>144,520</u>
Water treatment			
Labour	71,251	60,449	16,402
Power		123	95
Supplies	62,564	70,439	71,514
Maintenance	29,031	27,510	31,974
Water sampling	16,181	29,737	40,092
Training	4,268	1,385	4,368
	<u>183,295</u>	<u>189,643</u>	<u>164,445</u>
Transmission and distribution			
Supervision and engineering	16,212	25,656	16,402
Labour	110,077	117,447	177,270
Maintenance of mains	116,794	188,920	179,590
Maintenance of other distribution plant	16,078	8,830	60,290
Shop expense	9,549	7,546	9,417
	<u>268,710</u>	<u>348,399</u>	<u>442,969</u>
Administrative and general			
Office salaries	106,335	106,560	84,755
Insurance	21,772	20,802	28,867
General office expenses	24,980	13,189	13,470
Audit	4,456	5,494	4,796
Regulatory expense	1,520	2,437	1,740
	<u>\$ 159,063</u>	<u>\$ 148,482</u>	<u>\$ 136,379</u>

Town of Pictou Water Utility
Schedule B - Utility, Plant and Equipment
March 31, 2026

	2026	2025
Working capital	\$ -	\$ 24,000
Land and land rights		
Source of supply land	322,154	322,154
Power and pumping land	405	405
Transmission land	23,049	23,049
Other land	358,092	358,092
	<u>703,700</u>	<u>703,700</u>
Structures and improvements		
Wells	1,363,550	1,266,563
Standpipe	1,208,518	1,208,518
Other structures	4,642,340	4,642,340
	<u>7,214,408</u>	<u>7,117,421</u>
Equipment		
Pumping equipment	750,046	750,046
Purification equipment	452,023	1,438,113
Transportation equipment	294,189	233,913
	<u>1,496,258</u>	<u>2,422,072</u>
Mains		
Transmission	956,766	956,766
Distribution	4,925,093	4,324,041
	<u>5,881,859</u>	<u>5,280,807</u>
Services	182,842	136,309
Meters	723,850	713,718
Hydrants	216,013	153,374
Software	19,606	19,606
	<u>1,142,311</u>	<u>1,023,007</u>
	<u>\$ 16,438,536</u>	<u>\$ 16,571,007</u>