

Town of Kensington

Financial Statements
March 31, 2025

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.

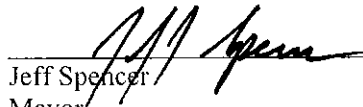
To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available 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.



Robert Hughes
Chief Administrative Officer
December 8, 2025



Jeff Spencer
Mayor



December 8, 2025

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, 2025, 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, 2025, 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:



Member of The AC Group of Independent Accounting Firms

- 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, 2025

	2025 \$	2024 \$
Assets		
Financial assets		
Cash	134,783	800,887
Restricted cash - infrastructure funding (note 6a)	96,811	337,401
Accounts receivable (note 3)	569,509	632,417
Government transfers receivable	92,269	482,820
Inventory for resale	13,590	14,004
Total financial assets	906,962	2,267,529
Liabilities		
Accounts payable and accrued liabilities (note 10)	354,897	443,782
Deferred revenue - operating funding (note 5)	-	63,410
Deferred revenue - infrastructure funding (note 6)	96,811	337,401
Long-term debt (note 7)	6,431,010	6,727,795
Asset retirement obligation (note 8)	1,591,350	1,545,000
Total liabilities	8,474,068	9,117,388
Net debt	(7,567,106)	(6,849,859)
Non-financial assets		
Tangible capital assets (Schedule 2)	21,269,738	21,116,099
Accumulated surplus (note 9)	13,702,632	14,266,240

On behalf of the Council


Mayor


Councilor

Town of Kensington

Statement of Accumulated Surplus

For the year ended March 31, 2025

	2025 \$	2024 \$
Accumulated surplus - Beginning of year	14,266,240	11,477,826
Annual surplus (deficit)	(563,608)	2,788,414
Accumulated surplus - End of year	13,702,632	14,266,240

Town of Kensington

Statement of Operations

For the year ended March 31, 2025

	2025 Budget (unaudited) \$	2025 Actual \$	2024 Actual \$
Revenue (Schedule 1 and note 14)			
Property taxes (note 11)	715,973	846,359	746,302
Government transfers			
Equalization	423,365	453,450	423,365
Police tax credit	227,580	227,580	200,856
Municipal tax credit	60,679	60,684	67,649
Fire dues	310,608	310,608	287,128
Credit Union Centre	482,800	501,380	424,875
Rental	109,209	119,957	107,144
Sale of services (note 12)	349,500	261,952	322,164
Police fines and grants	169,288	-	49,295
Other revenue	87,768	110,852	187,096
Water & Sewer utility (note 13)	669,660	694,267	648,648
Gain on disposal of tangible capital assets	345,972	700	372,964
Municipal Capital Expenditures Grant - reimbursement	120,000	88,103	471,214
	4,072,402	3,675,892	4,308,700
Expenses (Schedule 1)			
General government	796,687	978,519	958,440
Protective - police	690,743	899,724	731,423
- fire	364,276	368,115	346,687
Sale of services	183,099	177,917	169,491
Transportation & Public Works	452,445	414,748	439,055
Parks and recreation	230,592	198,246	182,942
Credit Union Centre	623,855	727,379	689,079
Water & Sewer utility	813,552	938,582	974,009
	4,155,249	4,703,230	4,491,126
Annual operating deficit	(82,847)	(1,027,338)	(182,426)
Other revenue (note 14)			
Infrastructure funding - water and sewer	80,000	251,223	1,034,736
Infrastructure funding - general	491,952	212,507	1,936,104
	571,952	463,730	2,970,840
Annual surplus (deficit)	489,105	(563,608)	2,788,414

Town of Kensington

Statement of Changes in Net Debt

For the year ended March 31, 2025

	2025 Budget (Unaudited) \$	2025 Actual \$	2024 Actual \$
Annual surplus (deficit)	489,105	(563,608)	2,788,414
Amortization of tangible capital assets - net	761,600	806,454	802,909
Acquisition of tangible capital assets - net	(1,056,252)	(960,093)	(5,048,393)
Proceeds on disposal of tangible capital assets	-	700	434,918
Gain on disposal of tangible capital assets	-	(700)	(372,964)
Change in prepaid expenses - general	-	-	95,950
	(294,652)	(153,639)	(4,087,580)
Decrease (increase) in net debt	194,453	(717,247)	(1,299,166)
Net debt - Beginning of year	(6,849,859)	(6,849,859)	(5,550,693)
Net debt - End of year	(6,655,406)	(7,567,106)	(6,849,859)

Town of Kensington

Statement of Cash Flows

For the year ended March 31, 2025

	2025 \$	2024 \$
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	(563,608)	2,788,414
Items not affecting cash		
Amortization	806,454	802,909
Gain on disposal of tangible capital assets	(700)	(372,964)
	242,146	3,218,359
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	62,908	(251,905)
Decrease in government transfers receivable	390,551	214,391
Decrease (increase) in inventory for resale	414	(2,277)
Increase (decrease) in accounts payable and accrued liabilities	(88,885)	141,408
Increase (decrease) in deferred revenue - operating funding	(63,410)	38,410
Decrease in deferred revenue - infrastructure funding	(240,590)	(23,976)
Decrease in prepaid expenses	-	95,950
	303,134	3,430,360
Capital activities		
Acquisition of tangible capital assets	(960,093)	(5,048,393)
Proceeds on disposal of tangible capital assets	700	434,918
	(959,393)	(4,613,475)
Financing activities		
Issuance of long-term debt	127,400	1,740,733
Debt repayment	(424,185)	(1,100,644)
Increase in asset retirement obligation	46,350	45,000
Change in restricted cash - infrastructure funding	240,590	10,717
	(9,845)	695,806
Decrease in cash	(666,104)	(487,309)
Cash - Beginning of year	800,887	1,288,196
Cash - End of year	134,783	800,887

Town of Kensington

Notes to Consolidated Financial Statements March 31, 2025

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 and police 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) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Town. The Town is comprised of all organizations, committees and local boards that are accountable to the Town for administration of their financial affairs and resources to the Town. The Town's interdepartmental balances have been eliminated.

c) Cash

Cash includes cash on hand and balances with banks.

d) 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).

e) 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 expenses over revenue, provides the change in net debt for the year.

f) 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, 2025

g) 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 expenses during the reported period. Significant estimates, which include employee benefit liabilities, asset retirement obligation 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.

h) 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 Island 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. During the year, \$31,850 in police fines were received and this was used to reduce the police fine receivables to a reasonable level. At March 31, 2025, there is \$72,009 still remaining in police fines receivables. This balance is made up of a \$11,713 receivable from 2022, a \$17,714 receivable from the 2023 and a \$42,582 receivable from 2024.

i) 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, 2025

j) 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 (deficit). 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 (deficit).

(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, 2025

k) 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:

Buildings	2.5%
Wind turbine	5.0%
Streets and sidewalks	4.0%
Vehicles	20.0%
Fire vehicles	6.67%
Equipment and signs	10.0%
Electronic equipment	25.0%
Water system	1.2%
Sewer system and lagoon	1.2% - 2.0%
Water equipment	5.0%
Sewer equipment	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.

l) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when the following criteria have been met:

- there is a legal obligation for the Municipality to incur retirement costs;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with the use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3 Accounts receivable

	2025	2024
	\$	\$
Accounts receivable - general	193,326	170,523
Accounts receivable - water and sewer	46,973	57,622
Provincial contributions receivable	82,690	184,959
HST	246,520	219,313
	<u>569,509</u>	<u>632,417</u>

4 Bank indebtedness

The Town has authorized operating lines of credit of \$300,000 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 \$75,000 bearing interest at prime less 0.50% for the water and sewer utility.

The balances of these accounts at March 31, 2025 totaled nil (2024 - nil).

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

At March 31, 2025, prime rate was 4.95% (2024 - 7.2%).

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

5 Deferred revenue - operating funding

	2025 \$	2024 \$
Deferred revenue - Beginning of year	63,410	25,000
Government transfers received during the year	-	38,410
Amount recognized as revenue during the year	(63,410)	-
Deferred revenue - End of year	-	63,410
Equalization	-	38,410
Police Live Scan	-	25,000
	-	63,410

6 Deferred revenue - infrastructure funding

	Infrastructure funding \$	Other funding \$	2025 Total \$	2024 Total \$
Deferred revenue - Beginning of year	337,401	-	337,401	361,377
Government transfers received or receivable	-	-	-	164,897
Other funding received:				
Interest income	10,633	-	10,633	16,054
Eligible expenditures incurred	(251,223)	-	(251,223)	(204,927)
Deferred revenue - End of year	96,811	-	96,811	337,401

The Town has received funds which are restricted for expenditure on eligible projects. The following is the outstanding agreement:

- a) Agreement on the Transfer of Federal Canada Community-Building Fund 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.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

7 Long-term debt

	2025 \$	2024 \$
The Town of Kensington		
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2026, amortized to 2032, 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.	98,337	125,780
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2027, amortized to 2030, repayable in monthly principal installments of \$187 plus interest, obtained to fund the purchase of a rescue command vehicle for the fire department. As security, the Town has provided a borrowing resolution.	33,739	35,988
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2028, amortized to 2028, repayable in monthly principal installments of \$1,200 plus interest, obtained to fund the purchase of a police car for the police department. As security, the Town has provided a borrowing resolution.	31,200	45,600
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2028, amortized to 2028, repayable in monthly principal installments of \$6,972 plus interest, obtained to fund general capital expenditures under the operating fund of previous years. As security, the Town has provided a borrowing resolution.	599,615	683,279

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2028, amortized to 2038, repayable in monthly principal installments of \$1,589 plus interest, obtained to fund the purchase of a firetruck for the fire department. As security, the Town has provided a borrowing resolution.	230,385	249,453
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2029, amortized to 2035, repayable in monthly principal installments of \$528 plus interest, obtained to fund the repaving of the Town Hall parking lot. As security, the Town has provided a borrowing resolution.	48,541	54,877
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2029, amortized to 2049, repayable in monthly principal installments of \$9,234 plus interest, obtained to fund general construction of a new business park. As security, the Town has provided a borrowing resolution.	2,631,615	2,742,423
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2029, amortized to 2029, repayable in monthly principal installments of \$1,092 plus interest, obtained to fund the purchase of a police car for the police department. As security, the Town has provided a borrowing resolution.	51,308	-
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2030, amortized to 2035, repayable in monthly principal installments of \$625 plus interest, obtained to fund the purchase of a firetruck for the fire department. As security, the Town has provided a borrowing resolution.	72,500	-
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2030, amortized to 2049, repayable in monthly principal installments of \$1,667 plus interest, obtained to fund Credit Union Centre upgrades. As security, the Town has provided a borrowing resolution.	469,994	489,998
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2030, amortized to 2040, 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.	434,326	456,706
Prime less 0.50% term loan, Bank of Nova Scotia, , repaid during the year.	-	5,500
	<u>4,701,560</u>	<u>4,889,604</u>

Water and Sewer Utility

Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2026, amortized to 2039, 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.	1,002,150	1,088,667
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Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2028, amortized to 2048, 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	234,892
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2028, amortized to 2048, repayable in monthly principal installments of \$1,852 plus interest, obtained to finance Broadway Street South water and sewer main extension. As security, the Town has provided a borrowing resolution.	492,408	514,632
	<u>1,729,450</u>	<u>1,838,191</u>
	<u>6,431,010</u>	<u>6,727,795</u>

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

	General \$	Fire Department \$	Water & Sewer \$	Total \$
2026	270,712	127,155	1,033,770	1,431,637
2027	270,712	58,057	31,620	360,389
2028	607,335	199,749	664,060	1,471,144
2029	2,383,136	7,500	-	2,390,636
2030	734,704	42,500	-	777,204
	<u>4,266,599</u>	<u>434,961</u>	<u>1,729,450</u>	<u>6,431,010</u>

Bank of Nova Scotia prime rate at March 31, 2025 was 4.95% (2024 - 7.2%).

Town of Kensington

Notes to Consolidated Financial Statements
March 31, 2025

8 Asset retirement obligation

The Municipality operates a sewage treatment plant and is legally required to decommission the plant when it is retired. Closure and post-closure activities include abandonment of existing pipes, removal of contaminated fill, placement of sandstone, aeration system removal, disposal of material, and lagoon cleaning. A liability for the total obligation has been accrued. The estimated total liability at March 31, 2025 of \$1,591,350 (2024 - \$1,545,000) is based on the sum of discounted future cash flows for future closure activities using a discount rate of 3%. Undiscounted future cash flows expected in 2072 is \$6,384,329.

	2025 \$	2024 \$
Obligation - beginning of year	1,545,000	1,500,000
Accretion expense for the year	46,350	45,000
Obligation - end of year	<u>1,591,350</u>	<u>1,545,000</u>

9 Accumulated surplus

	2025 \$	2024 \$
Municipal position		
Operating funds	15,252,656	15,616,524
Water & Sewer utility funds	(832,510)	(680,208)
Reserve fund - Fire department	(150,202)	(158,139)
Reserve fund - Credit Union Centre	(567,312)	(511,937)
	<u>13,702,632</u>	<u>14,266,240</u>
 Reserve fund - Fire department		
Balance - Beginning of year	(158,139)	(167,885)
Changes during the year	7,937	9,746
Balance - End of year	<u>(150,202)</u>	<u>(158,139)</u>
 Reserve fund - Credit Union Centre		
Balance - Beginning of year	(511,937)	(647,901)
Changes during the year	(55,375)	135,964
Balance - End of year	<u>(567,312)</u>	<u>(511,937)</u>

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

10 Other employment benefits

Accumulated sick leave

Full time employees accumulate sick leave at the rate of 1.25 days per month. At March 31, 2025, the recorded liability for unused sick leave, that is required to be paid out upon severance or retirement, amounted to \$12,681 (2024 - \$39,136) 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, 2025, the liability for unused vacation amounted to \$13,215 (2024 - \$33,736) and is included in accounts payable and accrued liabilities.

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:

	2025	2024
	\$	\$
RRSP payments expensed	49,547	37,718

11 Property taxes

	2025	2024
	\$	\$
Commercial property tax	180,630	177,682
Non-commercial property tax	665,729	568,620
	846,359	746,302

12 Contractual agreement

The Town has entered into an agreement to provide employment security-related services for a private company. During the year, the Town earned \$261,952 (2024 - \$322,164) of revenue from this contract.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

13 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.

14 Government transfers

In accordance with the Town's accounting policy on government transfers (note 2 (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:

	2025 \$	2024 \$
Government transfers included in revenue		
Government transfers		
Equalization	453,450	423,365
Police tax credit	227,580	200,856
Municipal tax credit	60,684	67,649
Credit Union Centre	51,308	21,554
Other revenue	11,645	31,405
Municipal Capital Expenditures Grant - reimbursement	88,103	471,214
	<u>892,770</u>	<u>1,216,043</u>
 Government transfers included in other revenue		
Infrastructure funding - water and sewer	251,223	1,034,736
Infrastructure funding - general	212,507	1,936,104
	<u>463,730</u>	<u>2,970,840</u>
 Total government transfers	<u>1,356,500</u>	<u>4,186,883</u>

15 Comparative figures

Certain comparative figures presented for the 2024 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2025

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, 2025

Schedule 1

	General Government \$	Police \$	Fire \$	Sale of Services \$	Transportation & Public Works \$	Parks and Recreation \$	Credit Union Centre \$	Total General \$	Water and Sewer Utility \$	Consolidation Elimination \$	2025 \$
Revenue											
Property taxes	846,359	-	-	-	-	-	-	846,359	-	-	846,359
Government transfers											
Equalization	453,450	-	-	-	-	-	-	453,450	-	-	453,450
Police tax credit	-	227,580	-	-	-	-	-	227,580	-	-	227,580
Municipal tax credit	60,684	-	-	-	-	-	-	60,684	-	-	60,684
Fire dues	-	-	397,968	-	-	-	-	397,968	-	(87,360)	310,608
Credit Union Centre	-	-	-	-	-	-	537,380	537,380	-	(36,000)	501,380
Rental	119,957	-	-	-	-	-	-	119,957	-	-	119,957
Sale of services	-	-	-	261,952	-	-	-	261,952	-	-	261,952
Other revenue	38,584	18,668	53,600	-	-	-	-	110,852	-	-	110,852
Water & Sewer utility	-	-	-	-	-	-	-	-	763,087	(68,820)	694,267
Gain on disposal of tangible capital assets	700	-	-	-	-	-	-	700	-	-	700
Municipal Capital Expenditures Grant - reimbursement	88,103	-	-	-	-	-	-	88,103	-	-	88,103
	<u>1,607,837</u>	<u>246,248</u>	<u>451,568</u>	<u>261,952</u>	<u>-</u>	<u>-</u>	<u>537,380</u>	<u>3,104,985</u>	<u>763,087</u>	<u>(192,180)</u>	<u>3,675,892</u>
Expenses											
Salaries and benefits (note 10)	242,567	723,874	33,562	177,917	31,058	26,703	315,571	1,551,252	221,045	-	1,772,297
Goods and services	708,575	126,664	176,604	-	130,476	99,786	288,573	1,530,678	317,730	(192,180)	1,656,228
Amortization	64,472	46,617	134,251	-	253,214	35,095	89,710	623,359	183,095	-	806,454
Interest	155,085	2,569	23,698	-	-	-	33,525	214,877	170,362	-	385,239
Other	-	-	-	-	-	36,662	-	36,662	-	-	36,662
Accretion (note 8)	-	-	-	-	-	-	-	-	46,350	-	46,350
	<u>1,170,699</u>	<u>899,724</u>	<u>368,115</u>	<u>177,917</u>	<u>414,748</u>	<u>198,246</u>	<u>727,379</u>	<u>3,956,828</u>	<u>938,582</u>	<u>(192,180)</u>	<u>4,703,230</u>
	<u>437,138</u>	<u>(653,476)</u>	<u>83,453</u>	<u>84,035</u>	<u>(414,748)</u>	<u>(198,246)</u>	<u>(189,999)</u>	<u>(851,843)</u>	<u>(175,495)</u>	<u>-</u>	<u>(1,027,338)</u>

Town of Kensington
Schedule of Segment Disclosures
For the year ended March 31, 2024

Schedule 1

	General Government \$	Police \$	Fire \$	Sale of Services \$	Transportation & Public Works \$	Parks and Recreation \$	Credit Union Centre \$	Total General \$	Water and Sewer Utility \$	Consolidation Elimination \$	2024 \$
Revenue											
Property taxes	746,302	-	-	-	-	-	-	746,302	-	-	746,302
Government transfers											
Equalization	423,365	-	-	-	-	-	-	423,365	-	-	423,365
Police tax credit	-	200,856	-	-	-	-	-	200,856	-	-	200,856
Municipal tax credit	67,649	-	-	-	-	-	-	67,649	-	-	67,649
Fire dues	-	-	374,488	-	-	-	-	374,488	-	(87,360)	287,128
Credit Union Centre	-	-	-	-	-	-	460,875	460,875	-	(36,000)	424,875
Rental	107,144	-	-	-	-	-	-	107,144	-	-	107,144
Sale of services	-	-	-	322,164	-	-	-	322,164	-	-	322,164
Police fines and grants	-	42,582	6,713	-	-	-	-	49,295	-	-	49,295
Other revenue	102,610	10,273	-	-	-	74,213	-	187,096	-	-	187,096
Water & Sewer utility	-	-	-	-	-	-	-	-	717,468	(68,820)	648,648
Gain on disposal of tangible capital assets	372,964	-	-	-	-	-	-	372,964	-	-	372,964
Municipal Capital Expenditures Grant - reimbursement	471,214	-	-	-	-	-	-	471,214	-	-	471,214
	<u>2,291,248</u>	<u>253,711</u>	<u>381,201</u>	<u>322,164</u>	<u>-</u>	<u>74,213</u>	<u>460,875</u>	<u>3,783,412</u>	<u>717,468</u>	<u>(192,180)</u>	<u>4,308,700</u>
Expenses											
Salaries and benefits (note 10)	188,489	579,009	22,435	169,491	64,960	16,261	281,891	1,322,536	214,224	-	1,536,760
Goods and services	702,803	102,160	179,469	-	124,488	105,734	278,199	1,492,853	332,906	(192,180)	1,633,579
Amortization	73,284	46,786	116,019	-	249,607	30,580	108,342	624,618	178,291	-	802,909
Interest	186,044	3,468	28,764	-	-	-	20,647	238,923	203,588	-	442,511
Other	-	-	-	-	-	30,367	-	30,367	-	-	30,367
Accretion (note 8)	-	-	-	-	-	-	-	-	45,000	-	45,000
	<u>1,150,620</u>	<u>731,423</u>	<u>346,687</u>	<u>169,491</u>	<u>439,055</u>	<u>182,942</u>	<u>689,079</u>	<u>3,709,297</u>	<u>974,009</u>	<u>(192,180)</u>	<u>4,491,126</u>
	<u>1,140,628</u>	<u>(477,712)</u>	<u>34,514</u>	<u>152,673</u>	<u>(439,055)</u>	<u>(108,729)</u>	<u>(228,204)</u>	<u>74,115</u>	<u>(256,541)</u>	<u>-</u>	<u>(182,426)</u>

Town of Kensington

Schedule of Tangible Capital Assets

For the year ended March 31, 2025

Schedule 2

	Cost 2025				Accumulated amortization 2025				2025
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals/ Transfers \$	Ending \$	Net book value \$
Land, buildings and wind turbine	6,872,331	94,392	-	6,966,723	2,001,591	142,036	-	2,143,627	4,823,096
Streets and sidewalks	5,522,377	37,165	-	5,559,542	1,297,141	208,852	-	1,505,993	4,053,549
Vehicles	258,967	83,709	29,819	312,857	202,556	39,693	29,819	212,430	100,427
Fire vehicles	1,302,166	84,840	-	1,387,006	684,818	77,725	-	762,543	624,463
Equipment and signs	2,571,017	232,115	-	2,803,132	1,834,703	155,054	-	1,989,757	813,375
Water & sewer systems and equipment	13,305,814	427,872	-	13,733,686	2,695,764	183,094	-	2,878,858	10,854,828
	29,832,672	960,093	29,819	30,762,946	8,716,573	806,454	29,819	9,493,208	21,269,738

For the year ended March 31, 2024

	Cost 2024				Accumulated amortization 2024				2024
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals/ Transfers \$	Ending \$	Net book Value \$
Land, buildings and wind turbine	4,805,756	2,126,011	59,436	6,872,331	1,866,634	134,957	-	2,001,591	4,870,740
Streets and sidewalks	4,489,059	1,033,318	-	5,522,377	1,087,706	209,435	-	1,297,141	4,225,236
Vehicles	258,967	-	-	258,967	179,605	22,951	-	202,556	56,411
Fire vehicles	1,302,166	-	-	1,302,166	612,615	72,203	-	684,818	617,348
Equipment and signs	2,359,893	249,796	38,672	2,571,017	1,685,785	185,072	36,154	1,834,703	736,314
Water & sewer systems and equipment	11,666,546	1,639,268	-	13,305,814	2,517,473	178,291	-	2,695,764	10,610,050
	24,882,387	5,048,393	98,108	29,832,672	7,949,818	802,909	36,154	8,716,573	21,116,099

