

Town of Kensington

Financial Statements
March 31, 2023

Management's Report

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

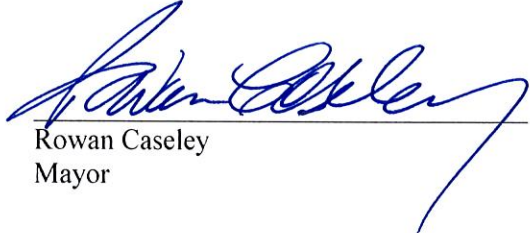
The financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 2 to the financial 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



July 10, 2023

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, 2023, 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, 2023, 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, 2023

	2023 \$	2022 \$
Assets		
Financial assets		
Cash	1,288,196	953,014
Restricted cash - infrastructure funding (note 7a)	348,118	502,553
Accounts receivable (note 4)	380,512	642,608
Government transfers receivable	697,211	589,042
Inventory for resale	11,727	9,887
Total financial assets	2,725,764	2,697,104
Liabilities		
Accounts payable and accrued liabilities (note 11)	302,374	701,478
Deferred revenue - operating funding (note 6)	25,000	76,123
Deferred revenue - infrastructure funding (note 7)	361,377	620,147
Long-term debt (note 8)	6,087,706	4,721,312
Asset retirement obligation (note 9)	1,500,000	-
Total liabilities	8,276,457	6,119,060
Net debt	(5,550,693)	(3,421,956)
Non-financial assets		
Prepaid expenses	95,950	90,425
Tangible capital assets (Schedule 2)	16,932,569	13,734,424
	17,028,519	13,824,849
Accumulated surplus (note 10)	11,477,826	10,402,893

On behalf of the Council


Mayor


Councilor

Town of Kensington

Statement of Accumulated Surplus For the year ended March 31, 2023

	2023	2022
	\$	\$
Accumulated surplus - Beginning of year	10,402,893	6,914,273
Annual surplus	1,074,933	3,488,620
Accumulated surplus - End of year	<u>11,477,826</u>	<u>10,402,893</u>

Town of Kensington

Statement of Operations

For the year ended March 31, 2023

	2023 Budget (unaudited) \$	2023 Actual \$	2022 Actual \$
Revenue (Schedule 1 and note 15)			
Property taxes (note 12)	697,574	724,761	652,536
Government transfer			
Equalization	390,516	390,519	285,756
Police tax credit	185,000	198,053	182,887
Municipal tax credit	37,046	52,806	47,368
Fire dues	235,164	235,164	235,164
Credit Union Centre	369,800	423,937	321,536
Rental	105,800	105,417	100,756
Sale of services (note 13)	412,700	347,096	355,642
Police fines and grants	154,618	48,084	41,367
Other revenue	299,500	155,494	292,647
Water & Sewer utility (note 14)	630,060	618,863	584,701
Gain on disposal of tangible capital assets	-	299,701	138,012
Municipal Capital Expenditures Grant - reimbursement	-	219,467	383,030
	<u>3,517,778</u>	<u>3,819,362</u>	<u>3,621,402</u>
Expenses (Schedule 1)			
General government	627,892	675,436	456,556
Protective - police	612,005	654,643	644,625
- fire	313,322	327,501	268,435
Sale of services	207,619	166,400	165,256
Transportation & Public Works	439,805	348,631	288,421
Credit Union Centre	386,958	574,390	385,744
Parks and recreation	167,195	175,548	163,647
Water & Sewer utility	743,308	917,818	747,664
	<u>3,498,104</u>	<u>3,840,367</u>	<u>3,120,348</u>
Annual operating surplus (deficit)	<u>19,674</u>	<u>(21,005)</u>	<u>501,054</u>
Other revenue (note 15)			
Infrastructure funding - water and sewer	-	539,586	1,414,769
Infrastructure funding - general	4,907,336	556,352	1,572,797
	<u>4,907,336</u>	<u>1,095,938</u>	<u>2,987,566</u>
Annual surplus	<u>4,927,010</u>	<u>1,074,933</u>	<u>3,488,620</u>

Town of Kensington

Statement of Changes in Net Debt For the year ended March 31, 2023

	2023 Budget (Unaudited) \$	2023 Actual \$	2022 Actual \$
Annual surplus	4,927,010	1,074,933	3,488,620
Amortization of tangible capital assets - net	720,696	668,148	579,578
Acquisition of tangible capital assets - net	(6,886,807)	(3,984,481)	(4,425,032)
Proceeds on disposal of tangible capital assets	-	417,889	160,469
Gain on disposal of tangible capital assets	-	(299,701)	(138,012)
Change in prepaid expenses - general	-	(5,525)	(22,995)
	(6,166,111)	(3,203,670)	(3,845,992)
Increase in net debt	(1,239,101)	(2,128,737)	(357,372)
Net debt - Beginning of year	(3,421,956)	(3,421,956)	(3,064,584)
Net debt - End of year	(4,661,057)	(5,550,693)	(3,421,956)

Town of Kensington

Statement of Cash Flows

For the year ended March 31, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	1,074,933	3,488,620
Items not affecting cash		
Amortization	668,148	579,578
Gain on sale of tangible capital assets	(299,701)	(138,012)
	1,443,380	3,930,186
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	262,096	(271,196)
Increase in government contributions receivable	(108,169)	(376,949)
Increase in inventory for resale	(1,840)	(4,228)
Increase (decrease) in accounts payable and accrued liabilities	(399,104)	63,174
Decrease in deferred revenue - operating funding	(51,123)	(13,111)
Increase (decrease) in deferred revenue - infrastructure funding	(258,770)	301,853
Increase in prepaid expenses	(5,525)	(22,995)
	880,945	3,606,734
Capital activities		
Acquisition of tangible capital assets	(3,984,481)	(4,425,032)
Proceeds on disposal of tangible capital assets	417,889	160,469
	(3,566,592)	(4,264,563)
Financing activities		
Issuance of long-term debt	2,043,287	1,789,908
Debt repayment	(676,893)	(369,054)
Increase in asset retirement obligation	1,500,000	-
Change in restricted cash - infrastructure funding	154,435	(195,007)
	3,020,829	1,225,847
Change in cash	335,182	568,018
Cash - Beginning of year	953,014	384,996
Cash - End of year	1,288,196	953,014

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2023

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 outlines in (note 7a).

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, 2023

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.

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.

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.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2023

(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, 2023

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% - 2.0%
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.

k) 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, 2023

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 Accounting change

The Municipality applied PS 3280 ASSET RETIREMENT OBLIGATIONS during the current fiscal year effective April 1, 2022. Under this new standard, the Municipality recognizes the fair value of an ARO on tangible capital assets when all of the following conditions are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- 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.

In accordance with applicable transition provisions, the Municipality chose the prospective application of the new standard at the beginning of the year on April 1, 2022 for the estimated cost of the asset retirement obligations associated with decommissioning the sewage treatment plant.

Adoption of the new standards resulted in an increase in tangible capital assets of \$1,456,350 at April 1, 2022 and a new financial liability of \$1,456,350 at April 1, 2022.

4 Accounts receivable

	2023	2022
	\$	\$
Accounts receivable - general	153,333	226,765
Accounts receivable - water and sewer	44,785	46,568
Government contribution receivable	157,803	355,926
HST	24,591	13,349
	<u>380,512</u>	<u>642,608</u>

Town of Kensington

Notes to Consolidated Financial Statements March 31, 2023

5 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 \$75,000 bearing interest at prime less 0.50% for the water and sewer corporation.

The balances of these accounts at March 31, 2023 totaled nil (2022 - nil).

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

At March 31, 2023, prime rate was 6.7% (2022 - 2.7%).

6 Deferred revenue - operating funding

	2023 \$	2022 \$
Deferred revenue - Beginning of year	76,123	89,234
Government transfers received during the year	-	76,123
Amount recognized as revenue during the year	(51,123)	(89,234)
Deferred revenue - End of year	25,000	76,123
Blacksmith Shop	-	51,123
Police Live Scan	25,000	25,000
	25,000	76,123

Town of Kensington

Notes to Consolidated Financial Statements March 31, 2023

7 Deferred revenue - infrastructure funding

	Infrastructure funding \$	ICIP \$	Other funding \$	2023 Total \$	2022 Total \$
Deferred revenue - Beginning of year	502,553	-	117,594	620,147	318,294
Government transfers received or receivable	156,537	476,498	195,069	828,104	3,288,058
Other funding received:					
Interest income	9,063	-	-	9,063	1,361
Eligible expenditures incurred	(320,035)	(476,498)	(299,404)	(1,095,937)	(2,987,566)
Deferred revenue - End of year	348,118	-	13,259	361,377	620,147

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, 2023

8 Long-term debt

	2023 \$	2022 \$
The Town of Kensington		
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.	33,228	45,465
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.	1,766	21,685
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, amortized to 2034, 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.	61,213	-
Prime less 0.50% term loan, Bank of Nova Scotia, to be fully drawn down by April 2023, maturing in 2024, amortized to 2049, obtained to fund general construction of a new business park. As security, the Town has provided a borrowing resolution.	2,262,018	1,555,016
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, amortized to 2025, 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.	16,500	27,500
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 rescue command vehicle for the fire department. As security, the Town has provided a borrowing resolution.	38,237	40,486
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.	479,126	501,526
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, 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.	153,223	180,666
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.	60,000	-

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2023

Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2028, amortized to 2033, 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.	766,943	500,797
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.	268,521	-
Prime less 0.50% term loan, Bank of Nova Scotia, repaid during the year.	-	226,502
Prime less 0.50% term loan, Bank of Nova Scotia, repaid during the year.	-	125,077
	<u>4,140,775</u>	<u>3,224,720</u>

Water and Sewer Utility

Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2024, 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.	536,856	-
Prime less 0.50% term loan, Bank of Nova Scotia, maturing in 2025, amortized to 2040, 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.	1,175,183	1,261,700
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	234,892
	<u>1,946,931</u>	<u>1,496,592</u>
	<u>6,087,706</u>	<u>4,721,312</u>

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2023

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

	General \$	Fire Department \$	Water & Sewerage \$	Total \$
2024	2,478,690	59,760	632,769	3,171,219
2025	554,790	186,336	1,098,063	1,839,189
2026	98,064	19,068	9,396	126,528
2027	98,064	19,068	9,396	126,528
2028	434,686	192,249	197,307	824,242
	<u>3,664,294</u>	<u>476,481</u>	<u>1,946,931</u>	<u>6,087,706</u>

Bank of Nova Scotia prime rate at March 31, 2023 was 6.7% (2022 - 2.7%).

The Town has an authorized non-revolving loan available to a maximum amount of \$500,000 to finance the Town's portion of the Kensington Credit Union Upgrades capital project which was nil at year end. Security is to be determined before any funds are withdrawn and the advance is to be fully drawn by January 31, 2024.

9 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, 2023 of \$1,500,000 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.

	2023 \$
Obligation - beginning of year	-
Recognition of liability at April 1, 2022	1,456,350
Accretion expense for the year	<u>43,650</u>
Obligation - end of year	<u>1,500,000</u>

Town of Kensington

Notes to Consolidated Financial Statements March 31, 2023

10 Accumulated surplus

	2023 \$	2022 \$
Municipal position		
Operating funds	12,721,018	11,242,627
Water & Sewer utility funds	(427,406)	(224,937)
Reserve fund - Fire department	(167,885)	(66,668)
Reserve fund - Credit Union Centre	(647,901)	(548,129)
	<u>11,477,826</u>	<u>10,402,893</u>
 Reserve fund - Fire department		
Balance - Beginning of year	(66,668)	29,162
Changes during the year	<u>(101,217)</u>	<u>(95,830)</u>
 Balance - End of year	<u>(167,885)</u>	<u>(66,668)</u>
 Reserve fund - Credit Union Centre		
Balance - Beginning of year	(548,129)	(522,479)
Changes during the year	<u>(99,772)</u>	<u>(25,650)</u>
 Balance - End of year	<u>(647,901)</u>	<u>(548,129)</u>

11 Other employment benefits

Accumulated sick leave

Full time employees accumulate sick leave at the rate of 1.25 days per month. At March 31, 2023, the recorded liability for unused sick leave, that is required to be paid out upon severance or retirement, amounted to \$57,267 (2022 - \$78,475) 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, 2023, the liability for unused vacation amounted to \$28,976 (2022 - \$24,643) and is included in accounts payable and accrued liabilities.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2023

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:

	2023	2022
	\$	\$
RRSP payments expensed	33,914	25,201

12 Property taxes

	2023	2022
	\$	\$
Commercial property tax	173,673	168,466
Non-commercial property tax	551,088	484,070
	724,761	652,536

13 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 \$347,096 (2022 - \$355,642) of revenue from this contract.

14 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, 2023

15 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:

	2023 \$	2022 \$
Government transfers included in revenue		
Government transfers		
Equalization	390,519	285,756
Police tax credit	198,053	182,887
Municipal tax credit	52,806	47,368
Credit Union Centre	34,956	34,040
Other revenue	36,030	37,129
Municipal Capital Expenditures Grant - reimbursement	219,467	383,030
	<u>931,831</u>	<u>970,210</u>
 Government transfers included in other revenue		
Infrastructure funding - water and sewer	539,586	1,414,769
Infrastructure funding - general	556,352	1,572,797
	<u>1,095,938</u>	<u>2,987,566</u>
 Total government transfers	<u>2,027,769</u>	<u>3,957,776</u>

16 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.

17 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, 2023, \$1,067,027 of this commitment is outstanding.

Town of Kensington

Notes to Consolidated Financial Statements

March 31, 2023

18 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, 2023

Schedule 1

	General Government \$	Police \$	Fire \$	Sales of Services \$	Transportation & Public Works \$	Parks & Recreation \$	Credit Union Centre \$	Total General \$	Water and Sewer Utility \$	Consolidation Elimination \$	2023 \$
Revenues											
Property taxes	724,761	-	-	-	-	-	-	724,761	-	-	724,761
Government transfer											
Equalization	390,519	-	-	-	-	-	-	390,519	-	-	390,519
Police tax credit	-	198,053	-	-	-	-	-	198,053	-	-	198,053
Municipal tax credit	52,806	-	-	-	-	-	-	52,806	-	-	52,806
Fire dues	-	-	282,684	-	-	-	-	282,684	-	(47,520)	235,164
Community Gardens Complex	-	-	-	-	-	-	449,137	449,137	-	(25,200)	423,937
Rental	105,417	-	-	-	-	-	-	105,417	-	-	105,417
Sales of services	-	-	-	347,096	-	-	-	347,096	-	-	347,096
Police fines	-	18,084	30,000	-	-	-	-	48,084	-	-	48,084
Other revenue	57,450	41,924	-	-	-	56,120	-	155,494	-	-	155,494
Water & Sewer utility	-	-	-	-	-	-	-	-	687,683	(68,820)	618,863
Gain on disposal of tangible capital assets	299,701	-	-	-	-	-	-	299,701	-	-	299,701
Municipal capital expenditures grant - reimbursement	219,467	-	-	-	-	-	-	219,467	-	-	219,467
	1,850,121	258,061	312,684	347,096	-	56,120	449,137	3,273,219	687,683	(141,540)	3,819,362
Expenditures											
Salaries and benefits (note 11)	208,029	512,881	24,180	166,345	109,222	18,021	229,594	1,268,272	202,800	-	1,471,072
Goods and services	430,073	90,920	170,577	55	36,590	99,368	281,899	1,109,482	389,298	(141,540)	1,357,240
Amortization	70,780	48,054	110,183	-	202,819	19,708	57,636	509,180	158,968	-	668,148
Interest	108,094	2,788	22,561	-	-	-	5,261	138,704	123,102	-	261,806
Other	-	-	-	-	-	38,451	-	38,451	-	-	38,451
Accretion (note 9)	-	-	-	-	-	-	-	-	43,650	-	43,650
	816,976	654,643	327,501	166,400	348,631	175,548	574,390	3,064,089	917,818	(141,540)	3,840,367
	1,033,145	(396,582)	(14,817)	180,696	(348,631)	(119,428)	(125,253)	209,130	(230,135)	-	(21,005)

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 Consolidation 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 Rental	-	-	-	-	-	-	346,736	346,736	(25,200)	321,536
Sales of services	100,756	-	-	-	-	-	-	100,756	-	100,756
Police fines	-	-	-	355,642	-	-	-	355,642	-	355,642
Other revenue	-	41,367	-	-	-	-	-	41,367	-	41,367
Water & Sewer utility	133,243	152,307	-	-	-	7,097	-	292,647	-	292,647
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-	653,521	584,701
Municipal capital expenditures grant - reimbursement	138,012	-	-	-	-	-	-	138,012	-	138,012
	383,030	-	-	-	-	-	-	383,030	-	383,030
	1,740,701	376,561	282,684	355,642	-	7,097	346,736	3,109,421	653,521	3,621,402
Expenditures										
Salaries and benefits (note 11)	140,946	506,830	24,180	164,946	68,406	19,746	157,966	1,083,020	202,800	1,285,820
Goods and services	359,031	95,588	139,209	310	47,308	108,877	173,398	923,721	374,599	1,156,780
Amortization	63,349	41,861	99,927	-	171,559	20,323	48,571	445,590	133,990	579,580
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	3,120,348
	1,142,605	(268,064)	14,249	190,386	(288,421)	(156,550)	(39,008)	595,197	(94,143)	501,054

Town of Kensington

Schedule of Tangible Capital Assets For the year ended March 31, 2023

Schedule 2

	Cost 2023			Accumulated amortization 2023			2023		
	Beginning \$	Additions \$	Disposals/Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals/Transfers \$	Ending \$	Net book value \$
Land, buildings and wind turbine	4,578,784	283,579	56,607	4,805,756	1,790,708	75,926	-	1,866,634	2,939,122
Streets and sidewalks	3,796,797	692,262	-	4,489,059	918,124	169,582	-	1,087,706	3,401,353
Vehicles	198,005	83,400	22,438	258,967	165,542	27,526	13,463	179,605	79,362
Fire vehicles	1,116,086	186,080	-	1,302,166	541,781	70,834	-	612,615	689,551
Equipment and signs	2,101,468	258,425	-	2,359,893	1,512,798	165,313	(7,674)	1,685,785	674,108
Water & sewer systems and equipment	9,238,485	2,480,735	52,674	11,666,546	2,366,248	158,967	7,742	2,517,473	9,149,073
	21,029,625	3,984,481	131,719	24,882,387	7,295,201	668,148	13,531	7,949,818	16,932,569

For the year ended March 31, 2022

	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

(24)