

**Town of Stewiacke Water Utility
Financial Statements**

March 31, 2025

**Town of Stewiacke Water Utility
Financial Statements**

For the year ended March 31, 2025

Page

| | |
|---|----|
| Independent Auditor's Report | |
| Management's Responsibility for the Financial Statements | 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 Changes in Capital Fund | 6 |
| Statement of Depreciation Fund Cash..... | 6 |
| Notes to Financial Statements | 7 |
| Schedules | |
| Schedule A – Utility Plant and Equipment..... | 12 |

Independent Auditors' Report

To the Mayor and Council of Town of Stewiacke

Opinion

We have audited the accompanying financial statements of Town of Stewiacke Water Utility (the "Water Utility") which comprise the statements of financial position as at March 31, 2025 and the statements of financial activities, cash flows, accumulated allowance for depreciation, changes in capital fund, depreciation fund cash and related schedule for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present, in all material respects, the financial position of Town of Stewiacke Water Utility as at March 31, 2025 and the results of its financial performance and its cash flows for the year then ended in compliance 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 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

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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
April 28, 2026

MNP LLP

Chartered Professional Accountants

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Town of Stewiacke 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 are described in Note 1 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.



Mr. Marc Seguin

Town of Stewiacke Water Utility
Statement of Financial Position - Operating Fund
As at March 31, 2025

| | 2025 | 2024 |
|--|--------------|------------|
| ASSETS | | |
| Cash | \$ 86,085 | \$ 293,831 |
| Receivables | | |
| Rates | 104,043 | 107,978 |
| Due from Town of Stewiacke, Operating Fund | - | 67,313 |
| Due from Water Capital Fund | 1,545,449 | 380,205 |
| | \$ 1,735,577 | \$ 849,327 |
| LIABILITIES | | |
| Trade payables | \$ 25,476 | \$ 11,325 |
| Deferred revenue | 15,015 | 48,975 |
| Due to Town of Stewiacke, Operating Fund | 974,496 | - |
| | 1,014,987 | 60,300 |
| SURPLUS | 720,590 | 789,027 |
| | \$ 1,735,577 | \$ 849,327 |

See accompanying notes to financial statements.

On behalf of the Town of Stewiacke Water Utility:


 _____ Mayor


 _____ Chief Administrative Officer

Town of Stewiacke Water Utility
Statement of Financial Activities - Operating Fund
For the year ended March 31, 2025

| | 2025 | | 2024 |
|--|--------------------|------------------|-----------------|
| | Budget (Note 7) | Actual | Actual |
| OPERATING REVENUES | | | |
| Operating | | | |
| Sale of water | \$ 502,084 | \$ 547,837 | \$ 537,964 |
| Public fire protection | 188,598 | 188,598 | 188,598 |
| | <u>690,682</u> | <u>736,435</u> | <u>726,562</u> |
| OPERATING EXPENSES | | | |
| Pumping | 27,500 | 147,320 | 127,216 |
| Water treatment | 288,414 | 147,374 | 112,965 |
| Transmission and distribution | 73,822 | 64,443 | 50,881 |
| Administration and general | 93,750 | 90,707 | 113,170 |
| Depreciation | 114,043 | 123,277 | 81,286 |
| Taxes | 32,206 | 34,148 | 33,190 |
| | <u>629,735</u> | <u>607,269</u> | <u>518,708</u> |
| EXCESS OF OPERATING REVENUES OVER EXPENSES BEFORE THE FOLLOWING | 60,947 | 129,166 | 207,854 |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Other income | 5,000 | 9,998 | 11,640 |
| Debt charges, principal | (64,436) | (201,934) | (69,452) |
| Debt charges, interest | (10,045) | (5,667) | (12,048) |
| | <u>(69,481)</u> | <u>(197,603)</u> | <u>(69,860)</u> |
| ANNUAL SURPLUS (DEFICIT) | (8,534) | (68,437) | 137,994 |
| SURPLUS, BEGINNING OF YEAR | | 789,027 | 651,033 |
| SURPLUS, END OF YEAR | \$ | \$ 720,590 | \$ 789,027 |

See accompanying notes to financial statements

Town of Stewiacke Water Utility
Statement of Cash Flows – Operating Fund
For the year ended March 31, 2025

| | 2025 | 2024 |
|---|-------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Annual surplus (deficit) | \$ (68,437) | \$ 137,994 |
| Change in non-cash operating working capital | | |
| Rates receivable | 3,935 | (13,689) |
| Trade payables | 14,151 | (186) |
| Deferred revenue | (33,960) | 41,048 |
| | (84,311) | 165,167 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease (increase) in due from own funds | (123,435) | 25,115 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (207,746) | 190,282 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 293,831 | 103,549 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 86,085 | \$ 293,831 |

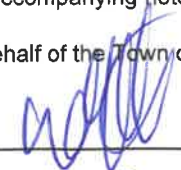

See accompanying notes to financial statements.

Town of Stewiacke Water Utility
Statement of Financial Position - Capital Fund
As at March 31, 2025

| | 2025 | 2024 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 111,214 | \$ 106,658 |
| Restricted cash – depreciation fund | 224,858 | 699,517 |
| Tangible capital assets | | |
| Utility plant and equipment (Schedule A) | 9,238,272 | 5,743,830 |
| | \$ 9,574,344 | \$ 6,550,005 |
| LIABILITIES | | |
| Due to water operating fund | \$ 1,545,449 | \$ 380,205 |
| Long-term debt (Note 2) | 35,000 | 236,934 |
| Asset retirement obligation (Note 3) | 12,619 | 12,227 |
| | 1,593,068 | 629,366 |
| DEFERRED CAPITAL CONTRIBUTIONS | 4,147,426 | 2,578,241 |
| ACCUMULATED ALLOWANCE FOR DEPRECIATION | 1,349,722 | 1,225,871 |
| NET ASSETS | | |
| Fund balance | 130,823 | 100,926 |
| Investment in capital assets | 2,353,305 | 2,015,601 |
| | 2,484,128 | 2,116,527 |
| | \$ 9,574,344 | \$ 6,550,005 |

See accompanying notes to financial statements.

On behalf of the Town of Stewiacke Water Utility:


 _____ Mayor

 _____ Chief Administrative Officer

Town of Stewiacke Water Utility
Statement of Depreciation Fund Cash
For the year ended March 31, 2025

| | 2025 | 2024 |
|--------------------------------|------------|------------|
| FUND, BEGINNING OF YEAR | \$ 626,395 | \$ 545,109 |
| Depreciation | 123,277 | 81,286 |
| FUND, END OF YEAR | 749,672 | 626,395 |
| Excess (unfunded) amount | (524,814) | 73,122 |
| CASH, END OF YEAR | \$ 224,858 | \$ 699,517 |

Water Utility Section
Statement of Accumulated Allowance for Depreciation
For the year ended March 31, 2025

| | 2025 | 2024 |
|---|--------------|--------------|
| BALANCE, BEGINNING OF YEAR | \$ 1,225,871 | \$ 1,144,009 |
| Depreciation for the year | 123,277 | 81,286 |
| Amortization of asset retirement obligation | 574 | 576 |
| BALANCE, END OF YEAR | \$ 1,349,722 | \$ 1,225,871 |

Statement of Changes in Net Assets
For the year ended March 31, 2025

| | 2025 | 2024 |
|--|--------------|--------------|
| FUND BALANCE, BEGINNING OF YEAR | \$ 100,926 | \$ 64,533 |
| Interest revenue | 29,897 | 36,393 |
| FUND BALANCE, END OF YEAR | \$ 130,823 | \$ 100,926 |
| INVESTMENT IN CAPITAL ASSETS, BEGINNING OF YEAR | \$ 2,015,601 | \$ 1,905,410 |
| Repayment of long-term debt | 201,934 | 69,452 |
| Amortization of deferred contributions | 63,451 | 41,683 |
| Amortization of asset retirement obligation | (574) | (576) |
| Accretion | (392) | (368) |
| Transfer from Town of Stewiacke, Capital Reserve | 73,285 | - |
| INVESTMENT IN CAPITAL ASSETS, END OF YEAR | \$ 2,353,305 | \$ 2,015,601 |

Town of Stewiacke Water Utility

Notes to Financial Statements

For the year ended March 31, 2025

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 Stewiacke 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 Canadian public sector accounting standards as prescribed by the Chartered Professional Accountants Handbook (the CPA Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CPA Handbook are that the CPA 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 financial statements – Operating Fund and Capital Fund. The consolidated financial statements prepared in accordance with the CPA Handbook would include consolidated statements of financial position, financial activities, changes in net financial assets and cash flows;
- Government transfers for the acquisition of tangible capital assets are deferred and amortized to revenue in the capital fund at a rate corresponding with the amortization of the related tangible capital asset;
- 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.

(c) Allowance for doubtful accounts

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

Town of Stewiacke Water Utility
Notes to Financial Statements
For the year ended March 31, 2025

(d) Tangible capital assets

Tangible capital assets acquired since amalgamation on August 1, 1995 are reported in the statement of financial position at cost net of accumulated amortization. All tangible capital assets acquired prior to amalgamation have been written off. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

| | Basis | Rate |
|-----------------------------|---------------|------------|
| Structures and improvements | Straight-line | 75 years |
| Equipment | Straight-line | 5-20 years |
| Mains | Straight-line | 75 years |
| Services and other | Straight-line | 50 years |
| Meters | Straight-line | 20 years |
| Hydrants | Straight-line | 50 years |

(e) Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- a) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- b) The past transaction or event giving rise to the liability has occurred;
- c) It is expected that future economic benefits will be given up; and
- d) A reasonable estimate of the amount can be made.

The liability for the closure and decommissioning of water treatment plant intake has been recognized based on estimated future expenses. The liability associated with the remediation of contaminants present within a number of buildings owned by the Water Utility has also been recognized based on estimated future expenses on closure of the sites and post-closure care.

(f) Revenues and expenses

Major revenues and expenses items are recorded on an accrual basis. Consumer 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 revenue in the capital fund at a rate corresponding with the amortization of the related capital asset.

Principal and interest payments relating to long-term debt are recorded as an expenditure when due for payment.

Town of Stewiacke Water Utility
Notes to Financial Statements

For the year ended March 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles adopted for Water Utilities in Nova Scotia 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 period.

Amortization is based on the estimated useful lives of capital assets. Rates and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Asset retirement obligations are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.

(h) 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, rates receivable, trade payables 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 revenues and expenses. The financial instruments measured at amortized cost are cash and cash equivalents, rates receivable, trade payables and long-term debt.

Town of Stewiacke Water Utility
Notes to Financial Statements

For the year ended March 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 operations. Any reversals of previously recognized impairment losses are recognized in operations 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.

2. LONG-TERM DEBT

| | Interest rate - % | Matures | Balance March 31/24 | Repaid | Balance March 31/25 |
|---|----------------------|---------|------------------------|--------------|------------------------|
| Water Capital Fund | | | | | |
| Nova Scotia Municipal Finance Corporation | | | | | |
| | 2.8 – 3.3% | 2029 | 43,750 | (8,750) | 35,000 |
| | 2.2 – 2.3% | 2024 | 28,184 | (28,184) | – |
| | 4.8 – 4.9% | 2025 | 165,000 | (165,000) | – |
| | | | \$ 236,934 | \$ (201,934) | \$ 35,000 |

Principal payments required in each of the next four years on debt held as at March 31, 2025 are as follows:

| | |
|------|----------|
| 2026 | \$ 8,750 |
| 2027 | 8,750 |
| 2028 | 8,750 |
| 2029 | 8,750 |

Town of Stewiacke Water Utility
Notes to Financial Statements

For the year ended March 31, 2025

3. ASSET RETIREMENT OBLIGATION

The Water Utility's asset retirement obligation consists of the liability for the closure and decommissioning of water treatment plant intake and remediation of contaminants present within a building owned by the Water Utility. These contaminants represent a health hazard upon demolition and therefore there is a legal obligation for removal of these contaminants on decommissioning. These buildings and plant have expected useful lives of 20 years. Estimated costs have been discounted to the present value using discount rates of 3.2% per annum.

Changes to the asset retirement obligation in the year are as follows:

| | 2025 | 2024 |
|-------------------|------------------|------------------|
| Opening balance | \$ 12,227 | \$ 11,859 |
| Accretion expense | 392 | 368 |
| | <u>\$ 12,619</u> | <u>\$ 12,227</u> |

4. TRANSACTIONS WITH TOWN OF STEWIACKE

- 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 Water Utility.
- c) At March 31, 2025, the Town owed \$Nil to the Water Utility (2024 – \$67,313) with respect to this inter-fund balance, no interest has been charged by the Water Utility.
- d) At March 31, 2025, the Water Utility owed \$955,496 to the Town (2024 - \$Nil) with respect to this inter-fund balance, no interest has been charged by the Town.

5. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2025, the Town of Stewiacke Water Utility had a rate of return on rate base of 4.0% (2024 – 10.7%).

Town of Stewiacke Water Utility Notes to Financial Statements

For the year ended March 31, 2025

6. FINANCIAL INSTRUMENTS

The Water Utility as part of its operations carries a number of financial instruments. It is management's opinion that the Water Utility is not exposed to significant interest or currency risks arising from these financial instructions except as otherwise disclosed.

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 Water Utility's financial instruments best represents the maximum exposure to credit risk. The Water Utility manages its credit risk by providing allowances for potentially uncollectible accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Water Utility will encounter difficulty in meeting its obligations associated with financial liabilities. The Water Utility enters into transactions to borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. The Water Utility manages liquidity risk by monitoring forecasted and actual cash flows.

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 Water 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 Water Utility's long-term debt is carried at amortized cost and the carrying value does not change as the interest rate changes. The Water Utility's future obligations with respect to debt repayment are disclosed in Note 2.

7. BUDGET INFORMATION

The disclosed budget information has been approved by the Mayor and Council at the council meeting on April 25, 2024.

Town of Stewiacke Water Utility
Schedule A – Utility Plant and Equipment
For the year ended March 31, 2025

| | 2025 | 2024 |
|-----------------------|---------------------|---------------------|
| Water storage plant | \$ 1,716,814 | \$ 1,716,814 |
| Equipment | 125,912 | 125,912 |
| Mains | 6,287,962 | 2,851,422 |
| Services | 526,033 | 207,498 |
| Meters | 33,910 | 33,910 |
| Hydrants | 77,718 | 77,718 |
| Water treatment plant | 417,277 | 417,277 |
| Trucks | 28,595 | 28,595 |
| Computer software | 24,051 | 24,051 |
| Work in progress | – | 260,633 |
| | \$ 9,238,272 | \$ 5,743,830 |