

**Town of Pictou Water Utility
Financial Statements**

March 31, 2024

**Town of Pictou Water Utility
Financial Statements**

For the year ended March 31, 2024

	Page
Independent Auditor's Report	
Management's Responsibility	1
Operating Fund	
Statement of Financial Position	2
Statement of Financial Activities	3
Statement of Cash Flows	4
Capital Fund	
Statement of Financial Position	5
Statement of Accumulated Allowance for Depreciation	6
Statement of Investment in Capital Assets	6
Statement of Depreciation Fund Cash	6
Notes to Financial Statements	7
Schedules	
Schedule A – Schedule of Expenses – Operating Fund	12
Schedule B – Utility Plant and Equipment	13

Independent Auditors' Report

To the Mayor and Council of
Town of Pictou Water Utility

Opinion

We have audited the accompanying financial statements of Town of Pictou Water Utility which comprise the statements of financial position as at March 31, 2024 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 a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Town of Pictou Water Utility as at March 31, 2024 and the results of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis for Opinion

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting. 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 Water Utility in accordance with 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.

Responsibility 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 and Reporting Handbook for Water Utilities in Nova Scotia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Water 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 Water Utility or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Water Utility's financial reporting process.

Auditors' Responsibility 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.

MNP LLP

Commerce Tower

PO Box 1, Suite 500, 15 Dorchester Street, Sydney NS, B1P 6G9

T: 902.539.3900 F: 902.564.6062

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 decision 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 Water 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 Water 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 Water Utility to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Sydney, Nova Scotia
September 24, 2024

MNP LLP

Chartered Professional Accountants

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Town of Pictou Water Utility (the "Water Utility") are the responsibility of the Water Utility's management and have been prepared in compliance with legislation, and in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. A summary of the significant accounting policies is described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Water Utility's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MNP LLP, independent external auditors appointed by the Water Utility. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Water Utility's financial statements.




Kyle Sjaunwhite
Chief Administrative Officer

Town of Pictou Water Utility
Statement of Financial Position - Operating Fund
As at March 31, 2024 with comparative figures for 2023

	2024	2023
ASSETS		
Cash	\$ 13,062	\$ 18,555
Receivables		
Rates (less allowance for doubtful accounts of \$21,783 (2023 - \$22,369))	341,051	326,704
Inventories, at cost	47,768	49,715
	\$ 401,881	\$ 394,974
LIABILITIES		
Trade payables	\$ 24,158	\$ 31,215
Accrued interest payable	19,318	20,961
Due to Water Utility, capital fund	19,683	19,683
Due to Town of Pictou, operating fund	550,150	243,683
	613,309	315,542
SURPLUS (DEFICIT)	(211,428)	79,432
	\$ 401,881	\$ 394,974

See accompanying notes to financial statements.

On behalf of the Town of Pictou Water Utility:


_____ Mayor
_____ Chief Administrative Officer

Town of Pictou Water Utility
Statement of Financial Activities - Operating Fund

As at March 31, 2024 with comparative figures for 2023

	2024	2024	2023
	Actual	Budget	Actual
OPERATING REVENUES			
Metered rate sales	\$ 1,072,013	\$ 1,067,510	\$ 1,047,012
Flat rate sales	22,704	10,000	23,267
Public fire protection	328,367	328,367	304,629
	<u>1,423,084</u>	<u>1,405,877</u>	<u>1,374,908</u>
OPERATING EXPENSES			
Source of supply	13,007	1,311	317
Pumping (Schedule A)	136,468	99,956	106,279
Water treatment (Schedule A)	129,761	89,559	106,975
Transmission and distribution (Schedule A)	454,217	338,857	377,228
Administration and general (Schedule A)	170,662	123,657	149,217
Depreciation	389,560	284,837	348,869
Taxes	99,675	92,262	84,761
	<u>1,393,350</u>	<u>1,030,439</u>	<u>1,173,646</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENSES BEFORE THE FOLLOWING	29,734	375,438	201,262
NON-OPERATING REVENUES (EXPENSE)			
Principal payments on debenture	(257,944)	(275,067)	(257,944)
Debenture interest	(69,645)	(104,626)	(73,353)
Miscellaneous	6,995	4,255	5,530
Amortization of deferred contributions	-	-	15,000
	<u>(320,594)</u>	<u>(375,438)</u>	<u>(310,767)</u>
CHANGE IN FUND BALANCE	(290,860)	-	(109,505)
SURPLUS, BEGINNING OF YEAR	79,432	79,432	188,937
SURPLUS (DEFICIT), END OF YEAR	<u>\$ (211,428)</u>	<u>\$ 79,432</u>	<u>\$ 79,432</u>

See accompanying notes to financial statements.

Town of Pictou Water Utility
Statement of Cash Flows - Operating Fund

As at March 31, 2024 with comparative figures for 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ (290,860)	\$ (109,505)
Change in non-cash operating working capital		
Rates receivable	(14,347)	(71,763)
Inventories	1,947	(455)
Trade payables	(7,057)	24,977
Accrued interest payable	(1,643)	(1,245)
	(311,960)	(157,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to Town of Pictou, operating fund	306,467	108,783
Increase in due to Water Utility, capital fund	-	(374,794)
	306,467	(266,011)
DECREASE IN CASH AND CASH EQUIVALENTS	(5,493)	(424,002)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,555	442,557
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,062	\$ 18,555

See accompanying notes to financial statements.

Town of Pictou Water Utility
Statement of Financial Position - Capital Fund
As at March 31, 2024 with comparative figures for 2023

	2024	2023
ASSETS		
Restricted cash – depreciation reserve	\$ 606	\$ 606
Due from Water Utility, operating fund	19,683	19,683
Tangible capital assets		
Utility plant and equipment (Schedule B)	15,863,262	15,338,376
	\$ 15,883,551	\$ 15,358,665
LIABILITIES		
Deferred capital contributions	\$ 4,218,392	\$ 4,413,031
Due to Town of Pictou, operating fund	169,253	59,612
Long-term debt (Note 3)	2,974,223	3,232,167
	7,361,868	7,704,810
RESERVE		
Accumulated allowance for depreciation	3,311,428	2,921,868
	10,673,296	10,626,678
INVESTMENT IN CAPITAL ASSETS		
	5,210,255	4,731,987
	\$ 15,883,551	\$ 15,358,665

See accompanying notes to financial statements.

On behalf of the Town of Pictou Water Utility:



Mayor

Chief Administrative Officer

**Town of Pictou Water Utility
Water Utility Section
Statement of Accumulated Allowance for Depreciation**

As at March 31, 2024 with comparative figures for 2023

	2024	2023
BALANCE, BEGINNING OF YEAR	\$ 2,921,868	\$ 2,572,999
Depreciation	389,560	348,869
BALANCE, END OF YEAR	\$ 3,311,428	\$ 2,921,868

Statement of Investment in Capital Assets

As at March 31, 2024 with comparative figures for 2023

	2024	2023
BALANCE, BEGINNING OF YEAR	\$ 4,731,987	\$ 4,378,976
Term debt retired	257,944	257,944
Deferred assistance amortized	194,639	95,067
Transfer from Town of Pictou, operating fund	25,685	-
BALANCE, END OF YEAR	\$ 5,210,255	\$ 4,731,987

Statement of Depreciation Fund Cash

As at March 31, 2024 with comparative figures for 2023

	2024	2023
FUND, BEGINNING OF YEAR	\$ 100,677	\$ 128,289
Depreciation	389,560	348,869
Deferred assistance transferred	-	(15,000)
Assets funded from reserve	(349,199)	(361,481)
FUND, END OF YEAR	141,038	100,677
Amount unfunded	(140,432)	(100,071)
CASH, END OF YEAR	\$ 606	\$ 606

Town of Pictou Water Utility Notes to Financial Statements

As at March 31, 2024 with comparative figures for 2023

1. CHANGE IN ACCOUNTING POLICY

Revenue

Effective April 1, 2023, the Water Utility adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of revenue under PS 3400 Revenue. The new standard establishes when to recognize and how to measure revenue, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

There was no material impact on the financial statements from the prospective application of the new accounting recommendations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with generally accepted accounting principles adopted for Water Utilities in Nova Scotia and are intended for the use of the Town of Pictou Water Utility (the "Water Utility"), Council and Service Nova Scotia and Municipal Relations.

The basis of accounting used in these financial statements differs materially from generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants Handbook (the CPA Canada Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CPA Canada Handbook are that the CPA Canada Handbook requires the:

- Financial statements 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, 2024 financial statements – Operating Fund and Capital Fund. The consolidated financial statements prepared in accordance with the CPA Canada Handbook would include a Statement of Financial Position, Statement of Financial Activities and a Statement of Changes in Financial Position;
- Revenues and expenses be recorded on a full accrual basis;
- The Water Utility capitalize 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 is defined as cash on hand and on deposit at banks net of outstanding cheques and deposits.

Town of Pictou Water Utility Notes to Financial Statements

As at March 31, 2024 with comparative figures for 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 a cash 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.

(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 valuation of rates receivable and carrying amount of tangible capital assets. Actual results could differ from those estimates.

(f) Financial instruments

Initial measurement

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. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, receivables, trade payables, accrued interest payable and long-term debt.

Subsequent measurement

At each reporting date, the Water Utility measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Water Utility uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of financial activities. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, trade payables accrued interest payable and long-term debt.

Town of Pictou Water Utility
Notes to Financial Statements

As at March 31, 2024 with comparative figures for 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

Impairment

For financial assets measured at cost or amortized cost, the Water 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 activities in the year the reversal occurs.

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

3. LONG-TERM DEBT

	2024	2023
Municipal Finance Corporation, repayable in annual principal payments of \$10,400, plus interest at 4.22% to 4.41%, maturing in 2025	\$ 124,800	\$ 135,200
Municipal Finance Corporation, repayable in annual principal payments of \$13,500, plus interest at 3.26% to 3.58%, maturing in 2027	121,500	135,000
Municipal Finance Corporation, repayable in annual principal payments of \$40,300, plus interest at 3.61% to 4.11%, maturing in 2028	403,000	443,300
Municipal Finance Corporation, repayable in annual principal payments of \$193,744, plus interest at 0.96% to 2.38%, maturing in 2035	2,324,923	2,518,667
	\$ 2,974,223	\$ 3,232,167

Town of Pictou Water Utility
Notes to Financial Statements

As at March 31, 2024 with comparative figures for 2023

3. LONG-TERM DEBT (Continued)

Principal payments required in each of the next five years on debt held as of March 31, 2024 are as follows:

2025	\$ 257,944
2026	361,944
2027	247,544
2028	315,044
2029	435,544
Thereafter	1,356,203

4. TRANSACTIONS WITH TOWN OF PICTOU

- a) In general, and where identifiable, costs incurred by the Town on behalf of the Water Utility are charged to the Water Utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the Water Utility.
- c) At March 31, 2024, the Water Utility owed \$719,403 to the Town (2023 – \$303,295) with respect to this inter-fund balance, no interest has been charged to the Water Utility.
- d) The Water Utility provides public fire protection to the Town. The charge for this service (included in operating revenues) amounted to \$328,367 (2023 - \$304,629). The charge is governed by the Nova Scotia Utility and Review Board.
- e) The Water Utility is not exempt from municipal taxation within the Town of Pictou.

5. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2024, the Water Utility had a rate of return on rate base of 0.20% (2023 – 1.45%).

**Town of Pictou Water Utility
Notes to Financial Statements**

As at March 31, 2024 with comparative figures for 2023

6. 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.

7. 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

As at March 31, 2024 with comparative figures for 2023

	2024	2024	2023
	Actual	Budget	Actual
Pumping			
Supervision and engineering	\$ 15,281	\$ 10,789	\$ 14,077
Labour	-	21,579	-
Power	88,654	65,016	76,330
Maintenance	32,533	2,572	15,872
	\$ 136,468	\$ 99,956	\$ 106,279
Water treatment			
Labour	\$ 15,281	\$ -	\$ 14,077
Power	242	32,305	13,108
Supplies	71,046	26,731	37,393
Maintenance	20,554	6,415	26,687
Water sampling	19,998	23,032	12,932
Training	2,640	1,076	2,778
	\$ 129,761	\$ 89,559	\$ 106,975
Transmission and distribution			
Supervision and engineering	\$ 15,281	\$ 21,161	\$ 14,077
Labour	219,301	128,603	157,947
Maintenance of mains	149,956	88,795	154,445
Maintenance of other distribution plant	62,371	82,129	45,559
Shop expense	7,308	18,169	5,200
	\$ 454,217	\$ 338,857	\$ 377,228
Administrative and general			
Office salaries	\$ 100,231	\$ 75,727	\$ 94,431
Insurance	28,315	7,228	17,882
Provision (recovery) for uncollectible accounts	(367)	-	8,966
General office expenses	28,770	22,153	22,660
Audit	4,604	1,585	2,500
Regulatory expense	9,109	16,964	2,778
	\$ 170,662	\$ 123,657	\$ 149,217

Town of Pictou Water Utility
Schedule B – Utility Plant and Equipment

As at March 31, 2024 with comparative figures for 2023

	2024	2023
Working capital	\$ 24,000	\$ 24,000
Land and land rights		
Source of supply land	307,976	307,976
Power and pumping land	405	405
Transmission land	23,049	23,049
Other land	358,092	358,092
	<u>689,522</u>	<u>689,522</u>
Structures and improvements		
Wells	1,222,730	1,124,190
Standpipe	1,207,939	1,207,938
Other structures	4,642,340	4,642,340
	<u>7,073,009</u>	<u>6,974,468</u>
Equipment		
Pumping equipment	708,540	708,540
Purification equipment	1,367,475	1,367,475
Transportation equipment	233,913	60,119
	<u>2,309,928</u>	<u>2,136,134</u>
Mains		
Transmission	493,534	493,534
Distribution	4,344,533	4,111,451
	<u>4,838,067</u>	<u>4,604,985</u>
Services	101,616	82,147
Meters	691,233	691,233
Hydrants	135,887	135,887
	<u>\$ 15,863,262</u>	<u>\$ 15,338,376</u>