Doane Grant Thornton

Consolidated Financial Statements

Municipality of the District of Digby

March 31, 2026

Contents

Municipality of the District of Digby
Management's Responsibility for the Consolidated Financial Statements
March 31, 2026

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated 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.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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 consolidated financial statements.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited consolidated financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, Doane Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Municipality of the District of Digby and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Municipality of the District of Digby

Linda Gregory
Warden

CAO

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Independent Auditor's Report

Her Worship the Warden and Members of Council of the Municipality of the District of Digby

Opinion

We have audited the consolidated financial statements of the Municipality of the District of Digby ("the Municipality"), which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of operations, change in net assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of the District of Digby as at March 31, 2026, and its results of operations, its changes in its net assets, and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

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 Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on Pages 8-12 is presented for purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the consolidated financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Municipality'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 Municipality'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 consolidated 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Doane Grant Thornton LLP

Digby, Canada
July 28, 2026

Chartered Professional Accountants

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Municipality of the District of Digby
Consolidated Statement of Operations and Accumulated Surplus
Year Ended March 31

	Page	Budget 2026	Actual 2026	Actual 2025
Revenue				
Taxes	8	$ 7,779,112	$ 7,785,594	$ 7,634,397
Grants in lieu of taxes	9	1,086,381	1,086,523	1,099,421
Services provided to other governments	9	113,396	103,841	107,659
Sales of service	9	215,282	249,267	152,760
Other revenue from own sources	9	922,542	1,116,179	1,297,278
Unconditional transfers from other governments	9	356,892	362,889	362,272
Conditional transfers from other governments	9	408,352	371,364	795,779
		10,881,957	11,075,657	11,449,566
Expenditures				
General government services	10	2,421,356	2,215,172	2,093,557
Protective services	11	3,599,412	3,622,867	3,285,498
Transportation services	11	1,044,666	974,380	975,091
Environmental health services	12	1,955,932	1,955,566	1,726,286
Environmental development services	12	734,435	566,370	684,506
Recreational and cultural services	12	852,754	821,317	761,012
		10,608,555	10,155,672	9,525,950
Annual surplus before the undernoted		273,402	919,985	1,923,616
Loss on disposal of tangible capital assets		-	-	(156,368)
Annual surplus		$ 273,402	919,985	1,767,248
Accumulated surplus, beginning of the year			21,099,802	19,332,554
Accumulated surplus, end of the year			$ 22,019,787	$ 21,099,802

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Consolidated Statement of Financial Position

March 31

		2026		2025
Financial Assets				
Cash and cash equivalents	**$**	**4,287,756**	$	6,664,584
Reserve funds - Treasury Account		**10,533,167**		5,917,632
Tax sale surplus bank (Note 5)		**1,004,916**		939,723
Receivables (Note 3)		**1,761,127**		1,741,835
Pension benefit excess (Note 12)		**766,354**		696,726
		18,353,320		15,960,500
Liabilities				
Tax sale surplus (Note 5)		**1,004,916**		939,723
Payables and accruals (Note 13)		**1,327,641**		842,846
Payable to fire departments		**430,004**		390,906
Asset Retirement Obligations (Note 14)		**515,947**		495,626
Deferred revenue (Note 7)		**3,089,089**		2,842,132
Long term debt (Note 8)		**69,000**		138,000
		6,436,597		5,649,233
Net Financial Assets		**11,916,723**		10,311,267
Non-Financial Assets				
Tangible capital assets (Note 6)		**10,103,064**		10,788,535
Accumulated Surplus	**$**	**22,019,787**	$	21,099,802

Commitments and contingencies (Notes 9 and 10)

On behalf of the Municipality of the District of Digby:

Linda Gregory Warden

CAO

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Consolidated Statement of Change in Net Financial Assets

Year Ended March 31		2026	2025
	Budget	**Actual**	Actual
Annual surplus	**$ 273,402**	**$ 919,985**	$ 1,767,248
Acquisition of tangible capital assets	**(1,414,500)**	**(330,163)**	(529,431)
Loss on disposal of tangible capital assets	**-**	**-**	156,368
Proceeds on disposal of tangible capital assets	**-**	**448,290**	-
Amortization of tangible capital assets	**537,208**	**567,344**	598,766
(Decrease) increase in net financial assets	**$ (603,890)**	**1,605,456**	1,992,951
Net financial assets, beginning of year		**10,311,267**	8,318,316
Net financial assets, end of year		**$ 11,916,723**	$ 10,311,267

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Consolidated Statement of Cash Flow

Year Ended March 31		2026		2025
Operating Activities				
Annual surplus	$	**919,985**	$	1,767,248
Changes in non-cash working capital				
Loss on disposal of tangible capital assets		**-**		156,368
Accretion expense		**20,321**		19,520
Amortization of tangible capital assets		**567,344**		598,766
Increase in treasury account		**(4,615,535)**		(1,262,865)
(Increase) decrease in tax sale surplus bank		**(65,193)**		15,746
Increase in receivables		**(19,292)**		(268,743)
Increase in pension benefit excess		**(69,628)**		(73,436)
Increase (decrease) in tax sale surplus		**65,193**		(15,746)
Increase in payables		**484,795**		70,896
Increase (decrease) in payable to fire departments		**39,098**		(43,390)
Increase (decrease) in deferred revenue		**246,957**		(282,238)
		(2,425,955)		682,126
Investing Activities				
Proceeds on disposal of tangible capital assets		**448,290**		-
Acquisition of tangible capital assets		**(330,163)**		(529,431)
		118,127		(529,431)
Financing Activities				
Repayment of long term debt		**(69,000)**		(69,000)
Change in net cash and cash equivalents		**(2,376,828)**		83,695
Cash and cash equivalents				
Beginning of year		**6,664,584**		6,580,889
End of year	$	**4,287,756**	$	6,664,584

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations
Year Ended March 31

REVENUE

	2026 Budget	2026 Actual	2025 Actual
Taxes			
Assessable property			
Residential	$ **7,348,832**	$ **7,358,372**	$ 6,947,648
Commercial property	**1,140,091**	**1,146,875**	1,153,296
Resource			
Taxable assessments	**440,010**	**435,010**	429,678
Recreational	**2,599**	**2,599**	2,475
Forest (less than 50,000 acres)	**22,047**	**21,971**	22,220
Forest (50,000 acres or more)	**31,928**	**31,886**	31,928
Collection for other municipalities	**344,546**	**344,833**	323,357
Protective services	**1,575**	**1,630**	1,641
Sidewalks	**12,555**	**12,555**	12,990
Street light rate	**105,432**	**105,629**	102,106
Digby Neck fire rate	**40,053**	**40,080**	37,966
Smith's Cove fire rate	**38,880**	**38,966**	37,504
Freeport fire rate	**11,050**	**10,991**	10,214
Tiverton fire rate	**7,372**	**7,371**	6,980
Westport fire rate	**9,222**	**9,227**	8,806
Brighton/Barton fire rate	**76,814**	**76,580**	73,051
Plympton fire rate	**24,826**	**24,850**	23,580
Weymouth fire rate	**85,302**	**86,463**	41,106
Bear River fire rate	**19,126**	**19,195**	18,073
Digby fire rate	**93,836**	**93,904**	89,977
Southville fire rate	**15,944**	**15,977**	15,644
Sewage charges	**219,304**	**218,328**	218,018
Business property			
Based on revenue (Aliant)	**36,771**	**36,771**	37,636
NS Power HST rebate	**14,000**	**14,136**	18,608
Other taxes			
Deed transfer tax	**325,000**	**318,802**	378,915
Wind turbine tax	**204,485**	**202,485**	202,460
Transmission of taxes collected for other governments and bodies			
Fire Departments	**(413,977)**	**(413,976)**	(356,908)
Village supply	**(339,252)**	**(336,657)**	(316,871)
Deficit of Digby Housing Authority	**-**	**-**	(9,118)
Education expenses as a reduction of tax revenue			
Appropriation to Regional Centre for Education	**(2,139,259)**	**(2,139,259)**	(1,928,583)
	$ **7,779,112**	$ **7,785,594**	$ 7,634,397

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations
Year Ended March 31

	2026 Budget	2026 Actual	2025 Actual
Grants in Lieu of Taxes			
Federal government	$ 23,723	$ 24,181	$ 24,491
Provincial government			
Crown timberland	62,150	62,020	62,019
Department of Energy	2,199	2,199	2,198
Provincial property and supported institutions	77,718	77,718	79,769
Conservation properties	7,600	7,414	7,413
Nova Scotia Power Corporation	912,991	912,991	923,531
	$ 1,086,381	$ 1,086,523	$ 1,099,421
Services Provided to Other Governments	$ 113,396	$ 103,841	$ 107,659
Sales of Service			
General government services	$ 1,000	$ 950	$ 1,150
Protective services	85,723	85,724	81,469
Transportation services (airport)	68,559	60,845	70,141
Environmental health services	60,000	101,748	-
	$ 215,282	$ 249,267	$ 152,760
Other Revenue From Own Sources			
Licenses and permits	$ 17,000	$ 14,529	$ 17,234
Fines	30,150	21,323	29,473
Return on investment	328,892	376,287	497,392
Interest on taxes	165,000	211,465	185,832
Commercial solid waste fees	125,000	115,720	122,268
Miscellaneous	106,500	89,123	85,366
Canada Community Building Fund interest	-	90,405	124,728
Tax sale excess (20 years)	-	8,810	40,699
Wind turbine revenue	150,000	181,956	189,624
Tax sale fees	-	6,561	4,662
	$ 922,542	$ 1,116,179	$ 1,297,278
Unconditional Transfers From Other Governments			
Provincial government			
Assessment Act, farm property acreage	$ 18,776	$ 18,776	$ 18,526
Divert NS	4,500	10,497	10,130
Department of Municipal Affairs			
Equalization grants	333,616	333,616	333,616
	$ 356,892	$ 362,889	$ 362,272
Conditional Transfers From Other Governments			
Other			
Special projects	$ -	$ 17,981	$ -
Trail project	6,300	6,300	19,800
Safe restart	-	-	175,528
Grants for capital projects			
Canada Community-Building Fund	249,052	249,052	247,422
Sustainable Services Growth Fund	-	-	350,084
Provincial Government			
Renewable energy projects	150,000	43,475	-
Regional Emergency Management Organizations	-	40,000	-
Growth and Renewal for Infrastructure Development Program	-	11,620	-
EMO 911 recovery fee	3,000	2,936	2,945
	$ 408,352	$ 371,364	$ 795,779

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations
Year Ended March 31

		2026		2025
EXPENDITURES				
		Budget	**Actual**	Actual
General Government Services				
Legislative				
Warden remuneration	$	**46,151**	$ **46,151**	$ 44,246
Council remuneration		**127,347**	**127,348**	122,089
Council expenses		**59,500**	**37,288**	40,452
Other legislative expenses		**14,483**	**14,005**	10,490
General administrative				
Administrative		**130,333**	**126,518**	149,563
Administrative support staff		**415,821**	**398,310**	371,586
Taxations				
By-law exemptions		**88,710**	**88,969**	43,141
Bad debts		**-**	**1,357**	6,690
Transfers for assessment services		**201,167**	**201,167**	194,637
Property tax exemption		**100,000**	**80,713**	84,913
Seasonal business reduction		**17,928**	**17,928**	14,979
Advertising		**39,200**	**34,304**	36,033
Audit and legal		**51,500**	**39,619**	43,855
Elections and enumerations		**-**	**-**	42,638
Employee benefits		**297,638**	**278,684**	239,558
Pension contributions		**121,584**	**105,432**	100,715
Pension adjustment		**10,000**	**(66,097)**	(71,507)
Common services		**15,500**	**15,306**	14,785
Insurance		**52,000**	**51,432**	50,026
Office operations		**31,500**	**36,431**	33,116
Office administration		**106,000**	**110,795**	82,013
Technology improvements		**81,814**	**74,721**	72,484
Bank and other fees		**100,450**	**93,017**	87,112
Other taxes		**86,677**	**86,677**	90,451
Conditional transfers to other governments and agencies		**29,000**	**29,000**	29,000
Other general government services				
Conventions and travel - administration		**22,000**	**18,885**	14,645
Grants to organizations and individuals		**145,979**	**138,138**	123,896
		2,392,282	**2,186,098**	2,071,606
Amortization		**29,074**	**29,074**	21,951
	$	**2,421,356**	$ **2,215,172**	$ 2,093,557

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations
Year Ended March 31

	2026 Budget	2026 Actual	2025 Actual
Protective Services			
Police protection			
RCMP	$ 1,954,075	$ 1,985,195	$ 1,861,024
Prosecuting attorney	10,000	3,077	6,038
Senior's safety program	23,100	23,100	22,000
Special investigations	6,500	6,191	6,148
Fire protection			
Administration	68,614	65,983	28,117
Digby Municipal Fire Services Association	6,000	6,633	6,485
Grants - community fire departments	634,897	635,124	636,835
Hydrants	46,776	46,776	38,531
Insurance	131,618	138,166	92,390
Emergency measures	18,444	15,128	15,860
Dispatch services	320,947	315,357	306,399
Other			
Animal control	42,489	42,595	39,464
Buildings - salaries	271,020	266,297	195,865
- expenses	55,500	63,813	28,007
	3,589,980	3,613,435	3,283,163
Amortization	9,432	9,432	2,335
	$ 3,599,412	$ 3,622,867	$ 3,285,498
Transportation Services			
Road transport			
Administration	$ 77,805	$ 70,919	$ 71,715
Sidewalk snow & ice removal	21,500	28,370	15,300
Street lighting	44,000	37,006	33,832
Public works - salaries	127,765	122,432	118,861
- expenses	30,200	25,540	21,738
Air transport			
Airport building	57,269	58,613	62,985
Office and telephone	14,350	12,384	13,167
Tractor	10,000	17,386	9,542
Other	2,500	1,513	3,053
Fuel and oil	50,100	52,282	45,605
Maintenance	24,000	18,063	17,171
Administration of public transit			
Tidal Transit Authority	443,973	384,957	384,086
Le Transport de Clare Society	30,000	30,000	30,000
	933,462	859,465	827,055
Accretion	-	1,520	1,460
Amortization	111,204	113,395	146,576
	$ 1,044,666	$ 974,380	$ 975,091

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations
Year Ended March 31

		2026	2025
	Budget	**Actual**	**Actual**
Environmental Health Services			
Sewage collection and disposal			
Sewage collection systems	$ 89,896	$ 84,957	$ 82,982
Sewage lift stations	154,365	151,107	31,389
Sewage treatment and disposal	111,045	120,408	106,078
Solid waste administration	28,326	28,326	21,396
Waste water administration	22,890	17,338	19,581
Garbage and waste collection and disposal			
Garbage and waste collection	1,282,205	1,279,639	1,183,100
	1,688,727	1,681,775	1,444,526
Accretion	-	2,351	2,258
Amortization	267,205	271,440	279,502
	$ 1,955,932	$ 1,955,566	$ 1,726,286
Environmental Development Services			
Community development	$ 54,500	$ 47,647	$ 73,731
Subdivision and planning	62,064	52,020	61,970
Community economic development			
Rural internet	-	-	135,000
Western Regional Enterprise Network	47,139	47,139	46,045
Industrial Commission	20,000	20,000	20,000
Tourism	74,500	47,795	51,758
Renewable energy development	281,377	123,280	64,001
Debenture interest	2,264	2,264	4,182
Biogas generator	4,540	4,540	3,964
Wind turbines	85,000	78,474	81,292
	631,384	423,159	541,943
Accretion	-	16,450	15,802
Amortization	103,051	126,761	126,761
	$ 734,435	$ 566,370	$ 684,506
Recreation and Cultural Services			
Administration and programs	$ 458,287	$ 448,033	$ 382,581
Trail coordinator	49,225	49,479	49,759
Parks & trails	50,500	59,322	55,935
Parks & open space	34,000	14,015	35,362
Lighthouses	22,534	7,937	12,397
Heritage programs	101,565	107,720	87,398
Regional library	58,600	58,600	61,500
Digby library	25,000	21,869	24,274
Weymouth library	28,801	30,100	24,665
Westport library	7,000	7,000	5,500
	835,512	804,075	739,371
Amortization	17,242	17,242	21,641
	$ 852,754	$ 821,317	$ 761,012

See accompanying notes and schedules to the consolidated financial statements.

1. Significant accounting policies

The consolidated financial statements of the Municipality of the District of Digby (the Municipality) are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these consolidated financial statements in Note 15 were approved by Council on May 27, 2025.

Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

a) Operating Fund – Costs of providing services to the residents of the Municipality are budgeted based on the revenue generated from property tax assessments.

b) Capital Fund – The capital fund contains the capital assets which are funded from long term financing and from operations.

c) Reserve Funds – The reserve funds are restricted funds set by the Municipality for specific projects and are approved by council.

Valuation allowance

Uncollected taxes and rates

The Municipality provides a valuation allowance for estimated losses that will be incurred in collecting receivables outstanding through a combination of specific account identification and allowing for 5% of outstanding taxes.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

1. Significant accounting policies (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, and asset retirement obligations.

Additionally, the Municipality's implementation of PS 3280 Asset retirement obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as timing and duration of these retirement costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual resutls could differ from these estimates.

Revenue recognition

(a) Tax revenue is property tax billings which are prepared by the Municipality based on assessment rolls issued by Property Valuation Services Corporation. Tax rates are established annually by Municipal Council. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined. The Municipality is entitled to collect interest on overdue taxes and is recorded in the period the interest is levied.

(b) Revenue from provincial or municipal units without eligibility criteria or stipulations is recognized as revenue by the Municipality when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Municipality when the transfer is authorized and all eligibility criteria have been met. Revenue with stipulations is recognized as revenue by the Municipality when the transfer is authorized and all stipulations have been met.

(c) Other revenue is recorded when it is earned.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital asset is amortized on a straight line basis over the estimated useful life as follows:

Asset type	**Years**
Municipal buildings	40 years
Buildings and plants	25 years
Electronic data equipment	5 years
Small equipment	5 years
Machinery and equipment	15 years
Vehicles	5 years
Streets, roads and curbs	30 years
Sidewalks	25 years
Lagoons	50 years
Sanitary sewer lines	50 years
Street Lights	25 years
Wind turbines	20 years

1. Significant accounting policies (continued)

Tangible capital assets (continued)
Assets under construction are not amortized until the asset is available for productive use. Funding related to the purchase of capital assets is recorded as revenue when received. School buildings formally under operational control of the Municipality have not been recorded as tangible capital assets, as it is more likely than not they would be sold and not put into municipal use.

Contaminated sites
The Municipality follows Public Sector Accounting Section 3260 Liability for Contaminated Sites, which establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with the remediation of contaminated sites. Management has reviewed all potential sites that are owned for application to this section and has concluded there is no known liability at this time.

Related party transactions
The Municipality follows Public Sector Accounting Section 2200, Related Party Transactions, which establishes the disclosure requirements for reporting related party transactions. Management has determined that there are no transactions to disclose at this time.

Contractual rights
The Municipality follows Public Sector Accounting Section 3380, Contractual Rights, which establishes the disclosure requirements for contractual rights. Management has determined that there are no contractual rights to disclose at this time.

Restructuring transactions
The Municipality follows Public Sector Accounting Section 3430, Restructuring Transactions, which establishes the disclosure requirements for restructuring transactions. Management has determined that there are no transactions to disclose at this time.

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 benefit will be given up; and
d) A reasonable estimate of the amount can be made.

The liability for the closure and decommissioning of wind turbines, transfer station and fuel containers has been recognized based on estimated future expenses. The liability associated with the remediation of contaminants present within buildings/land owned by the Municipality has also been recognized based on estimated future expenses on closure of the sites and post-closure care.

The liability is discounted using a present value calculation and adjusted annually for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective capital assets. The increase to tangible capital assets is being amortized in accordance with the amortization accounting policies.

1. Significant accounting policies (continued)

Employee benefit plans
The Municipality provides certain employment benefits to employees. The Municipality provides benefits for sick leave under the following conditions:

a) Full time employees receive an initial sick leave allowance of 216 hours on the date their employment commences and earn an additional 9 hours per month, up to a maximum of 900 hours;

b) Sick leave can be used only for paid time off for illness or medical appointments of the employee. Sick leave taken off, in time, is paid at the employee's normal rate of pay.

c) Sick leave will not be paid out when an employee is dismissed, retires, or otherwise ceased employment with the Municipality.

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 receivables, receivables from the Province of Nova Scotia and federal government, bank indebtedness, and payables.

Subsequent measurement
At each reporting date, the Municipality 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 Municipality uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are bank indebtedness, receivables, payables and accruals, and loans payable.

For financial assets measured at cost or amortized cost, the Municipality regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Municipality determines there is 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 managements opinion that the Municipality is not exposed to significant interest or credit risk arising from financial instruments.

2. Future accounting changes

The Conceptual Framework for Financial Reporting in the Public Sector
The PSAB issued The Conceptual Framework for Financial Reporting in the Public Sector, which replaces the conceptual aspects of Section PS 1000, Financial Statement Concept and Section PS 1100, Financial Statement Objectives. This conceptual framework applies to fiscal years beginning on or after April 1, 2026, with early adoption permitted.

PS 1202 Financial Statement Presentation
This section revises and replaces the existing PS 1201 Financial Statement Presentation. This section applies to fiscal years beginning on or after April 1, 2026, with early adoption only permitted if The Conceptual Framework for Financial Reporting in the Public Sector is also adopted at the same time.

3. Receivables

Taxes receivable	Current Year	Prior Years	2026 Total	2025 Total
Balance, beginning of year	$ -	$ 1,122,161	**$ 1,122,161**	$ 917,426
Current year's levy	9,679,688	-	**9,679,688**	9,245,357
	9,679,688	1,122,161	**10,801,849**	10,162,783
Add				
Interest	211,465	-	**211,465**	185,832
	9,891,153	1,122,161	**11,013,314**	10,348,615
Deduct				
Current year's collections	(8,883,377)	(925,912)	**(9,809,289)**	(9,226,454)
Balance, end of year	$ 1,007,776	$ 196,249	**1,204,025**	1,122,161
Fire Departments			**121,700**	189,000
Town of Digby			**51,753**	45,798
HST			**41,646**	35,814
PACE program			**135,856**	153,772
Province of Nova Scotia			**23,357**	44,858
Digby Area Recreation Commission			**40,000**	50,000
Digby Ground Search and Rescue			**19,872**	29,872
Other			**160,045**	106,330
			1,798,254	1,777,605
Asset valuation allowance for uncollectible taxes and other			**(37,127)**	(35,770)
			$ 1,761,127	$ 1,741,835

4. Bank indebtedness

The Municipality has an unsecured line of credit with a limit of $1,000,000, and an interest rate of prime minus 0.75%, none of which is used at March 31, 2026 (2025 – nil).

5. Tax sale surplus

After a twenty year period of holding these funds in trust has expired, the cash will be transferred to the capital reserve.

6. Tangible capital assets

	Opening Cost	Additions	Disposals	Ending Cost
Land	$ 319,895	$ -	$ -	$ 319,895
Municipal buildings	2,347,595	101,282	-	2,448,877
Buildings - plant	2,183,725	86,468	-	2,270,193
Electronic data equipment	155,479	12,781	(49,177)	119,083
Small equipment	241,033	-	-	241,033
Machinery and equipment	1,808,412	106,446	(605,959)	1,308,899
Vehicles	221,278	-	-	221,278
Streets, roads and curbs	1,297,044	23,186	-	1,320,230
Sidewalks	395,715	-	-	395,715
Wind turbines	1,640,637	-	-	1,640,637
Street lights	716,332	-	-	716,332
Lagoons	1,499,085	-	-	1,499,085
Sanitary sewer lines	7,015,305	-	-	7,015,305
	$ 19,841,535	$ 330,163	$ (655,136)	$ 19,516,562

	Opening Accumulated Amortization	Amortization	Disposals	Ending Accumulated Amortization
Municipal buildings	$ 973,524	$ 56,469	$ -	$ 1,029,993
Buildings - plant	1,356,106	102,618	-	1,458,724
Electronic data equipment	153,227	3,680	(49,177)	107,730
Small equipment	241,033	-	-	241,033
Machinery and equipment	880,909	61,716	(157,669)	784,956
Vehicles	128,131	25,322	-	153,453
Streets, roads and curbs	1,027,200	20,086	-	1,047,286
Sidewalks	150,653	13,327	-	163,980
Wind turbines	583,438	87,960	-	671,398
Street lights	286,777	28,654	-	315,431
Lagoons	638,179	29,982	-	668,161
Sanitary sewer lines	2,633,823	137,530	-	2,771,353
	$ 9,053,000	$ 567,344	$ (206,846)	$ 9,413,498

	NBV 2026	NBV 2025
Land	$ **319,895**	$ 319,895
Municipal buildings	**1,418,884**	1,374,071
Buildings - plant	**811,469**	827,619
Electronic data equipment	**11,353**	2,252
Small equipment	**-**	-
Machinery and equipment	**523,943**	927,503
Vehicles	**67,825**	93,147
Streets, roads and curbs	**272,944**	269,844
Sidewalks	**231,735**	245,062
Wind turbines	**969,239**	1,057,199
Street lights	**400,901**	429,555
Lagoons	**830,924**	860,906
Sanitary sewer lines	**4,243,952**	4,381,482
	$ **10,103,064**	$ 10,788,535

7. Deferred revenue

Funds received with specific spending criteria and stipulations, are recorded in deferred revenue until these funds are spent on eligible expenditures. Canada Community-Building Fund (CCBF) monies must be held in special reserve accounts until spent on specific expenditures in accordance with the Canada – Nova Scotia Gas Tax Agreement. The deferred revenue balance changed during the year as follows:

	2026	2025
Opening CCBF balance	**$ 2,525,487**	$ 2,374,734
Funding received	**416,853**	398,175
Eligible expenditures	**(249,052)**	(247,422)
Ending CCBF balance	**2,693,288**	2,525,487
Tax prepayments	**358,016**	316,645
Other	**37,785**	-
Total deferred revenue	**$ 3,089,089**	$ 2,842,132

8. Long term debt

	2026	2025
NS Dept. of Finance & Treasury Board debenture, bearing interest at rates from 1.441% to 2.925%, repayable in annual instalments of $69,000 plus interest, maturing in 2027.	**$ 69,000**	$ 138,000
	$ 69,000	$ 138,000

Principal repayments during the next year are $69,000

All long term debt outstanding at year end has been properly authorized by the Department of Municipal Affairs.

Interest expense on the long term debt during the year was $2,264 (2025 - $4,182).

9. Commitments

Boards in which the Municipality of the District of Digby has less than 100% interest
The Municipality is required to support the operations of various boards and commissions, along with other municipal units.

Tidal Transit Authority
During the year ended March 31, 2026, the Municipality paid $384,957 (2025 - $384,086) as its share of operations for the Tidal Transit Authority.

Regional Library
During the year ended March 31, 2026, the Municipality paid $58,600 (2025 - $61,500) to the Regional Library.

Digby and Area Recreation Facility
During the year ended March 31, 2026, the Municipality paid $382,787 (2025 - $368,081) as its share of operations for the Digby and Area Recreation Facility.

Digby Development Agency
During the year ended March 31, 2026, the Municipality paid $20,000 (2025 - $20,000) as its share of operations for the Digby Development Agency.

Western Regional Enterprise Network
During the year ended March 31, 2026, the Municipality contributed $47,139 (2025 - $46,045) to the Western Regional Enterprise Network.

Provincial police service agreement
The Municipality has entered into the Provincial Agreement to receive policing services for the period April 1, 2014 to March 31, 2032. The Municipality will be responsible for 30% of the cost to provide and maintain the Provincial Police Service. This agreement can be terminated at any point with written notice not less than 24 months prior to termination.

Curb-side collection and transportation of source separated solid waste
The Municipality has entered into a contract with Digby Salvage and Disposal Company Limited to collect and transport the Municipality's solid waste. The contract is effective April 1, 2025 to March 31, 2030. The monthly base cost expected for the respective fiscal years for 2026 through 2030 ranges from, $56,263 to $68,388. The amounts paid can be adjusted to reflect changes in fuel costs.

Transportation and disposal of solid waste
The Municipality has entered into a contract with the Region of Queens Municipality and Waste Check to transport and dispose of the Municipality's solid waste at the solid waste disposal facility in Milton. The contract is effective January 1, 2006 to March 31, 2027. The Municipality pays a transportation and disposal fee from $67.50 to $78.25/tonne. The fee may be increased based on the consumer price index for Nova Scotia.

9. Commitments (continued)

The Municipality has enterest into agreements with Circular Materials for delivery of community curbise collection, small quantity non-residential collection and transfer station services. These agreements will expire on December 31, 2028. Fees for curbside collection are the sum of a) $4.76 per family dwelling stop per month, and: b) $1.50 per stop per year for resident education top up. Fees for the small quantity non-residential generators collection are $65 per stop. Transfer station fees are $200 per tonne of materials received and $215 per tonne of materials transported out to a pre-conditioning facility.

10. Contingencies

The Municipality has a revolving term credit in the amount of $2,000,000 to allow individual fire departments in the Municipality to fund capital purchases (with each advance guaranteed by the Municipality) and to finance capital expenditures of smaller organizations within the Municipality. The following balances are drawn and guaranteed by the Municipality at year end:

		2026		2025
Brighton/Barton Fire Department	$	-	$	25,500
Smith's Cove Fire Department	$	**128,400**	$	149,800
Digby Fire Department	$	**665,000**	$	700,000
Weymouth Fire Department	$	**603,692**	$	635,466

The fire rates are set to take into consideration the repayment of the loans. All payments are up to date, and there is no expectation for loss to the Municipality.

11. Other matters

The total remuneration and expense reimbursements to each member of the council and senior management official are as follows:

Council		2026 Remuneration		2026 Expenses
Gregory, L. - Warden	$	**46,151**	$	**13,598**
Ross, M. - Deputy Warden	$	**36,703**	$	**3,839**
Manzer, G. - Councillor	$	**30,215**	$	**4,234**
Ross, J. - Councillor	$	**30,215**	$	**5,624**
Scherer, P. - Councillor	$	**30,215**	$	**3,605**
Senior Management				
Chief Administrative Officer	$	**124,033**	$	**12,400**

12. Pension plans

Nova Scotia Public Service Superannuation Plan (NSPSSP)
Eligible employees of the Municipality belong to the NSPSSP and although the NSPSSP is a defined benefit pension plan for the employees, the Municipality accounts for it as a defined contribution plan as it is a multi-employer plan and contributions are recorded as expenses as they are paid or payable.

NSPSSP employer contribution formula is 8.4% of earnings up to the year's maximum pensionable earnings and 10.9% of earnings in excess of the year's maximum pensionable earnings. This is matched by the employee.

Contributions to the NSPSSP are required by both the employer and its employees. Total employer contributions for the current fiscal year were $105,432 (2025 - $100,715) and are recognized as an expense in the period.

The Municipality has a defined benefit plan whereby the spouse of one former employee receives a monthly pension. Actuarial valuations for accounting purposes are performed triennially using a going concern basis. The most recent actuarial valuation was prepared at March 31, 2023 and at that time the pension plan had an accrued benefit excess of $570,017. The actuarial valuation was based on a number of assumptions about future events. The Municipality's actuary performed an extrapolation of the March 31, 2023 valuation to determine the position of the plan as at March 31, 2026. The accrued benefit excess is estimated to be $766,354 (2025 - $696,726). Benefits paid during the year were $22,526 (2025 - $22,070).

The following summarizes the major assumptions in the 2023 extrapolation:

- the expected inflation rate is 2.30%;
- the discount rate used to determine the accrued benefit obligation is 4.75%;
- the provision for adverse returns is 3.89%; and
- mortality assumption based on CPM2014 projected with mortality improvement scale CPM-B.

13. Payables and accruals

	2026	2025
Trade	$ **438,344**	$ 262,532
Payroll	**110,572**	121,134
Digby Development Agency	**238,549**	208,970
Digby Municipaly Fire Services Association	**164,343**	-
Tax sale excess	**375,833**	250,210
	$ **1,327,641**	$ 842,846

14. Asset retirement obligation

The Municipality's asset retirement obligation consists of the liability for the closure and decommissioning of wind turbines, removal of above ground fuel tanks, closure and decommissioning of transfer station site, and the remediation of contaminants present within/on buildings or lands owned by the Municipality. These contaminants represent a health hazard upon demolition or to meet environmental standards, and therefore there is a legal obligation for the removal of these contaminants on decommissioning. Following the adoption of PS 3280 - Asset retirement obligations, the Municipality recognized an obligation relating to this decommissioning and remediation as estimated at April 1, 2022. These assets have remaining useful lives of 5-15 years. Estimated costs have been discounted to the present value using a discount rate of 4.1% per annum. On April 1, 2022 the Municipality recognized a $496,570 asset retirement obligation, representing the original cost of $889,067, discounted to the present value.

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

	2026	2025
Opening balance	**$ 495,626**	$ 476,106
Accretion expense	**20,321**	19,520
Closing balance	**$ 515,947**	$ 495,626

15. Budget figures

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and statement of changes in net assets have been adjusted to be on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the consolidated financial statements. The reconciling items include capital funding from other sources reported as revenue and amortization of tangible capital assets reported as expenses.

	Approved Operating Fiscal Plan	Adjustments	**Fiscal Plan Per Financial Statements**
Revenues			
Taxes	$ 9,900,443	$ (2,121,331)	**$ 7,779,112**
Grants in lieu of taxes	1,086,381	-	**1,086,381**
Services provided to other governments	113,396	-	**113,396**
Sales of service	215,282	-	**215,282**
Other revenue from own sources	922,542	-	**922,542**
Unconditional transfers from other governments	356,892	-	**356,892**
Conditional transfers from other governments	159,300	249,052	**408,352**
Transfers from own funds	89,951	(89,951)	**-**
	12,844,187	(1,962,230)	**10,881,957**
Expenditures			
General government services	2,374,354	47,002	**2,421,356**
Protective services	3,589,980	9,432	**3,599,412**
Transportation services	933,462	111,204	**1,044,666**
Environmental health services	1,688,727	267,205	**1,955,932**
Environmental development services	631,384	103,051	**734,435**
Recreational and cultural services	835,512	17,242	**852,754**
Education	2,139,259	(2,139,259)	**-**
Transfers to own funds	651,509	(651,509)	**-**
	12,844,187	(2,235,632)	**10,608,555**
Annual surplus	$ -	$ 273,402	**$ 273,402**

16. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

17. Segmented information

The Municipality is a diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes, the Municipality's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General Government Services
This department is responsible for the overall financial and local government administration. Its tasks include tax billings and payments, accounts payable and receivables, budgets and financial statements, the Municipal Government Act, administration and maintenance of bylaws and change of address.

Protective Services
This department is responsible for ensuring the safety of the residents. Its tasks include bylaw enforcement, animal control, emergency measures and maintaining the radio dispatch system.

Transport Services
This department is responsible for transportation services within the Municipality. Its tasks include maintaining roads and sidewalks, street lighting, maintaining the airport and administering public transit.

Environmental Health Services
This department is responsible for the maintenance and operations of waste and sewer services provided to residents and other customers. Its tasks include recycling, composting and sewer hook-up.

Environmental Development Services
This department is responsible for the planning and development within the Municipality. Its tasks include developing strategies and planning reports, issuing development permits and approving subdivision applications.

Recreation and Cultural Services
This department is responsible for promoting and offering recreation opportunities and activities to the Municipality's residents.

17. Segmented information (continued)

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Recreation and Cultural Services	2026 Consolidated	2025 Consolidated
Revenue								
Taxes	$ 1,849,339	$ 2,775,212	$ 721,607	$ 1,305,460	$ 488,088	$ 645,888	$ **7,785,594**	$ 7,634,397
Grants in lieu of taxes	258,086	387,296	100,705	182,184	68,115	90,137	**1,086,523**	1,099,421
Services provided to other governments	24,666	37,015	9,624	17,412	6,510	8,614	**103,841**	107,659
Sales of services	950	85,724	162,593	-	-	-	**249,267**	152,760
Other revenue from own sources	632,077	86,039	19,600	151,178	209,742	17,543	**1,116,179**	1,297,278
Unconditional transfers from other governments	86,198	129,354	33,634	60,848	22,750	30,105	**362,889**	362,272
Conditional transfers from other governments	29,601	42,936	19,541	86,468	43,475	149,343	**371,364**	795,779
	2,880,917	3,543,576	1,067,304	1,803,550	838,680	941,630	**11,075,657**	11,449,566
Expenditures								
Salaries and benefits	1,016,346	666,286	122,432	-	58,042	117,889	**1,980,995**	1,763,561
Goods and services	643,949	2,049,008	687,687	1,681,775	277,615	686,186	**6,026,220**	5,677,682
Amortization	29,074	9,432	114,915	273,791	143,211	17,242	**587,665**	618,286
Interest	-	-	-	-	2,264	-	**2,264**	4,182
Other	525,803	898,141	49,346	-	85,238	-	**1,558,528**	1,462,239
	2,215,172	3,622,867	974,380	1,955,566	566,370	821,317	**10,155,672**	9,525,950
Loss on disposal of assets	-	-	-	-	-	-	**-**	(156,368)
Surplus (deficit) for the year	$ 665,745	$ (79,291)	$ 92,924	$ (152,016)	$ 272,310	$ 120,313	$ **919,985**	$ 1,767,248

18. Reserve funds

	Operating Surplus	Special Capital	Power Board	Doctor Recruitment	Heritage Properties	Election	Gas Tax	Trails	Lighthouses	2026 Total	2025 Total
Revenue											
Interest	$ -	$ 8,810	$ -	$ -	$ -	$ -	$ 90,405	$ -	$ -	**$ 99,215**	$ 202,115
Grants	-	-	-	-	-	-	-	-		**-**	313,394
Transfers from (to) other funds	(472,895)	1,833,308	95,000	-	(5,500)	-	-	8,000	(354)	**1,457,559**	1,479,602
Annual (deficit) surplus	(472,895)	1,842,118	95,000	-	(5,500)	-	90,405	8,000	(354)	**1,556,774**	1,995,111
Accumulated surplus, beginning of year	7,424,917	2,313,989	149,379	200,000	5,500	28,447	436,038	94,400	268,827	**10,921,497**	8,926,386
Accumulated surplus, end of year	$ 6,952,022	$ 4,156,107	$ 244,379	$ 200,000	$ -	$ 28,447	$ 526,443	$ 102,400	$ 268,473	**$ 12,478,271**	$ 10,921,497