

**Town of Pictou Water Utility
Financial Statements**

March 31, 2023



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 statement of financial position as at March 31, 2023 and the statements of financial activities and statement of cash flows 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, 2023 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 1 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.

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.

September 22, 2023
Sydney, Nova Scotia

MNP LLP

Chartered Professional Accountants

MNP

Town of Pictou Water Utility
Financial Statements

For the year ended March 31, 2023

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

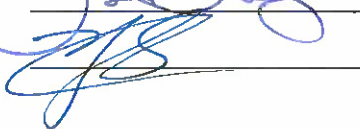
As at March 31, 2023

	2023	2022
ASSETS		
Cash	\$ 18,555	\$ 442,557
Receivables		
Rates (less allowance for doubtful accounts of \$22,369 (2022 - \$13,508))	326,704	254,941
Inventories, at cost	49,715	49,260
	\$ 394,974	\$ 746,758
LIABILITIES		
Trade payables	\$ 31,215	\$ 6,238
Accrued interest payable	20,961	22,206
Due to Water Utility, Capital Fund	19,683	394,477
Due to Town of Pictou, Operating Fund	243,683	134,900
	315,542	557,821
SURPLUS	79,432	188,937
	\$ 394,974	\$ 746,758

See accompanying notes to non-consolidated 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

For the year ended March 31, 2023

	2023	2023	2022
	Actual	Budget (Unaudited)	Actual
OPERATING REVENUES			
Metered rate sales	\$ 1,047,012	\$ 1,028,316	\$ 910,448
Flat rate sales	23,267	10,000	21,311
Public fire protection	304,629	304,629	270,597
	<u>1,374,908</u>	<u>1,342,945</u>	<u>1,202,356</u>
OPERATING EXPENSES			
Source of supply	317	1,273	12,778
Pumping (Schedule A)	106,279	97,045	84,025
Water treatment (Schedule A)	106,975	77,703	86,384
Transmission and distribution (Schedule A)	377,228	328,988	346,768
Administration and general (Schedule A)	222,570	220,466	159,107
Depreciation	348,869	277,371	341,694
Taxes	84,761	67,536	72,407
	<u>1,246,999</u>	<u>1,070,382</u>	<u>1,103,163</u>
NET OPERATING REVENUE	<u>127,909</u>	<u>272,563</u>	<u>99,193</u>
NON-OPERATING REVENUES (EXPENDITURES)			
Principal payments on debenture	(257,944)	(270,251)	(257,944)
Miscellaneous	5,530	4,255	6,875
Amortization of deferred contributions	15,000	15,000	40,000
	<u>(237,414)</u>	<u>(250,996)</u>	<u>(211,069)</u>
CHANGE IN FUND BALANCE	<u>(109,505)</u>	<u>21,567</u>	<u>(111,876)</u>
SURPLUS, BEGINNING OF YEAR	188,937	-	300,813
SURPLUS, END OF YEAR	<u>\$ 79,432</u>	<u>\$ 21,567</u>	<u>\$ 188,937</u>

See accompanying notes to non-consolidated financial statements.

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

For the year ended March 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ (109,505)	\$ (111,876)
Change in non-cash operating working capital		
Increase in rates receivable	(71,763)	(29,754)
Decrease (increase) in inventories	(455)	5,503
Increase (decrease) in trade payables	24,977	(127,382)
Decrease in accrued interest payable	(1,245)	(837)
	(157,991)	(264,346)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to Water Utility, Capital Fund	(374,794)	394,477
Increase in due to Town of Pictou, Operating Fund	108,783	134,900
Decrease in due from Water Utility, Capital Fund	-	139,149
Decrease in due from Town of Pictou, Operating Fund	-	131,632
	(266,011)	800,158
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(424,002)	535,812
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	442,557	(93,255)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,555	\$ 442,557



See accompanying notes to non-consolidated financial statements.

Town of Pictou Water Utility
Statement of Financial Position - Capital Fund
As at March 31, 2023

	2023	2022
ASSETS		
Restricted cash – depreciation reserve	\$ 606	\$ 19,958
Due from Water Utility, Operating Fund	19,683	394,477
Tangible capital assets		
Utility plant and equipment (Schedule B)	15,338,376	14,836,895
	\$ 15,358,665	\$ 15,251,330
LIABILITIES		
Deferred capital contributions	\$ 4,413,031	\$ 4,523,098
Due to Town of Pictou, Operating Fund	59,612	286,146
Long-term debt (Note 3)	3,232,167	3,490,111
	7,704,810	8,299,355
RESERVE		
Accumulated allowance for depreciation	2,921,868	2,572,999
	10,626,678	10,872,354
INVESTMENT IN CAPITAL ASSETS		
	4,731,987	4,378,976
	\$ 15,358,665	\$ 15,251,330

See accompanying notes to non-consolidated 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
For the year ended March 31, 2023

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 2,572,999	\$ 2,231,305
Depreciation	348,869	341,694
BALANCE, END OF YEAR	\$ 2,921,868	\$ 2,572,999

Statement of Investment in Capital Assets
For the year ended March 31, 2023

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 4,378,976	\$ 4,048,032
Term debt retired	257,944	257,944
Deferred assistance amortized	95,067	73,000
BALANCE, END OF YEAR	\$ 4,731,987	\$ 4,378,976

Statement of Depreciation Fund Cash
For the year ended March 31, 2023

	2023	2022
FUND, BEGINNING OF YEAR	\$ 128,289	\$ 348,798
Depreciation	348,869	341,694
Deferred assistance transferred	(15,000)	(40,000)
Assets funded from reserve	(361,481)	(522,203)
FUND, END OF YEAR	100,677	128,289
Amount underfunded	(100,071)	(108,331)
CASH, END OF YEAR	\$ 606	\$ 19,958

Town of Pictou Water Utility

Notes to Financial Statements

For the year ended March 31, 2023

1. 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 "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, 2023 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 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 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.

(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 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.

Town of Pictou Water Utility
Notes to Financial Statements

For the year ended March 31, 2023

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

2. LONG-TERM DEBT

	2023	2022
Municipal Finance Corporation, repayable in annual principal payments of \$10,400, plus interest at 4.11% to 4.41%, maturing in 2025	\$ 135,200	\$ 145,600
Municipal Finance Corporation, repayable in annual principal payments of \$13,500, plus interest at 3.16% to 3.58%, maturing in 2027	135,000	148,500
Municipal Finance Corporation, repayable in annual principal payments of \$40,300, plus interest at 3.47% to 4.11%, maturing in 2028	443,300	483,600
Municipal Finance Corporation, repayable in annual principal payments of \$193,744, plus interest at 0.86% to 2.38%, maturing in 2035	2,518,667	2,712,411
	\$ 3,232,167	\$ 3,490,111

Principal payments required in each of the next five years on debt held as of March 31, 2023 are as follows:

2024		\$ 257,944
2025		257,944
2026		361,944
2027		247,544
2028		315,044
Thereafter		1,791,747

Town of Pictou Water Utility
Notes to Financial Statements
For the year ended March 31, 2023

3. TRANSACTIONS WITH TOWN OF PICTOU

- a) In general, and where identifiable, costs incurred by the Town on behalf of the Utility are charged to the Utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the Utility.
- c) At March 31, 2023, the Utility owed \$303,295 to the Town (2022 – the Utility owed \$421,046) with respect to this inter-fund balance, no interest has been charged to the Utility.
- d) The Utility provides public fire protection to the Town. The charge for this service (included in operating revenues) amounted to \$340,629 (2022 - \$270,597). The charge is governed by the Nova Scotia Utility and Review Board.
- e) 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, 2023, the Municipality of the Town of Pictou Water Utility had a rate of return on rate base of 0.92% (2022 – 0.77%).

5. FINANCIAL INSTRUMENTS

- (a) Fair value of financial assets and liabilities

The carrying value of cash (bank indebtedness) and rates receivable as well as demand loans, 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 Utility.

- (b) Financial risk management

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

Town of Pictou Water Utility
Schedule A - Schedule of Expenses - Operating Fund

For the year ended March 31, 2023

	2023	2023	2022
	Actual	Budget (Unaudited)	Actual
Pumping			
Supervision and engineering	\$ 14,077	\$ 10,475	\$ 19,948
Labour	-	20,950	-
Power	76,330	63,123	63,738
Maintenance	15,872	2,497	339
	\$ 106,279	\$ 97,045	\$ 84,025
Water treatment			
Labour	\$ 14,077	\$ -	\$ 19,948
Power	13,108	31,365	20,078
Supplies	37,393	16,705	13,018
Maintenance	26,687	6,228	11,163
Water sampling	12,932	22,361	21,279
Training	2,778	1,044	898
	\$ 106,975	\$ 77,703	\$ 86,384
Transmission and distribution			
Supervision and engineering	\$ 14,077	\$ 20,545	\$ 19,948
Labour	157,947	124,857	111,244
Maintenance of mains	154,445	86,209	87,404
Maintenance of other distribution plant	45,559	79,737	122,979
Shop expense	5,200	17,640	5,193
	\$ 377,228	\$ 328,988	\$ 346,768
Administrative and general			
Office salaries	\$ 94,431	\$ 73,521	\$ 72,946
Insurance	17,882	7,017	15,020
Debenture interest	73,353	100,412	50,423
Uncollectible accounts	8,966	-	2,429
General office expenses	22,660	21,507	5,549
Audit	2,500	1,539	1,500
Regulatory expense	2,778	16,470	11,240
	\$ 222,570	\$ 220,466	\$ 159,107

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

For the year ended March 31, 2023

	2023	2022
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	1,124,190	995,503
Standpipe	1,207,938	1,207,938
Other structures	4,642,340	4,642,340
	<u>6,974,468</u>	<u>6,845,781</u>
Equipment		
Pumping equipment	708,540	666,602
Purification equipment	1,367,475	1,367,475
Transportation equipment	60,119	58,715
	<u>2,136,134</u>	<u>2,092,792</u>
Mains		
Transmission	493,534	493,534
Distribution	4,111,451	3,796,073
	<u>4,604,985</u>	<u>4,289,607</u>
Services	82,147	82,147
Meters	691,233	685,353
Hydrants	135,887	127,693
	<u>\$ 15,338,376</u>	<u>\$ 14,836,895</u>