

Town of Kensington

Financial Statements
March 31, 2022

Management's Report

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

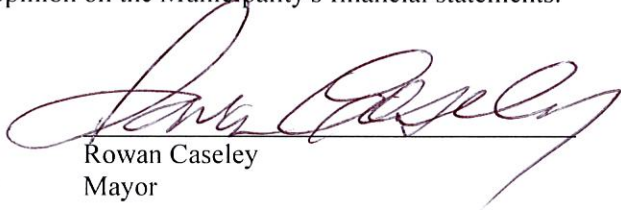
The financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, 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 Council is responsible for ensuring that management fulfils 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 financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

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



Geoff Baker
Chief Administrative Officer

Rowan Caseley
Mayor



ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Chartered Professional Accountants &
Business Advisors
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Member of The AC Group of Independent Accounting Firms

June 13, 2022

Independent Auditor's Report

To His Worship the Mayor and the Members of the Council of the Town of Kensington

Opinion

We have audited the accompanying financial statements of Town of Kensington, which comprise the statement of financial position as at March 31, 2022, and the statements of accumulated surplus, operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Town of Kensington as at March 31, 2022, and the results of its operations and its cash flows 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 Financial Statements* section of our report. We are independent of Town of Kensington in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Town of Kensington'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 Town of Kensington or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Town of Kensington's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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



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- 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 Town of Kensington'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 Town of Kensington'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 Town of Kensington 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.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Town of Kensington
Statement of Financial Position
As at March 31, 2022

	2022 \$	2021 \$
Assets		
Financial assets		
Cash	953,014	1,089,490
Restricted cash - infrastructure funding (note 6a)	502,553	307,546
Accounts receivable (note 3)	642,608	371,411
Government transfers receivable	589,042	212,093
Inventory for resale	9,887	5,661
Total financial assets	<u>2,697,104</u>	<u>1,986,201</u>
Liabilities		
Bank indebtedness (note 4)	-	704,494
Accounts payable and accrued liabilities (note 9)	701,478	638,304
Deferred revenue - operating funding (note 5)	76,123	89,234
Deferred revenue - infrastructure funding (note 6)	620,147	318,294
Long-term debt (note 7)	4,721,312	3,300,459
Total liabilities	<u>6,119,060</u>	<u>5,050,785</u>
Net debt	<u>(3,421,956)</u>	<u>(3,064,584)</u>
Non-financial assets		
Prepaid expenses	90,425	67,428
Tangible capital assets (Schedule 2)	13,734,424	9,911,429
	<u>13,824,849</u>	<u>9,978,857</u>
Accumulated surplus (note 8)	<u>10,402,893</u>	<u>6,914,273</u>

On behalf of the Council

Mayor

Councilor

Town of Kensington

Statement of Accumulated Surplus

For the year ended March 31, 2022

	2022 \$	2021 \$
Accumulated surplus - Beginning of year	6,914,273	5,875,008
Annual surplus	3,488,620	1,039,265
Accumulated surplus - End of year	10,402,893	6,914,273

Town of Kensington

Statement of Operations

For the year ended March 31, 2022

	2022 Budget (unaudited) \$	2022 Actual \$	2021 Actual \$
Revenue (Schedule 1 and note 13)			
Property taxes (note 10)	620,630	652,536	616,229
Government transfer			
Equalization	285,756	285,756	272,798
Police tax credit	185,000	182,887	173,528
Municipal tax credit	37,046	47,368	39,350
Fire dues	235,164	235,164	235,164
Credit Union Centre	304,100	321,536	317,998
Rental	99,508	100,756	98,879
Sale of services (note 11)	411,200	355,642	273,598
Police fines and grants	42,700	41,367	43,124
Other revenue	58,008	292,647	116,708
Water & Sewer utility (note 12)	600,690	584,701	556,830
Gain on disposal of tangible capital assets	-	138,012	10,078
	<u>2,879,802</u>	<u>3,238,372</u>	<u>2,754,284</u>
Expenses (Schedule 1)			
General government	498,002	456,556	448,376
Protective - police	522,689	644,625	550,087
- fire	280,844	268,435	301,950
Sale of services	196,340	165,256	96,179
Transportation & Public Works	171,817	288,421	155,306
Credit Union Centre	367,536	385,744	376,621
Parks and recreation	147,580	163,647	97,485
Water & Sewer utility	669,120	747,664	735,472
	<u>2,853,928</u>	<u>3,120,348</u>	<u>2,761,476</u>
Annual operating surplus (deficit)	<u>25,874</u>	<u>118,024</u>	<u>(7,192)</u>
Other revenue (note 13)			
Infrastructure funding - water and sewer	-	1,414,769	437,729
Infrastructure funding - general	4,125,709	1,572,797	473,568
Municipal Capital Expenditures Grant - reimbursement	-	383,030	135,160
	<u>4,125,709</u>	<u>3,370,596</u>	<u>1,046,457</u>
Annual surplus	<u>4,151,583</u>	<u>3,488,620</u>	<u>1,039,265</u>

Town of Kensington

Statement of Changes in Net Debt For the year ended March 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
Annual surplus	4,151,583	3,488,620	1,039,265
Amortization of tangible capital assets - net	495,972	579,578	460,115
Acquisition of tangible capital assets - net	(7,871,053)	(4,425,032)	(1,848,862)
Proceeds on disposal of tangible capital assets	-	160,469	24,217
Gain on disposal of tangible capital assets	-	(138,012)	(10,078)
Change in prepaid expenses - general	-	(22,995)	(7,583)
Change in prepaid expenses - water and sewer	-	-	6,362
	(7,375,081)	(3,845,992)	(1,375,829)
Increase in net debt	(3,223,498)	(357,372)	(336,564)
Net debt - Beginning of year	(3,064,584)	(3,064,584)	(2,728,020)
Net debt - End of year	(6,288,082)	(3,421,956)	(3,064,584)

Town of Kensington

Statement of Cash Flows

For the year ended March 31, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	3,488,620	1,039,265
Items not affecting cash		
Amortization	579,578	460,115
Gain on sale of tangible capital assets	(138,012)	(10,078)
	<u>3,930,186</u>	<u>1,489,302</u>
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(271,196)	8,185
Increase in government contributions receivable	(376,949)	(192,441)
Decrease (increase) in inventory for resale	(4,228)	2,837
Increase in accounts payable and accrued liabilities	63,174	372,150
Increase (decrease) in deferred revenue - operating funding	(13,111)	89,234
Increase (decrease) in deferred revenue - infrastructure funding	301,853	(100,381)
Increase in prepaid expenses	(22,995)	(1,222)
	<u>3,606,734</u>	<u>1,667,664</u>
Capital activities		
Acquisition of tangible capital assets	(4,425,032)	(1,848,862)
Proceeds on disposal of tangible capital assets	160,469	24,217
	<u>(4,264,563)</u>	<u>(1,824,645)</u>
Financing activities		
Issuance of long-term debt	1,789,908	566,078
Debt repayment	(369,054)	(337,477)
Change in restricted cash - infrastructure funding	(195,007)	79,801
	<u>1,225,847</u>	<u>308,402</u>
Change in cash	<u>568,018</u>	<u>151,421</u>
Net cash - Beginning of year	<u>384,996</u>	<u>233,575</u>
Net cash - End of year	<u>953,014</u>	<u>384,996</u>
Net cash consists of		
Cash	953,014	1,089,490
Bank indebtedness	-	(704,494)
	<u>953,014</u>	<u>384,996</u>

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

1 Nature of municipality

Town of Kensington (the "Town") was incorporated in 1914 as a Town in the Province of Prince Edward Island and operates under the provisions of the *Municipal Government Act* (2017) of Prince Edward Island. The Town is overseen by an elected council consisting of 7 members and provides services such as sewer, fire protection, planning, parks and other general government services.

2 Summary of significant accounting policies

The financial statements of Town of Kensington are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Cash

Cash includes cash on hand and balances with banks.

c) Restricted cash

Restricted cash is cash required to be maintained in a separate bank account and is to be used for a specific purpose as outlined in (note 6a).

d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the change in net debt for the year.

e) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

f) Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant estimates, which include employee benefit liabilities and the estimated useful life of tangible capital assets, are based on management's best information and judgment. Actual results could differ from those reported.

Since March 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material impact on the carrying value of assets and liabilities reported in these financial statements as at March 31, 2022. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Town for future periods.

g) Revenue recognition

- (i) Tax revenue consists of property tax billings which are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates established by the Town. Taxation revenue is recorded as it is received in monthly installments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The Town's revenue is adjusted for any of these appeals using a yearly statement.
- (ii) All other revenue is recorded when it is earned and collection is reasonably assured.

h) Government transfers

Revenue from governments without eligibility criteria or stipulations is recognized as revenue by the Town when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Town when the transfer is authorized and all eligibility criteria have been met, unless there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Revenue with stipulations is recognized as revenue by the Town when the transfer is authorized and all stipulations have been met.

Transfers to other organizations are recognized as an expense when they are authorized.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

i) Fair value of financial instruments

(i) Measurement of financial instruments

Town of Kensington's financial instruments consist of cash, restricted cash - infrastructure funding, accounts receivable, government transfers receivable, inventory for resale, accounts payable and accrued liabilities and long-term debt.

The Town initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Town subsequently measures all its financial assets and financial liabilities at amortized cost.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Town determines whether there are indications of possible impairment. When there is an indication of impairment, and the Town determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in annual surplus. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in annual surplus.

(iii) Risks

Transacting in financial instruments exposes the Town to certain financial risks and uncertainties. These risks include:

- i) Interest rate risk: The Town is exposed to interest rate risk due to the variable rate interest on their long-term debt and operating line of credit. Changes in the bank lending rates can cause fluctuations in cash flows and interest expense. The Town does not use any derivatives to manage this risk.
- ii) Credit risk: The Town is exposed to credit risk in connection with the collection of its accounts receivable. The Town mitigates this risk by performing continuous evaluation of its accounts receivables.
- iii) Liquidity risk: The Town's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable or raising of funds to meet commitments and sustain operations. The Town controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

j) 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 is amortized on a straight-line basis over the estimated useful life as follows:

Sewer system and lagoon	1.2%
Water system	1.2%
Utility vehicle	20.0%
Sewer equipment	5.0%
Water equipment	5.0%
Buildings	2.5%
Fire vehicles	6.67%
Vehicles	20.0%
Electronic equipment	25.0%
Equipment and signs	10.0%
Streets and sidewalks	4.0%
Wind turbine	5.0%

Full amount of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

All costs associated with placing an asset in service, including freight, installation costs, site preparation costs, alterations and professional fees are included in the capitalized value.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is in excess of the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

3 Accounts receivable

	2022	2021
	\$	\$
Accounts receivable - general	226,765	194,039
Accounts receivable - water and sewer	46,568	38,409
Government contribution receivable	355,926	119,335
HST	13,349	19,628
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	642,608	371,411

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

4 Bank indebtedness

The Town has authorized operating lines of credit of \$150,000 and \$20,000 bearing interest at prime less 0.50% and prime plus 1.00%, respectively, for the general account.

The Town also has an authorized operating line of credit of \$910,000 and \$75,000 bearing interest at prime less 0.50% for the water and sewer corporation.

The balances of these accounts at March 31, 2022 totaled nil (2021 - nil).

The Town has provided a borrowing resolution, as required by the bank.

At March 31, 2022, prime rate was 2.7% (2021 - 2.45%).

5 Deferred revenue - operating funding

	2022 \$	2021 \$
Deferred revenue - Beginning of year	89,234	-
Government transfers received during the year	76,123	113,334
Amount recognized as revenue during the year	(89,234)	(24,100)
	<hr/>	<hr/>
Deferred revenue - End of year	76,123	89,234
	<hr/>	<hr/>
Blacksmith Shop	51,123	-
Gun and Gang Violence Action Fund	-	23,534
Police Live Scan	25,000	-
Safe Restart	-	65,000
Work and Study Hubs Pilot Program	-	700
	<hr/>	<hr/>
	76,123	89,234
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Town of Kensington

Notes to Consolidated Financial Statements March 31, 2022

6 Deferred revenue - infrastructure funding

	Infrastructure funding \$	ICIP \$	Other funding \$	2022 Total \$	2021 Total \$
Deferred revenue - Beginning of year	307,546	-	10,748	318,294	418,675
Government transfers received or receivable	2,355,428	173,332	759,298	3,288,058	807,078
Other funding received:					
Interest income	1,361	-	-	1,361	838
Eligible expenditures incurred	(2,161,782)	(173,332)	(652,452)	(2,987,566)	(908,297)
Deferred revenue - End of year	502,553	-	117,594	620,147	318,294

The Town has received funds which are restricted for expenditure on eligible projects. The following are a list of the outstanding agreements:

- a) Agreement on the Transfer of Federal Gas Tax Revenues (Infrastructure funding)
Through the New Deal for Cities and Communities and the Municipal Strategic Component Project, the Town will prepare, for approval by the government regulating body, a Capital Investment Plan which details expenditures for approved projects. The funding for this agreement is maintained in a separate bank account.
- b) Investing in Canada Infrastructure Program (ICIP)
Through two separate agreements signed in July 2019 and August 2019, respectively, the Town will receive partial funding to help cover expenditures on upgrades to their lagoon and well field.
- c) Other funding
Through a Community Revitalization Program Funding (CRPF) Agreement signed in September 2019, the Town received funding from the Province of Prince Edward Island to help cover expenditures on a specific project.

The Town also received a grant from the Province of Prince Edward Island for business park development expenditures.

The Town also received a grant from the Province of Prince Edward Island for active transportation system expenditures.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

7 Long-term debt

	2022 \$	2021 \$
The Town of Kensington		
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2026, amortized to 2029, repayable in monthly principal installments of \$2,287 plus interest, obtained to finance a fire hall. As security, the Town has provided a borrowing resolution.	180,666	208,109
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2026, amortized to 2029, repayable in monthly principal installments of \$11,859 plus interest, obtained to fund general capital expenditures under the operating fund of previous years. As security, the Town has provided a borrowing resolution.	500,797	643,110
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, amortized to 2040, repayable in monthly principal installments of \$917 plus interest, obtained to fund the purchase of a firetruck for the fire department. As security, the Town has provided a borrowing resolution.	27,500	38,500
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, amortized to 2040, repayable in monthly principal installments of \$187 plus interest, obtained to fund the purchase of a firetruck for the fire department. As security, the Town has provided a borrowing resolution.	40,486	42,736
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, amortized to 2045, repayable in monthly principal installments of \$1,867 plus interest, obtained to fund general construction of a new business park. As security, the Town has provided a borrowing resolution.	501,526	523,926
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, amortized to 2040, repayable in monthly principal installments of \$1,011 plus interest, obtained to fund the purchase of a firetruck for the fire department. As security, the Town has provided a borrowing resolution.	226,502	238,636
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2026, amortized to 2026, repayable in monthly principal installments of \$2,843 plus interest, obtained to fund capital purchases. As security, the Town has provided a borrowing resolution.	125,077	159,193
Prime less 0.50% term loan, Bank of Nova Scotia, to be fully drawn down in September 2022, maturing in 2028, amortized to 2048, obtained to fund general construction of a new business park. As security, the Town has provided a borrowing resolution.	1,555,016	-
3.79% term loan, Credit Union, maturing in 2024, amortized to 2028, repayable in monthly principal installments of \$1,700 plus interest. As security, the Town has provided a promissory note.	21,685	40,789

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

3.89% term loan, Credit Union, maturing in 2024, amortized to 2027, repayable in annual installments of \$14,000 including principal and interest. As security, the Town has provided a promissory note.

45,465	57,244
3,224,720	1,952,243

Water and Sewer Utility

Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2021, amortized to 2036, repayable in monthly principal installments of \$7,210 plus interest, obtained to finance capital expenditures under the Utility Fund of previous years. As security, the Town has provided a borrowing resolution.

1,261,700	1,348,216
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Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2027, amortized to 2047, repayable in monthly principal installments of \$783 plus interest, obtained to finance capital expenditures under the Utility Fund. As security, the Town has provided a borrowing resolution.

234,892	-
1,496,592	1,348,216
4,721,312	3,300,459

Principal repayments in each of the next five years are due as follows:

	General \$	Fire Department \$	Water & Sewerage \$	Total \$
2023	1,787,303	52,826	95,913	1,936,042
2024	232,520	52,826	95,913	381,259
2025	633,155	271,164	95,913	1,000,232
2026	96,588	27,443	95,913	219,944
2027	-	70,895	925,030	995,925
Thereafter	-	-	187,910	187,910
	2,749,566	475,154	1,496,592	4,721,312

Bank of Nova Scotia prime rate at March 31, 2022 was 2.7% (2021 - 2.45%).

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

8 Accumulated surplus

	2022 \$	2021 \$
Municipal position		
Operating funds	11,242,627	7,559,573
Water & Sewer utility funds	(224,937)	(151,983)
Reserve fund - Fire department	(66,668)	29,162
Reserve fund - Credit Union Centre	(548,129)	(522,479)
	<u>10,402,893</u>	<u>6,914,273</u>
 Reserve fund - Fire department		
Balance - Beginning of year	29,162	313,520
Changes during the year	(95,830)	(284,358)
	<u>(66,668)</u>	<u>29,162</u>
 Balance - End of year		
	<u>(66,668)</u>	<u>29,162</u>
 Reserve fund - Credit Union Centre		
Balance - Beginning of year	(522,479)	(456,924)
Changes during the year	(25,650)	(65,555)
	<u>(548,129)</u>	<u>(522,479)</u>
 Balance - End of year		
	<u>(548,129)</u>	<u>(522,479)</u>

9 Other employment benefits

Accumulated sick leave

Full time employees accumulate sick leave at the rate of 1.25 days per month. At March 31, 2022, the recorded liability for unused sick leave, that is required to be paid out upon severance or retirement, amounted to \$78,475 (2021 - \$79,720) and is included in accounts payable and accrued liabilities. No actuarial valuation has been performed pertaining to this liability.

Accumulated vacation

Full time employees accumulate vacation at the following rates: 0.83 days per month for 1-3 years of service; 1.25 days per month for 3-5 years of service; 1.67 days per month for greater than 5 years of service; and 2.08 days per month for greater than 10 years of service. In the event the employee does not use all earned vacation in a given year, the unused portion can be carried forward to a maximum of 10 days. As of March 31, 2022, the liability for unused vacation amounted to \$24,643 (2021 - \$25,038) and is included in accounts payable and accrued liabilities.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

RRSP matching

The Town matches employees' RRSP contributions, into the employees' individual RRSP plans, to a maximum of 5% of their wages. The total expense for the Town's portion of the RRSP matching is as follows:

	2022	2021
	\$	\$
RRSP payments expensed	25,201	20,633

10 Property taxes

	2022	2021
	\$	\$
Commercial property tax	168,466	166,220
Non-commercial property tax	484,070	450,009
	652,536	616,229

11 Contractual agreement

The Town has entered into an agreement to provide employment security-related services for a private company until 2022. During the year, the Town earned \$355,642 (2021 - \$273,598) of revenue from this contract.

12 Rate regulation

The Town is subject to rate regulation on the sewerage and water utility provided to residents in Prince Edward Island under the Island Regulatory Appeals Commission Act. The purpose of this Act, which is administered by the Island Regulatory and Appeals Commission (IRAC), is to regulate the rate municipalities may charge for sewerage and water utility provided to residents within Prince Edward Island and to ensure at all times a just and reasonable price for sewerage and water services. Changes in sewerage and water utility rates can only be implemented with the approval from IRAC.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

13 Government transfers

In accordance with the Town's accounting policy on government transfers (note 1 (i)), the Town recognizes government transfers for operating expenses as part of revenue and government transfers for infrastructure expenditures as part of other revenue. Below are the government transfers included in the respective lines of revenue and other revenue on the Statement of Operations:

	2022 \$	2021 \$
Government transfers included in revenue		
Government transfers		
Equalization	285,756	272,798
Police tax credit	182,887	173,528
Municipal tax credit	47,368	39,350
Credit Union Centre	34,040	91,992
Police fines and grants	-	25,310
Other revenue	37,129	84,227
	<u>587,180</u>	<u>687,205</u>
 Government transfers included in other revenue		
Infrastructure funding - water and sewer	1,414,769	437,729
Infrastructure funding - general	1,572,797	473,568
Municipal Capital Expenditures Grant - reimbursement	383,030	135,160
	<u>3,370,596</u>	<u>1,046,457</u>
 Total government transfers	<u>3,957,776</u>	<u>1,733,662</u>

14 Contingent liabilities

The Town is contingently liable for a loan guarantee made during the year for a community organization in the amount of \$80,000. There is no provision for possible losses included in the financial statements for this loan guarantee.

15 Commitments

At the Town's Council Meeting held on May 10, 2021, Council awarded the Kensington Business Park Construction project contract to a contractor in the amount of their tender submission of \$4,820,125. At March 31, 2022, \$1,681,811 of this commitment is outstanding.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2022

16 Segment disclosure

The Town is a diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes the Town's operations and activities are organized and reported by segment. Segments were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Town 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 accounts payable and receivables, budgets and financial statements, administration and maintenance of bylaws.

Police services

This department is responsible for police protection for its residents.

Fire services

This department is responsible for fire protection for its residents and surrounding areas.

Sale of services

This department is responsible for management of a contract to provide employment security-related services for a private company.

Transportation services and public works

This department is responsible for the maintenance of specialized roads within its jurisdiction.

Parks and recreation services

This department is responsible for promoting and offering recreation opportunities and activities to the Town's residents.

Credit Union Centre

This department is responsible for maintenance and operations of the rink, Fitplex, ball fields, and coordinating special events.

Water and sewer utility

This department is responsible for the maintenance and operations of water and sewer services provided to residents and other customers.

Internally generated revenues and expenses are eliminated.

Town of Kensington

Schedule of Segment Disclosures For the year ended March 31, 2022

Schedule 1

	General Government \$	Police \$	Fire \$	Sales of Services \$	Transportation & Public Works \$	Parks & Recreation \$	Credit Union Centre \$	Total General \$	Water and Sewer Utility \$	Elimination \$	2022 \$
Revenues											
Property taxes	652,536	-	-	-	-	-	-	652,536	-	-	652,536
Government transfer											
Equalization	285,756	-	-	-	-	-	-	285,756	-	-	285,756
Police tax credit	-	182,887	-	-	-	-	-	182,887	-	-	182,887
Municipal tax credit	47,368	-	-	-	-	-	-	47,368	-	-	47,368
Fire dues	-	-	282,684	-	-	-	-	282,684	-	(47,520)	235,164
Community Gardens Complex	-	-	-	-	-	-	346,736	346,736	-	(25,200)	321,536
Rental	100,756	-	-	-	-	-	-	100,756	-	-	100,756
Sales of services	-	-	-	355,642	-	-	-	355,642	-	-	355,642
Police fines	-	41,367	-	-	-	-	-	41,367	-	-	41,367
Other revenue	133,243	152,307	-	-	-	7,097	-	292,647	-	-	292,647
Water & Sewer utility	-	-	-	-	-	-	-	-	653,521	(68,820)	584,701
Gain on disposal of tangible capital assets	138,012	-	-	-	-	-	-	138,012	-	-	138,012
	1,357,671	376,561	282,684	355,642	-	7,097	346,736	2,726,391	653,521	(141,540)	3,238,372
Expenditures											
Salaries and benefits (note 9)	140,946	506,830	24,180	164,946	68,408	19,746	157,966	1,083,022	202,800	-	1,285,822
Goods and services	359,031	95,588	139,209	310	47,308	108,877	173,398	923,721	374,599	(141,540)	1,156,780
Amortization	63,349	41,861	99,927	-	171,557	20,323	48,571	445,588	133,990	-	579,578
Interest	34,770	346	5,119	-	1,148	252	5,809	47,444	36,275	-	83,719
Other	-	-	-	-	-	14,449	-	14,449	-	-	14,449
	598,096	644,625	268,435	165,256	288,421	163,647	385,744	2,514,224	747,664	(141,540)	3,120,348
	759,575	(268,064)	14,249	190,386	(288,421)	(156,550)	(39,008)	212,167	(94,143)	-	118,024

Town of Kensington

Schedule of Segment Disclosures

For the year ended March 31, 2021

Schedule 1

	General Government \$	Police \$	Fire \$	Sales of Services \$	Transportation & Public Works \$	Parks & Recreation \$	Credit Union Centre \$	Total General \$	Water and Sewer Utility \$	Elimination \$	2021 \$
Revenues											
Property taxes	616,229	-	-	-	-	-	-	616,229	-	-	616,229
Government transfer											
Equalization	272,798	-	-	-	-	-	-	272,798	-	-	272,798
Police tax credit	-	173,528	-	-	-	-	-	173,528	-	-	173,528
Municipal tax credit	39,350	-	-	-	-	-	-	39,350	-	-	39,350
Fire dues	-	-	282,684	-	-	-	-	282,684	-	(47,520)	235,164
Community Gardens Complex	-	-	-	-	-	-	323,998	323,998	-	(6,000)	317,998
Rental	98,879	-	-	-	-	-	-	98,879	-	-	98,879
Sales of services	-	-	-	273,598	-	-	-	273,598	-	-	273,598
Police fines	-	43,124	-	-	-	-	-	43,124	-	-	43,124
Other revenue	40,084	45,451	15,000	-	-	8,846	7,327	116,708	-	-	116,708
Water & Sewer utility	-	-	-	-	-	-	-	-	625,650	(68,820)	556,830
Gain on disposal of tangible capital assets	10,078	-	-	-	-	-	-	10,078	-	-	10,078
	1,077,418	262,103	297,684	273,598	-	8,846	331,325	2,250,974	625,650	(122,340)	2,754,284
Expenditures											
Salaries and benefits (note 9)	137,916	428,051	24,180	90,401	59,746	17,602	177,428	935,324	202,800	-	1,138,124
Goods and services	348,448	86,886	180,213	5,778	339	53,097	148,484	823,245	377,727	(122,340)	1,078,632
Amortization	55,921	34,718	91,930	-	93,787	20,149	44,081	340,586	119,529	-	460,115
Interest	28,431	432	5,627	-	1,434	314	6,628	42,866	35,416	-	78,282
Other	-	-	-	-	-	6,323	-	6,323	-	-	6,323
	570,716	550,087	301,950	96,179	155,306	97,485	376,621	2,148,344	735,472	(122,340)	2,761,476
	506,702	(287,984)	(4,266)	177,419	(155,306)	(88,639)	(45,296)	102,630	(109,822)	-	(7,192)

Town of Kensington

Schedule of Tangible Capital Assets

For the year ended March 31, 2022

Schedule 2

	Cost 2022				Accumulated amortization 2022				2022
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals/ Transfers \$	Ending \$	Net book value \$
Land, buildings and wind turbine	4,539,677	61,566	22,459	4,578,784	1,719,353	71,355	-	1,790,708	2,788,076
Streets and sidewalks	1,680,028	2,116,769	-	3,796,797	774,044	144,080	-	918,124	2,878,673
Vehicles	197,505	500	-	198,005	148,062	17,480	-	165,542	32,463
Fire vehicles	1,015,248	124,999	24,161	1,116,086	506,145	59,797	24,161	541,781	574,305
Equipment and signs	1,934,533	166,935	-	2,101,468	1,359,922	152,876	-	1,512,798	588,670
Water & sewer systems and equipment	7,284,222	1,954,263	-	9,238,485	2,232,258	133,990	-	2,366,248	6,872,237
	16,651,213	4,425,032	46,620	21,029,625	6,739,784	579,578	24,161	7,295,201	13,734,424

For the year ended March 31, 2021

	Cost 2021				Accumulated amortization 2021				2021
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals/ Transfers \$	Ending \$	Net book Value \$
Land, buildings and wind turbine	4,036,165	503,512	-	4,539,677	1,649,526	69,827	-	1,719,353	2,820,324
Streets and sidewalks	1,593,826	86,202	-	1,680,028	713,378	60,666	-	774,044	905,984
Vehicles	202,569	30,856	35,920	197,505	166,601	18,113	36,652	148,062	49,443
Fire vehicles	1,000,587	278,586	263,925	1,015,248	703,734	51,464	249,053	506,145	509,103
Equipment and signs	1,684,992	249,541	-	1,934,533	1,219,406	140,516	-	1,359,922	574,611
Water & sewer systems and equipment	6,584,057	700,165	-	7,284,222	2,112,729	119,529	-	2,232,258	5,051,964
	15,102,196	1,848,862	299,845	16,651,213	6,565,374	460,115	285,705	6,739,784	9,911,429