

Town of Kentville

Annual Financial Report Consolidated Financial Statements Kentville Water Utility Non-consolidated Financial Statements

March 31, 2020

Town of Kentville

Annual Financial Report

Consolidated Financial Statements

Kentville Water Utility Non-consolidated Financial Statements

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Town of Kentville
Annual Report
March 31, 2020

354 Main Street
Kentville NS B4N 1K6
www.kentville.ca

Kentville

at a glance

6,271

Population (2016)

17.35 km²

Geographic Area

0.5° C

Average
Temperature Winter

23.5° C

Average Temperature
Summer

\$232,894

Average Value of
Owned Dwelling

45.4

Median Age

\$56,909

Median Household
Income
(2016)

10.3%

Unemployment Rate
(Q 1 2020)



3,051

Dwelling Units
(2019)



Town of Kentville Annual Report

This report provides a variety of information about the Town of Kentville and its operations. It is followed by the audited consolidated financial statements of the Town for the year ended March 31, 2020.

Town of Kentville Government

The Town of Kentville was incorporated on May 1, 1886. Kentville, nestled in the centre of the Annapolis Valley in Nova Scotia, has a population of 6,271 (2016 census). As the largest town in the Annapolis Valley, it serves as the professional centre for legal, financial and medical services. A large array of businesses, unique shops and eateries offer a variety of services to its ever-growing population. Blessed with an incredible quality of life, residents enjoy the benefits of living in a smaller-sized community- yet on the doorstep of such amenities as an internationally-recognized university and the capital city of Nova Scotia. Kentville residents enjoy a safe, vibrant and friendly town, a safe drinking water system, exemplary protective services, a multitude of recreational facilities, a walking trail system and a state-of-the-art elementary school complex, among other features.

The Town is governed by a council consisting of a mayor and six councillors, elected "at large" every four years. Council is the policy-forming and decision-making body representing the interests of its residential and corporate citizens. The Town draws its authority from the **Municipal Government Act** which mandates the Town to provide municipal services within its boundaries. The next municipal election will occur in October 2020.

Kentville offers programs that serve the interests of the public– such as:

- ⇒ Legislative services
- ⇒ Administrative, Corporate and Financial services
- ⇒ Protective services
- ⇒ Transportation services
- ⇒ Environmental services
- ⇒ Planning services
- ⇒ Recreation, parks and cultural services

With our government and community partners Kentville also provides:

- ⇒ Assessment services*
- ⇒ Education services*
- ⇒ Correction services*
- ⇒ Library services*
- ⇒ Social housing services*
- ⇒ Community economic development services
- ⇒ Public transit services
- ⇒ Fire fighting services
- ⇒ Fire and building inspection services
- ⇒ Solid waste management services

*Provincial mandatory expenditures

Vision Statement

"Kentville is a healthy, vibrant, integrated and complete community where citizens can live, work and play in an environment that supports a high quality of life".

(Endorsed by Town Council July 15, 2009)



Notes of Interest

- The Town welcomed a new Chief Administrative Officer in November 2019. Kelly Rice comes to the Town with over 20 years of experience in municipal government.
- The Town welcomed a new engineer in October 2019. David Bell, P. Eng. came to us from the private sector with extensive experience in civil engineering.
- Weatherwise, 2019 saw more than its fair share of heavy rain storms beginning June 21, continuing into August with post tropical storm Erin and Hurricane Dorian in early September. Some roads & parks were damaged, which have been reinstated. A Provincial disaster recovery program is available. The Town will be quantifying its repairs for possible claim.
- The last quarter of 19/20 was disrupted with the onset of the COVID-19 pandemic. Nova Scotia issued a State of Emergency on March 22, 2020 to prevent the spread of COVID-19 within the Province. The State of Emergency is extended to June 28, 2020; however the Province is slowing re-opening for business, per Provincial guidelines.

Economic Snapshot– Provincial/Regional

For 2019, Nova Scotia saw the strongest economic growth since 2010 thanks to strong gains in construction, manufacturing, real estate and healthcare. However, the outlook for Nova Scotia's economy changed significantly since the end of 2019. Beginning early 2020, the Province has been dealt a one-two punch from the COVID-19 pandemic and plummeting oil prices. The hit from the virus has been widespread with the greatest impact expected to occur in the first half of the year. However, the oil-producing economies will face a more sustained pressure in 2020 due to price wars between producers. Canada's provinces were already under pressure from the decline in global trade activity as the US/China trade spat intensified and China's ban on some Canadian agricultural products, along with US tariffs on softwood lumber affected exports. Therefore, the Atlantic Provinces are forecast to gear down in 2020. There will be weak capital investment in the Atlantic region with only Nova Scotia seeing a rise, driven by private sector companies. Nova Scotia is also likely to contend with lower exports to China. Still, public spending will provide some support albeit at a slower pace of 0.5%.

Economic indicators¹:

Forecast Detail*– Nova Scotia	2019	2020F	2021F
Real GDP	2.1	-5.5	3.8
Employment	2.2	-5.2	4.9
Unemployment rate (%)	7.2	10.1	8.4
Housing starts (units)	4.7	3.8	3.4
Retail sales	2.7	-5.5	4.0
CPI	1.6	0.4	1.6

¹Source: RBC Economics Research, June 2020 (* - % change unless otherwise indicated)

Economic Snapshot– Provincial/Regional

Stats Canada reported in January that the labour force in the Annapolis Valley improved over the past year, though to a more moderate extent than other regions.

However, due to COVID-19, social distancing orders were in place everywhere and directly disrupted big chunks of the Province's economy. Highly impacted industries like retail trade, transportation services, education, arts and recreation and food and accommodation services generally account for roughly one-third of the jobs and between 20-25 % of provincial GDP. Business closures, massive layoffs and reduced working hours for those still employed generated additional knock-on effects for other sectors– leading to further job losses and deepening the economic contraction. 2020 will mark the steepest one-year decline in all provinces. The eventual easing of social distancing orders will set the stage for a broad based recovery. Nova Scotia is one of only three provinces not to impose a full lockdown on non-essential businesses. This has limited the economic damage of COVID-19. A gradual recovery is expected to take hold with softness in tourism, manufacturing and construction slowing the pace. The Nova Scotia government began to partially lift restrictions on May 1, 2020.

Economic Snapshot– Local

For Kentville, 114 permits were issued in 2019/20 and totalled **\$18,175,282** (18/19–124 permits issued; value \$5,936,995). **Property sales** in assessment dollars (over \$1) **for Kentville** are as follows²:

Year	Value in Assessment Dollars
2019	\$41,530,019
2018	\$30,162,594
2017	\$38,318,020
2016	\$22,042,137
2015	\$16,437,126

²Source: PVSC, March 2020

Financial Management and Control Programs

The major components of the Town's financial management and control programs include the budget process, accounting procedures, independent external audit, capital financing practices, financial and investment policies, some of which are described below.

The Budget Process

Council has the authority under the *Municipal Government Act (MGA)* to allocate funds through the budget process. It is a challenge to balance the competing needs for service delivery, our high standard of service delivery, fluctuating property assessments and revenue streams, while maintaining stability in the tax rates.

Yearly, Town Council considers a current operating budget along with a 5-year capital investment plan. Town Council formally adopts the operating budget and capital program for the immediate year. The budgets are divided into the various programs which provide service delivery to residential and corporate citizens. The budget process involves elected officials, the Chief Administrative Officer, Department Heads, Town personnel and the public.

Council's goal is to provide exemplary services at a reasonable cost to the residential and corporate citizen and, therefore, it sets the standards and guidelines for the budget process after considering Provincial legislation, servicing needs, policy changes and public expectations. Staff make recommendations to revise service levels or to change revenues in order to meet Council's targets on the tax levies. Prior to Council's final ratification, public input is sought and considered in the decision-making process.

Revenue is derived from property taxation, user fees, conditional and unconditional grants from upper levels of government and capital contributions from outside parties. Sufficient revenues must be raised to provide the service delivery as determined by Town Council.

Municipalities, by law, are not permitted to budget for operating surpluses or deficits, and, should a deficit occur through the course of business, it is recovered through the next year's operating budget.

Once the budget is finalized, service is provided and revenue is collected. Expenditures are controlled against the budget by formal financial, purchasing and human-resource policies and financial systems designed to prevent budget overruns. Each senior manager directs the department's service delivery and ensures that the Town's policy statements (as noted above) are followed. Once the budget is ratified, internal financial reporting to Town Council is tabled at the monthly Council Advisory Committee meeting. The reports include an income statement and, for the last six months of the fiscal year, a projection report for the Town's Operating fund. Reports on the Town's water utility and sanitary sewer area service are tabled quarterly and coincide with each quarterly billing.

Financial Management

The Town's accounting system and internal controls are maintained by management and designed to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. To that end, Finance personnel are properly trained in their respective job functions and a well-defined separation of duties, responsibilities and accountability exists. The Town of Kentville follows Canadian public sector accounting standards for local governments when recording its financial information, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPA). The outcome furnishes financial records that are reliable for the preparation of financial statements. Kentville continues its tradition of operating a well-managed organization. Management's ability to achieve its

financial outcomes is a result of consistent, dependable budgetary performance and timely financial reporting.

External Independent Audit

On an annual basis, the Town of Kentville is required by the ***Municipal Government Act*** to engage an external independent municipal audit firm to express an opinion as to whether the consolidated financial statements are free of material misstatement and that the consolidated financial statements present fairly, in all material respects, the operating results and financial position of the Town of Kentville at the end of each fiscal year. The external independent audit firm has free access to all records of the Town and, as required, they meet with Town personnel to discuss any matters that arise during the course of the audit engagement. Annually, the external independent auditor also provides the Town with an ***internal control findings letter***, which speaks to the adequacy of the Town's internal controls. As a minimum, the external independent auditor meets with the Town's Audit Committee yearly when the draft financial statements are presented to the Audit Committee. The Audit Committee is comprised of the Mayor and two councillors, along with two citizen appointees. The Chief Administrative Officer and Director of Finance are ex officio and attend as resource.

While an external opinion is sought, the Town's management is responsible for the preparation of the financial statements and the integrity and objectivity of the financial information and the representations contained in the financial statements.

Capital Financing

Every year, Kentville completes many capital projects which meet not only its growth needs but also its need to renew aging infrastructure. Financing for these initiatives includes a

combination of “pay-as-you-go” via cash reserve funds, contributions from outside interested parties and debt issuances. The Town has adopted a strategy to maintain its annual debt issuances to one million dollars (or less) and it has increased funding from its cash reserves to finance capital acquisitions.

The long-term debt-servicing practice of Town Council has been to maintain the 5-year average debt service ratio at between 10-12% of own-source revenue. This self-imposed cap could affect future capital investment plans and the number of projects undertaken each year, but, in the long run, it will ensure that debt servicing (via the tax rates) is kept at manageable levels while ensuring that infrastructure is acquired or renewed.

Perpetual Investment Fund

The Town is in a “*net financial asset*” position created by funds invested according to the Town’s ***Special Perpetual Reserve Fund Investment Policy***. These funds were derived from the sale of the Kentville Electric Commission to Nova Scotia Power Inc. in 1997. Ten million dollars of the proceeds were sheltered from day-to-day spending by the Nova Scotia Legislature via local Bill. No 20 – *The Town of Kentville and Kentville Electric Commission Sale of Assets Act*, assented to June 29, 1998. The ***Special Perpetual Reserve*** is unique in that it invests in equity stock, fixed income securities and other money-market vehicles. The objectives of the investment fund are preservation of capital, conformance with Federal, Provincial and other legal requirements, diversification to avoid unreasonable risks and attainment of a market rate of return that reflects the risk profile of the portfolio and investment plan. The Town’s ***Special Perpetual Reserve Fund Investment Policy*** received full approval of the Minister for Department of Municipal Affairs, as per MGA 100 (b) (obtained March 25, 2004). This ***fund*** is managed by an Investment Advisory Committee consisting of two knowledgeable citizen appointees and a member of Town Council (a second Council

member is appointed as an alternate). The Chief Administrative Officer and the Director of Finance sit ex officio. The Fund is administered by an external financial advisor, whose term is for a four-year period. A *Request for Proposals for Investment Advisory Services* is released every four years on the Provincial Procurement web portal. In 2018, the Investment Advisory Committee revised its ***Investment Policy***, which was ratified by Town Council on May 28, 2018. Provincial endorsement from the Minister for Municipal Affairs was received on June 21, 2018.

Since 1999, \$10.8 million has been transferred to the Town's operating fund, while \$1.9 million retired long-term debt related to the Electric Commission and \$ 819 thousand was transferred to the Town's capital reserve fund. As at March 31, 2020, the **market value** of the Special Perpetual Reserve Fund was \$12,499,494 (2019- \$12,955,710).

The Assessment Process

Property Valuation Services Corporation (PVSC) determines the assessment value of properties, as legislated by the Province of Nova Scotia Assessment Act. This organization is owned by the municipalities of the Province of Nova Scotia and municipalities are mandated to provide its funding. In general, the assessment service and its relationship to property taxation is not understood by the taxpayers. The Town of Kentville must use the assessment records (as provided by PVSC) in its calculation of tax levies. In Nova Scotia, since 2005, residential and resource assessment increases are CAPped each year at the CPI for Nova Scotia for the month of October, as posted by Statistics Canada. The CAP system was imposed to protect property owners from "sudden and dramatic increases" in the market value of their property. For 2019/20, the CAP was 2.9%. The CAP eligibility criteria can be found on the PVSC website at www.pvsc.ca.

Results of the Year Ended March 31, 2020

The Town of Kentville provided services to residential and corporate citizens through its operating departments and also continued to renew and remediate the Town's infrastructure by investing in capital building, some of which included continuation of the sidewalk in the west end of Town, renewals of several storm sewers, renewal of several heavily-travelled streets, the purchases of equipment for several departments and the completion of two Recreation studies.

Some key highlights were:

- ⇒ In 2019/20 the total **Residential tax rate** was increased nearly **2 cents (1.3%)**.
- ⇒ In 2019/20 the total **Commercial tax rate** remained **stable**.
- ⇒ Total **taxable assessment growth** April 1, 2019 (net of cap and adjustments) was **2.5%**.
- ⇒ **CAP** on Residential and Resource assessments (set by the Province) was **2.9%**.
- ⇒ **Water rate charges** remained **stable** for all users of the utility, as authorized by the Nova Scotia Utility and Review Board.
- ⇒ **Sanitary sewer charges** remained stable for all users of the service, as authorized by Town Council.
- ⇒ As at **March 31, 2020**, the Town of Kentville General Operating Fund recorded a **non-consolidated surplus** of **\$149,734** (2019-\$24,805). The entire surplus was transferred to the Town's operating reserve fund, as per DMA guidelines.
- ⇒ The Sanitary Sewer Area Service reported a **non-consolidated surplus** of **\$199,058** (2019-\$NIL), before the entire surplus was transferred to its operating reserve, as per DMA guidelines, and
- ⇒ The Kentville Water Utility Operating Fund recorded a **non-consolidated surplus** of **\$6,501** (2019-\$10,200).
- ⇒ **At March 31, 2020**, the consolidated **PSAS-compliant annual surplus** is **\$1,663,566** (2019- \$448,052).

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

Financial Reporting Model

The objectives of financial statements are to describe to the reader the organization's financial position, the results of its operations and how the sources for its various activities have been derived and consumed. Our statements provide information about the economic resources, obligations and accumulated surplus of the Town. While similar to financial statements of private sector organizations, the Town's financial statements are different, accounting for its unique aspects. The following are the primary statements prepared by all governments:

Consolidated Statement of Financial Position	Provides information to describe a government's financial position in terms of its assets and liabilities as at the end of the reporting period. Net financial position and accumulated surplus are important factors in determining the government's financial well-being.
Consolidated Statement of Operations and Accumulated Surplus	Provides accountability information for a government's current-period operations and the related government objectives for the reporting period. It also denotes the change in accumulated surplus.
Consolidated Statement of Change in Net Financial Assets (Debt)	Provides accountability information regarding the extent to which expenditures made in the period are met by the revenues recognized in the current period.
Consolidated Statement of Cash Flows	Provides information about the impact of a government's activities on its cash resources for the current period.

As noted in the table above, the Statements are "consolidated", which means, in the Town of Kentville's case, that all resources and operations under the control of the Town are reflected in the data. This includes all departments of the Town, the Sanitary Sewer Area Service, the Kentville Water Utility and Special Reserve Funds. A description of the funds is as follows:

Funds

A fund is a grouping of self-balancing accounts used to report on resources that have been segregated for a specific purpose. These funds are created and managed to ensure that the Town is compliant with legislation and financial requirements.

The **General Operating Fund** reports on taxation and rate-supported operations– the day-to-day operations of the Town. This includes policing services, fire services, transportation services, planning services, recreational services, sanitary sewer services and legislative and administrative services.

The **General Capital Fund** reports on the acquisition of capital assets such as the building of streets, sidewalks, storm sewers, for example. It also quantifies related short and long-term borrowing as well as amortization of capital assets.

The **Kentville Water Commission Operating Fund** reports on the daily operations of the water utility, as funded by water rates approved by Nova Scotia Utility and Review Board.

The **Kentville Water Commission Capital Fund** cites acquisition of its capital assets (wells, transmission and distribution lines). This fund also accounts for related short and long-term borrowing as well as depreciation of capital assets.

The **Reserve Funds** are separated into Operating Reserves and Capital Reserves. These funds accumulate past operating surpluses of the Town, Sanitary Sewer Area Service and Water Utility.

The **Operating Reserves** (Town, Sanitary Sewer and Water) are akin to “savings” accounts and house the past surpluses of the aforementioned operating entities. These reserves provide stability in property tax rates and utility rates by offsetting unexpected operating expenditures, a current deficit position or to pay for an unexpected opportunity.

The **Capital Reserves** (Town, Sanitary Sewer and Water) are also savings accounts but used for capital acquisition purposes. They can be used to finance current and/or future years’ capital procurements for the Town, Sanitary Sewer Area Service and the Water Utility, thereby reducing reliance on long-term borrowing. Capital reserve funds are also utilized to fund unexpected capital infrastructure needs– such as a substantial water break. Also, contributions from outside sources for capital acquisitions may be contained in the reserve banks until the asset is acquired.



FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Financial Position (A-3)

This statement provides details on the Town's financial position at the end of the fiscal year. This information can be used to evaluate the Town's ability to finance its activities and meet its obligations. The statement also identifies the Town's ability to provide future services. The Town separates the statement into "net financial resources" and "non-financial assets". The financial resources include cash, receivables, land held for sale and investments. The Town has obligations to meet (liabilities), that use up the financial resources. The difference between financial assets and liabilities is the measure of the Town's "net financial asset" position and describes the Town's ability to meet its obligations at March 31. (A "net debt" position would indicate the future revenues are required to pay the liabilities at end of March.)

Non-financial assets include tangible capital assets and prepaid expenses of the Town. Capital assets are acquired to provide service delivery over the course of many years. They do not provide revenue for operations (hence are "non-financial" in nature). The accumulated surplus is the sum total of all surpluses and deficits of the Town since its inception. The accumulated surplus position signifies the Town's total economic resources—financial and physical- the amount by which all assets exceed all liabilities. The accumulated surplus also indicates the Town has resources (financial and non-financial) that can be used to provide services for years to come.

As at **March 31, 2020**, the Town statements report:

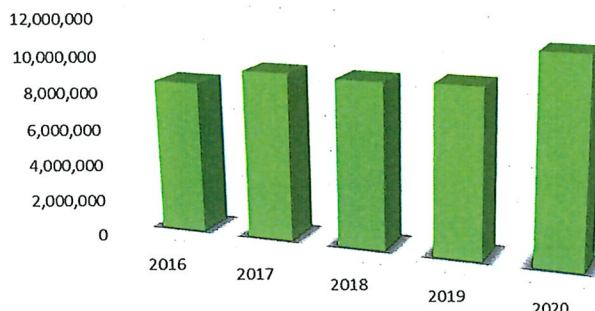
	2020	2019	Variance
	\$	\$	\$
Cash and cash equivalents	7,361,730	6,447,675	914,055
Investments	13,265,260	13,121,662	143,598
Financial assets	20,626,990	19,569,337	1,057,653
Liabilities	9,511,263	10,353,756	(842,493)
Net (financial) assets	11,115,727	9,215,581	1,900,146
Non-financial assets	42,312,931	42,549,511	(236,580)
Accumulated surplus	53,428,658	51,765,092	1,663,566

Fund	Net revenues (expenses)
	\$
General Operating (before Δ pre-paid)	1,154,710
General Capital	(1,757,943)
Water Operating (before Δ pre-paid)	1,039,263
Water Capital	(22,903)
Reserves	1,487,019
Net consolidated expenditure (agrees to increase in Net (financial) assets)	1,900,146

Net Financial Asset Position

The net financial asset position is the difference between financial assets and liabilities and provides an indication of the affordability of future spending. As at **March 31, 2020**, the Town was in a net financial asset position of **\$11.1 million** (2019-\$9.2million). The change of during the year is the result of an increase in cash and decreases in receivables and properties for resale offset by decreased bank loan and long-term debt.

NET FINANCIAL POSITION



Non-Financial Assets

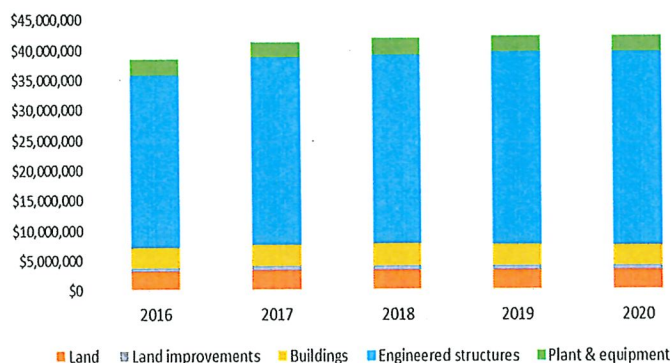
Non-financial assets are physical resources used to provide delivery of services to the public. They include purchased, constructed, contributed or developed tangible capital assets and prepaid expenses. Tangible capital assets comprise the majority of the non-financial asset figure.

As shown in the accompanying chart, the Town is committed to investment in its infrastructure. Acquisitions of capital assets are the end results of the Town’s and the Water Utility’s capital budgets. As with most levels of government, competing infrastructure needs and scarce financial resources create a struggle in managing legislated environmental requirements with fiscal responsibility.

Town Council and the Kentville Water Commission ratified their respective annual capital budgets. The Town forecasted budgets for the years 2021-2024, which were approved in principle. Kentville Water Commission tabled a three-year capital investment plan, as required by Nova Scotia Utility and Review Board.

For 2020, on a consolidated basis, including amortization and disposals, the Town’s tangible capital assets decreased by \$(228,968) (2019-\$343,216).

Tangible Capital Assets (net book value)

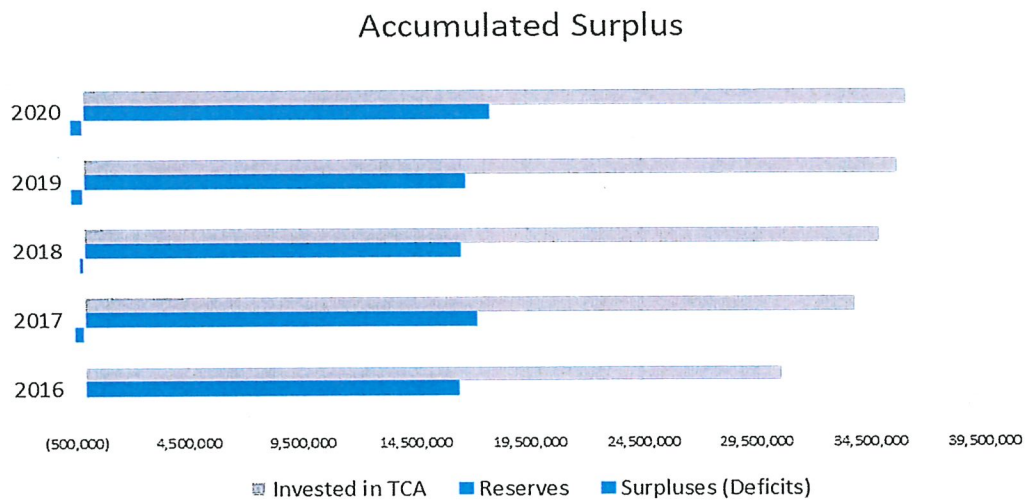


Accumulated Surplus

The Accumulated Surplus Position is an important financial indicator. This gauge is comprised of all the surpluses and deficits of the various funds and reserves that are included in the statements, along with the tangible capital assets.

The yearly change (increase or decrease) in the accumulated surplus is equal to the annual surplus for the year.

The Town’s accumulated surplus, through its investment in tangible capital assets, has grown over the period, indicating a strong foundation upon which future services will be delivered.



In 2020 the **accumulated surplus is increased by \$1.7 million to \$53.4 million**, due to the increase in net financial assets of \$1,900,146, the net decrease in tangible capital assets \$(228,968) plus the net decrease of other non-financial assets \$(7,612)(detailed on page 16).

Approximately **79%** of the accumulated surplus reflects the Town’s investment in its tangible capital assets (2019– 82%). Tangible capital assets cannot be used to pay for the Town’s ongoing operations.



Breakdown of Consolidated Accumulated Surplus

The *Schedule of Accumulated Surplus* on the following page details the makeup of the accumulated surplus.

It is split into segments:

Reserve funds, which are surpluses that have been accumulated in advance of a future need or requirement (similar to a savings account);

Net ownership in tangible capital assets, including amortization and other write downs (2020 details are):

	Town	Water	Total
Tangible capital assets /CWIP*	\$53,655,465	\$ 18,578,098	72,233,563
Less: Amortization/Depreciation (Water)	(22,955,270)	(5,739,702)	(28,694,972)
Less: Deprecation (not rated) (Water)	0	(1,313,383)	(1,313,383)
	30,700,195	11,525,013	42,225,208
Less: Short term debt	(620,803)		(620,803)
Less: Long term debt	(5,711,470)	(651,400)	(6,362,870)
Add back: Debt to be recovered (other transactions)	914,392		914,392
TOTAL	25,282,314	\$10,873,613	\$36,155,927

* CWIP = Construction work in progress

Surpluses (Deficits) of operating and capital funds, which are similar to profits or losses, in that financing has exceeded liabilities and leaves a balance (or vice versa if deficits are reported).



Schedule of Accumulated Surplus	2020	2019
Reserve funds		
Town operating	\$717,615	\$740,721
Town capital	1,369,866	1,212,471
Sanitary sewer operating	408,246	209,188
Sanitary sewer capital	140,370	110,370
Sanitary sewer depreciation	184,013	130,812
Kentville Water utility operating	170,620	170,620
Kentville Water utility capital	580,710	355,449
Kentville Water utility depreciation	949,627	649,196
Town perpetual capital	<u>13,354,167</u>	<u>13,198,832</u>
Total reserve funds (A-40)	<u>17,875,234</u>	<u>16,777,659</u>
Invested in tangible capital assets (net) (page 19 & A-16)	<u>36,155,927</u>	<u>35,740,600</u>
Accumulated surplus (deficit) (fund balance)		
Town operating (includes Sanitary Sewer Area Service) (A-33)	0	0
Town capital (A-35)	(954,628)	(1,094,791)
Kentville Water operating (A-37)	270,023	263,522
Kentville Water capital (A-38)	<u>82,102</u>	<u>78,102</u>
Total (deficit)	<u>(602,503)</u>	<u>(753,167)</u>
ACCUMULATED SURPLUS	<u>\$53,428,658</u>	<u>\$51,765,092</u>

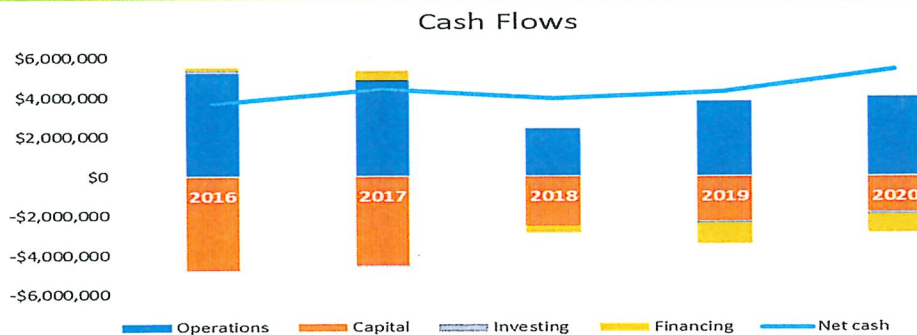


Consolidated Statement of Cash Flow (A-5)

This statement reports the change in cash and equivalents during the year and shows how the Town financed its activities and met its cash requirements for the same period. The Town generates cash by raising revenue, converting other financial assets to cash and by external borrowing. This statement helps evaluate the Town's liquidity and provides accountability for its use of cash resources. The Town's **liquidity ratio** for **2019** was **2.0**, assessed as **"low risk"** in the FCI. (The Provincial Financial Condition Index "low risk" threshold is above 1.5)

Cash resources are generated and consumed through operating, capital, investing and financing activities. Cash flows from *operating* indicate the Town's ability to maintain its programs and service delivery and repay loans without external sources of financing. There are no future cash flows from the investing in *capital* assets because they are used to provide programs and deliver services. Cash flows from *investing* would include investments made and realized during the year (interest and dividends), while cash flows from *financing* would include debt issued and paid during the year. The net cash position **for 2020 is \$5,384,582** (2019-\$4,261,539)– **a increase of \$1,123,043.** Cash held by fund is as follows:

Fund	2020	2019
General operating bank	\$810,314	\$538,590
General capital bank	61,991	
Water operating bank	330,624	19,811
Water capital bank	92,911	93,395
Reserve banks		
General operating	567,796	715,793
General capital	1,469,064	1,261,857
Sanitary sewer operating	209,188	333,669
Sanitary sewer capital	140,370	110,370
Sanitary sewer depreciation	184,013	130,812
Water operating	170,620	113,620
Water capital	385,449	289,454
Water depreciation	962,242	654,168
	\$5,384,582	\$4,261,539



Consolidated Statement of Change in Net Financial Assets (A-6)

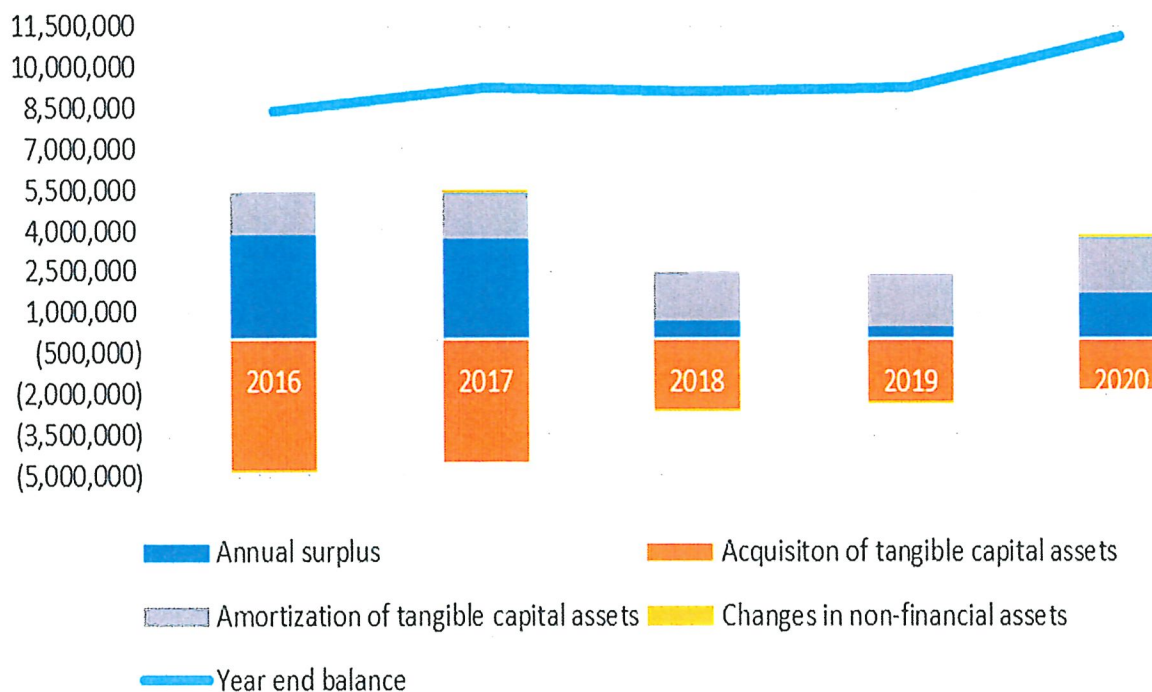
This page explains the difference between the Town’s annual surplus reported on the Statement of Operations- \$1,663,566 and the increase in Net Financial Assets -\$1,900,146. The Net Financial Asset position is a key indicator of the Town’s financial position and our ability to provide future services to residential and corporate citizens.

One important factor in this statement is the difference in the reporting of the acquisition of capital assets during the year. When calculating the annual surplus (on A-4), the Town recognizes the cost of using it assets over their useful lives (known as amortization). When calculating the change in net financial assets (on A-6), the Town recognizes the whole cost of purchasing the assets at the time the assets were acquired.

Budget figures are included on this page, and, when compared to actual figures, they show whether the Town is spending more (or less) on capital purchases than it had planned. Simply put, in the long run, overspending on capital acquisition can affect future service delivery (in debt servicing from operations) while underspending may find the Town’s capital assets deteriorating.

The **2020** surplus of **\$1,663,566** is comprised of (1) a decrease in tangible capital assets (net of amortization & disposals) of \$ 228,968, (2) a decrease in prepaid and other expenses \$7,612 and (3) the increase in net financial assets \$1,900,146.

Consolidated Change in Net Financial Assets



Schedule of General Operating Fund & Sanitary Sewer Area Service (A 33-34)

This report represents the Town of Kentville Operating Fund and the Sanitary Sewer Area Service. It summarizes the net revenue from operations. Transfers to-and-from our own funds are not included in revenue or expenditures but are identified as "Net transfers". The schedule reveals a combined **operating surplus** of **\$348,792** (2019-\$24,805).

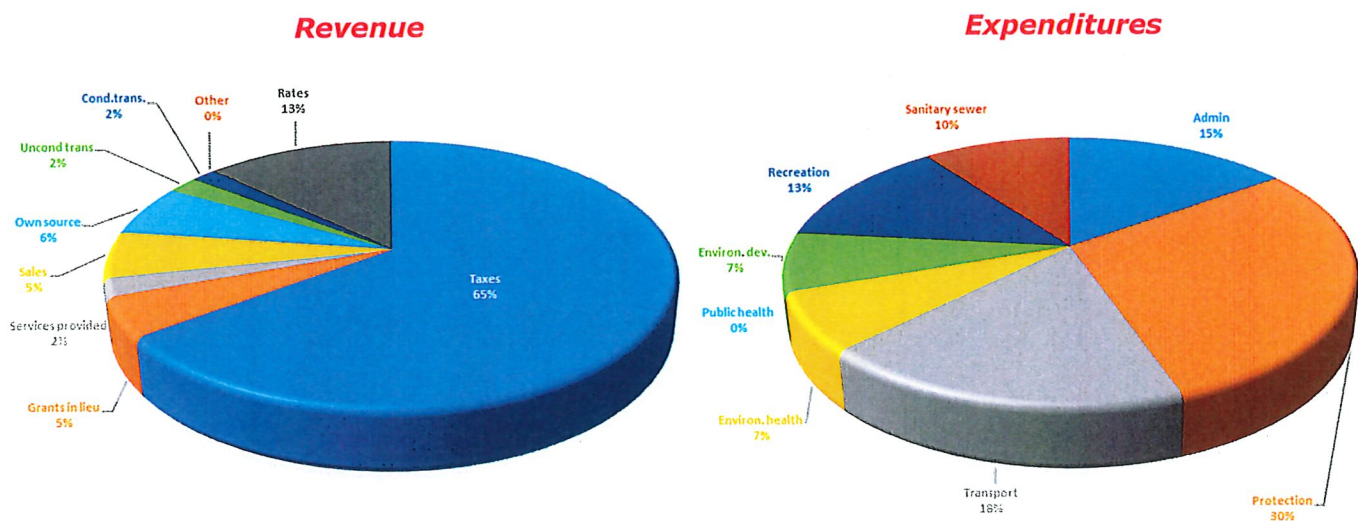
Revenue is over budget \$242,654 due to interest revenue, conditional transfers & wastewater rates. **Expenditures** are under budget \$179,099 due to staffing changes in Protective services-police, savings in solid waste management and recreation services along with decreased wastewater expenditures.

After accounting for transfers between our own funds which includes long-term debt recovery, the **annual surplus** is **\$348,792** (2019-\$24,805).

Separating the two above-noted entities combined on this statement, the **2020** surplus for the **Town General Operating Fund** (shown on page A-34) is **\$149,734** (2019-\$24,805), while the **2020** surplus for the **Sanitary Sewer Area Service** is **\$198,058** (2019- \$NIL). The entire 2020 surplus will be transferred to the Town's operating reserve fund, as per Provincial direction as follows: \$149,734 to the Town Operating reserve fund and \$198,058 to the Sanitary Sewer Area Fund Operating reserve.

The following graphs indicate the funding sources and how the funds were spent in the Town Operating fund.

OPERATING FUND- 19/20



Schedule of Town of Kentville General Capital Fund (A 35-36)

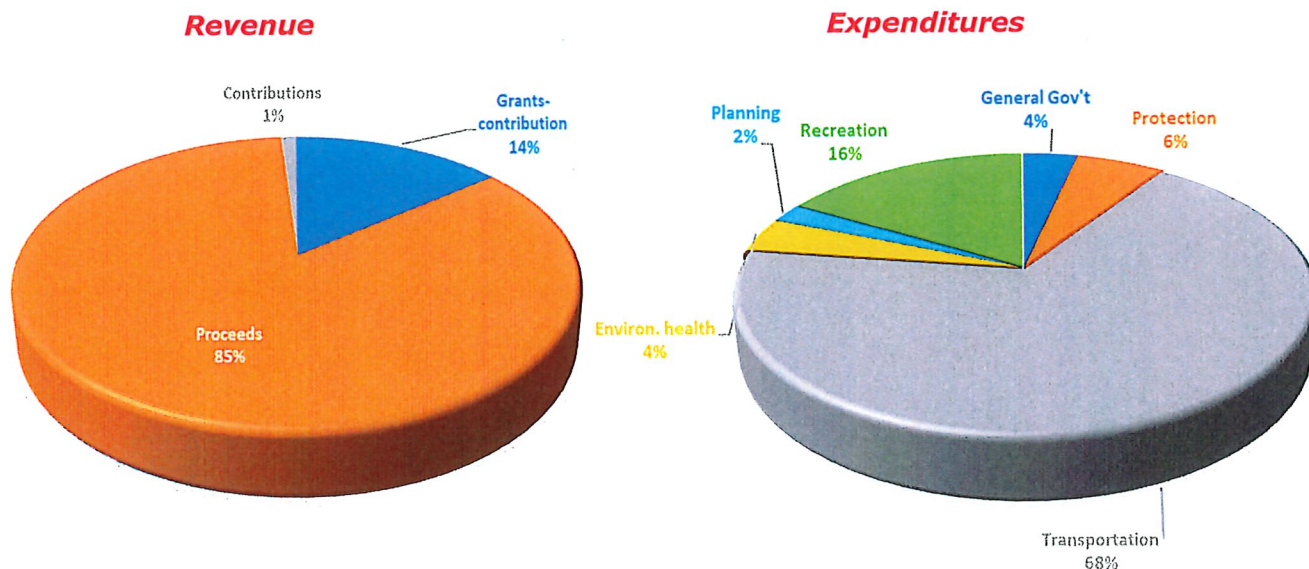
This fund accrues the Town’s tangible capital assets and related amortization along with the short and long-term borrowing obtained to partially finance these acquisitions. **Revenue** is comprised of contributions from outside sources, proceeds on sale of assets and grants from Federal & Provincial governments. **Expenditures** reflect the current investment in the Town’s infrastructure - the capital assets acquired in 2019/2020. New assets totaled **\$1,899,134**, including Work-in-Progress assets. Capital projects were financed by Operations (\$79,676), various Capital Reserves (\$404,792), Contributions (\$34,180), Federal National Disaster Mitigation Fund (\$2,636) Province NS (\$10,900); Federal Gas Tax Reserve (\$843,106); Authorized Temporary Borrowing (\$523,354) and Cash (\$490). “Properties held for sale” was written down due to loss on sale.

Total expenditures in the capital fund decreased from \$2.7 million in 2019 to **\$1.9 million** in **2020**. The closing *Fund Balance* for **2020** is **\$ (954,628)** compared to \$(1,094,791) in 2019.

The Town’s total ownership in its capital assets is itemized on page 19 of this report and on page A-36 of the financial statements and makes up part of the Town of Kentville Capital Fund. The Town’s ownership in capital assets (\$25,282,318) plus the Fund Balance make up the Town Capital fund’s accumulated surplus of **\$24,327,690** (2019-\$23,585,202).

2020 construction projects included renewal of Canaan Avenue sidewalk & street, Condon Avenue storm water renewal, continuation of the Park Street West sidewalk funded by **Federal Gas Tax**. Other projects included the purchases of Police and Transportation equipment, renewal of sections of Campbell Road and Chester Avenue, creation of a public garden & new brand-messaging signage. Under Recreation, a new Zamboni was purchased, the pool and its change room were renewed, a new bike trail was created, playgrounds received new elements and two recreation studies were carried out.

CAPITAL FUND- 19/20



Schedule of Water Operating Fund (A-37)

This page represents the Kentville Water Utility Operating Fund and summarizes the revenue and expenditures from operations along with transfers and depreciation. Transfers to-and-from our own funds are not included in revenue or expenditure but they do make up a portion of "Net transfers".

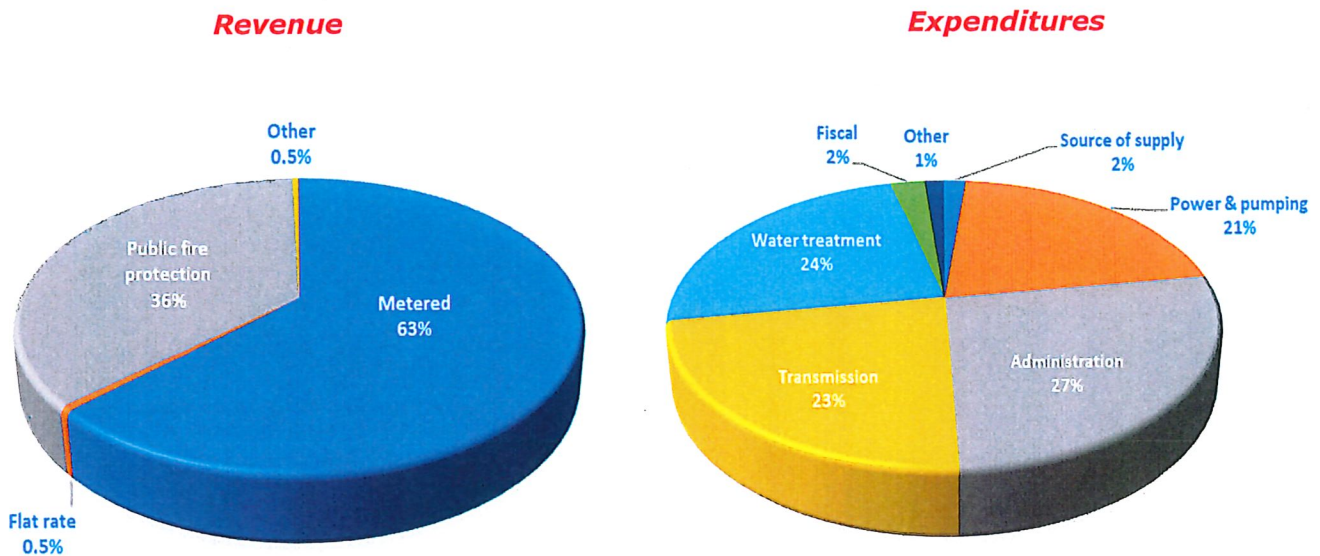
Revenue is comprised primarily of metered rates along with the public fire protection charge to the Town of Kentville and the County of Kings, which is mandated by the Nova Scotia Utility and Review Board. **Expenditures** account for the operations and maintenance of the utility and the treatment, transmission and distribution of potable water to Kentville and surrounding areas.

Net revenues are **\$1,035,509** (2019- \$935,463). After including transfers between our own funds and depreciation adjustments, the increase in fund balance is **\$6,501** (2019-\$10,200). Kentville Water Commission pays a dividend to the Town of Kentville Operating Fund (as the owner of the utility). The amount transferred in **2020** was **\$100,000** (2019- \$100,000). Before this transfer, the Utility's surplus was **\$ 106,501** (2019-\$110,200).

The "**Closing fund balance**", which is equivalent to its "accumulated surplus", is **\$270,023** (2019-\$263,522).

The following graphs indicate the revenue sources and how the funds were spent in the Water Utility Operating fund.

WATER OPERATING FUND-19/20



Schedule of Water Capital Fund (A 38-39)

The Water Utility Capital Fund records the capital acquisitions, depreciation and long-term borrowing for the Kentville Water Utility.

Revenue– reflects payment of a water connection by a county customer to the Kentville Water utility and increases the fund balance.

Expenditures reflect the current investment in the Utility’s infrastructure - the capital assets acquired in 2019/2020. Acquisitions in **2020** totaled **\$26,903**. Capital projects were financed by the Depreciation Reserve (\$26,903)

Net expenditure in the Water Utility Capital Fund decreased from \$428,811 in 2019 to **\$26,903** in **2020**. For **2020**, the Water Utility’s Capital Fund Balance is **\$ 82,102** (2019-\$78,102).

The Utility’s ownership in its tangible capital assets (TCA) is itemized on page 19 of this report and on page A-39 of the financial statements and makes up part of the Water Capital Fund. The Utility’s ownership in its assets is comprised of: total asset acquisitions less total depreciation, amortization and outstanding debt. The sum of the TCA and Fund Balance equates to the total accumulated surplus for the Water Capital Fund of **\$10,955,711** (2019-\$11,138,709).

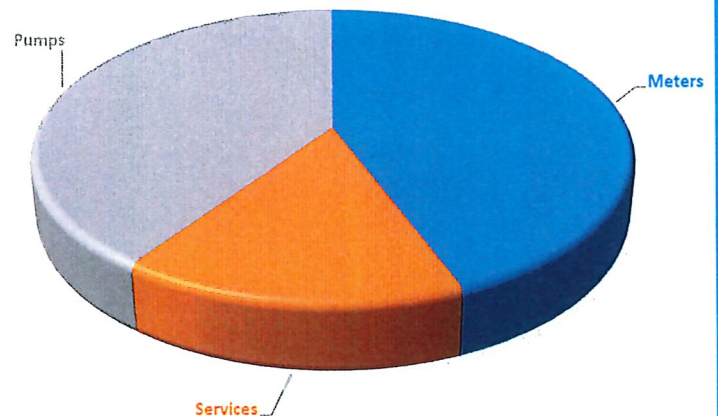
2020 construction projects included yearly projects such as acquisition of meters and pumps, along with the connection of a new service.

WATER CAPITAL FUND 19/20

Revenue

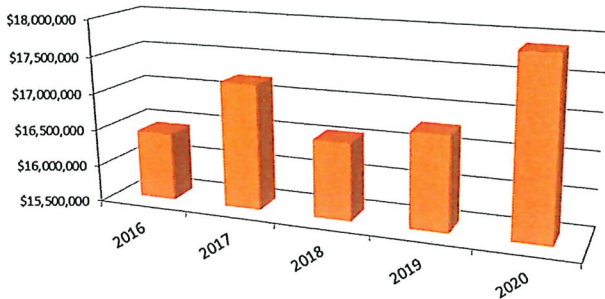


Expenditures



Reserve Funds (A 40-41)

Reserve funds increased in **2020** by \$1,097,575 to **\$17.9 million**. The increase is due to increase in investments in Town’s Perpetual Reserve fund, offset by an increase in deferred revenue and a decrease in other liabilities. Town is committed to maintaining healthy reserve funds but, of note, the Perpetual Reserve fund follows its own set of guidelines. Some reserve funds are identified for future capital funding or for future operating purposes.

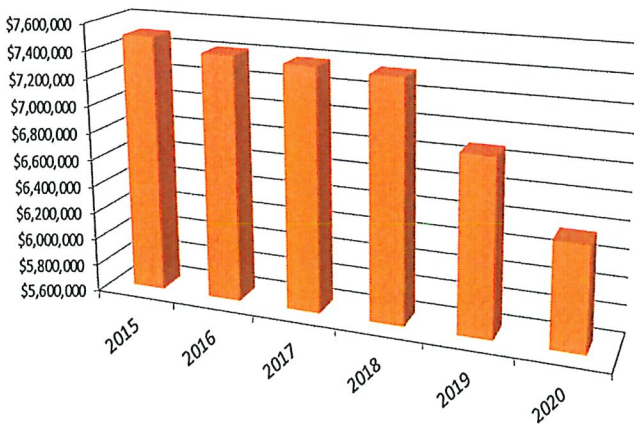


**RESERVE BALANCES
as at March 31, 2020**

- Operating: \$717,615
- Capital: \$1,369,866
- Perpetual: \$13,354,167
- Sanitary Sewer: \$732,629
- Water: \$1,700,957
- TOTAL: \$17,875,234**

Long-Term Debt Outstanding (Principal)

Long-Term principal debt levels decreased in **2020** by \$521,150 (see page A-13 Note 7). Below is a chart of outstanding long-term debt issues over the last six (6) years. Town Council prefers to keep its long-term borrowing in the \$ 1 million range and its average debt service ratio (DSR) between 10-12% of own-source revenue over the 5-year capital investment plan.



2020

- New Debt Issued: \$731,400**
- Principal Repaid: \$(1,252,550)**

**PRINCIPAL OUTSTANDING
March 31, 2020**

- Town \$5,450,430
- Water \$ 651,400
- Sewer \$ 261,040
- TOTAL: \$6,362,870**

Operating Budget 2020/2021

The Town's Operating Budget reflects the vision and goal statement developed by Council and its residents. Its creation and adoption is one of the most important tasks completed by Council each year. The ratified Operating Budget becomes the guiding document for the Town's various departments to provide service delivery to the Town's residential and corporate citizens. The Town's budget team faced many challenges during the 2020/21 budget process. The biggest challenge was unexpected– the COVID-19 pandemic, which swept the world. Nova Scotia and Kentville were not immune. The Province declared a state of emergency in mid-March, which closed businesses and our facilities. Until COVID-19 is eradicated, we must learn new ways to live safely with this virus. The "new normal" is evolving every day. Phrases such as "social distancing" and "self isolation" are commonplace terms these days. The end result for Kentville is the cancellation of our 20/21 festivals and events, along with many Recreation programs. So, the Operating Budget looks quite different from past years. As of today, the state of emergency has not been lifted; however, businesses are permitted to open following certain protocols developed in concert with the Province.

Some details on the 20/21 Operating Budget include: the Provincial assessment **CAP** equated to **1.0%** (last year 2.9%) and provided some new revenue for 20/21 operations. The Town's assessment base increased overall by 4.2%, mainly due to extensive new residential developments. Many of the Recreation programs and other Town-related social gatherings were removed from the budget due to COVID-19. The Town's Operating Budget objectives were to maintain the tax rates and preserve our high standards for service delivery.

Senior managers presented the Operating Fund budget book to Council on May 20, 2020. This meeting culminated in property tax rates, which were forwarded to Town Council for ratification on May 25, 2020. Despite the afore-mentioned situation, for the year 2020/2021, Council was able to hold the **total Residential tax rate at the 19/20 level**. The **total Commercial rate was reduced by 1 cent/\$100**.

Capital Investment Plan 2021 to 2025

The Town's Capital Investment Plan encompasses 5 years. It was presented to Council of May 19 and again on May 29, 2020, where Council ratified the current year and approved the remaining 4 years in principle. The Capital Program for **2020/21** totals **\$2.1** million. Projects include infrastructure work on several roads, sidewalks and storm sewers, continuation of the sidewalk to the Town boundary in the west end, the purchase of various equipment for Policing, Transportation and Recreation, renewal of the Arena parking lot with light standards, the creation of new green spaces, addition of new playgrounds and the start of a dog park.

Kentville continues to be on fire with development!

Calkin Building– There are several tenants currently renting spaces in the Calkin building. The building remains for sale with a local realtor. There is much interest in the building with many showings over the past year.

Miner's Landing development is progressing in the east end of town. Two of the four buildings will be completed in 2020, with a third under construction and a fourth building planned thereafter. A trail addition will be built this year connecting the complex with the Town's trail system.

Kentville Bridge– Replacement of the bridge over the Cornwallis River continued over the past year, with pilings and girders put in place in 2019. The new deck was recently poured. The approaches to the bridge will be completed in 2020.

Kentville Business Park– In 2015, the Town purchased 42.1 acres of vacant land in the Kentville Business Park to actively pursue selling the land to industry and business. Since our purchase, many lots have been sold. The Town expanded the infrastructure creating new lots and continued interest in the park.

FW Robinson land– The Robinson land was sold in the fall of 2019. Initial plans for a building include a commercial space on the lower level and residential spaces on the upper level. Construction should begin sometime this year.

Former KCA lands- Enqore Developments submitted plans for a mixed-use residential community on the old KCA lands on School Street. Construction should begin this fiscal year.

Chrysalis House intends to break ground in 2020 for its new facility on River Street.

To conclude this report, I wish to thank Town Council for its support and direction over the past year. My gratitude goes also to the CAO, the senior management team and the Town's staff for their contributions in pushing our visions forward throughout the year. I especially want to thank my co-workers in the Finance Department for their commitment to the Town of Kentville and their pride in providing excellent service delivery to our residential and corporate citizens.

Respectfully submitted,



Debra Crowell CMM CLGA

Director of Finance

June 29, 2020

Town of Kentville
Management's Report

March 31, 2020

The accompanying consolidated financial statements, notes and schedules contained in the annual financial statement of the Town of Kentville are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA"). The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other internal controls to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded and that the financial records are reliable for the preparation of financial statements.

Town Council fulfils its responsibility through its budget committee and regular review of monthly financial reports. The budget committee consists of the Mayor, all Councillors, the Chief Administrative Officer and all Directors. This committee meets as necessary to deal with budgetary issues. Regular meetings of Town Council deal with all other financial matters including the receipt and approval of the annual audited financial statements.

The consolidated financial statements have been audited by the firm of Kent & Duffett. Their report to the Mayor and Town Council, stating the scope of their examination and opinion of the consolidated financial statements follows.



Kelly Rice
Chief Administrative Officer



Debra A. Crowell
Director of Finance

Town of Kentville
Consolidated Financial Statements
March 31, 2020

**Town of Kentville
Consolidated Financial Statements**

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INDEPENDENT AUDITOR'S REPORT

Her Worship the Mayor and Members of Council of the Town of Kentville

Opinion

We have audited the consolidated financial statements of **The Town of Kentville** which comprise the consolidated statement of financial position as at **March 31, 2020**, consolidated statement of financial activities, consolidated change in net assets and consolidated cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Town are prepared, in all material respects, 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 the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 & Those Charged with Governance for the Financial Statements

Management is responsible for the preparation 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 the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (continued)

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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.

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.

Kentville, Nova Scotia
June 29, 2020

Kent & Duffett

Chartered Professional Accountants
Registered Municipal Auditor

Town of Kentville
Consolidated Statement of Financial Position

March 31

2020

2019

Financial Assets

Cash (Note 3)	\$ 5,384,582	\$ 4,261,539
Receivables (Note 4)	1,909,312	2,041,054
Properties held for sale (Note 5 & Note 19)	67,836	145,082
	<u>7,361,730</u>	<u>6,447,675</u>
Investments (Note 6)		
Restricted	10,000,000	10,000,000
Unrestricted	3,265,260	3,121,662
	<u>13,265,260</u>	<u>13,121,662</u>
	<u>20,626,990</u>	<u>19,569,337</u>

Liabilities

Bank loan	620,803	1,007,367
Payables	2,040,662	2,110,596
Deferred revenue- obligatory reserve fund	99,525	24,624
Other	375,360	315,106
Long-term debt (Note 7)	6,362,870	6,884,020
Tax sale surplus (Note 9)	12,043	12,043
	<u>9,511,263</u>	<u>10,353,756</u>

NET FINANCIAL ASSETS

11,115,727

9,215,581

Non-Financial Assets

Tangible capital assets (Note 11)	42,225,208	42,454,176
Prepaid expenses	81,561	85,402
Other	6,162	9,933
	<u>42,312,931</u>	<u>42,549,511</u>

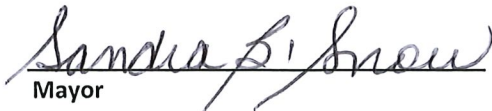
ACCUMULATED SURPLUS

\$ 53,428,658

\$ 51,765,092

On behalf of the Town

Commitments	(Note 13)
Contingencies	(Note 16)
Subsequent events	(Note 17)


 Mayor


 Chief Administrative Officer

Town of Kentville

Consolidated Statement of Operations

Year Ended March 31

2020

2019

	<u>Page</u>	<u>Budget</u> <u>unaudited</u>	<u>Actual</u>	<u>Actual</u>
Revenues				
Taxation revenue	A-25	\$ 7,096,100	\$ 7,105,050	\$ 6,781,507
Grants in lieu	A-25	500,400	512,905	509,468
Services provided	A-26	211,500	247,888	211,317
Sales of services	A-26	633,800	603,520	657,396
Other revenue from own sources	A-26	503,200	512,804	475,479
Unconditional transfers	A-26	226,900	224,478	229,684
Conditional transfers	A-26	141,200	183,006	187,858
Transfer- Federal Gas Tax		478,200	837,953	946,868
Grants		87,500	17,536	54,160
Wastewater rates		1,279,000	1,391,179	1,273,820
Water rates		1,273,800	1,263,060	1,274,999
Public fire protection		603,700	721,264	603,731
Other revenue		6,400	14,772	6,706
Interest and dividends		554,300	690,406	662,815
Capital gains		100,000	163,007	108,475
Proceeds from sale of assets		29,500	34,180	76,029
		<u>13,725,500</u>	<u>14,523,008</u>	<u>14,060,312</u>
Expenses				
General government services	A-27	1,515,700	1,533,157	1,439,615
Protective services	A-28	2,955,700	2,886,150	2,897,676
Transportation services	A-29	1,727,700	1,763,123	1,658,734
Environmental health services	A-30	701,400	687,102	674,773
Public health services	A-30	9,500	9,500	4,000
Environmental development services	A-30	681,800	684,383	667,155
Recreation and cultural services	A-31	1,360,400	1,293,288	1,297,817
Water		1,033,300	956,615	953,338
Wastewater		1,068,400	983,594	1,239,290
Net book value of tangible assets disposed			19,581	92,469
Amortization		1,972,200	2,062,384	1,956,747
Other				3,227
		<u>13,026,100</u>	<u>12,878,877</u>	<u>12,884,841</u>
Annual surplus, before Other		699,400	1,644,131	1,175,471
Other				
Properties held for sale			19,435	(727,419)
Annual surplus		699,400	1,663,566	448,052
Accumulated surplus, beginning of year		<u>51,765,100</u>	<u>51,765,092</u>	<u>51,317,040</u>
Accumulated surplus, end of year		<u>\$ 52,464,500</u>	<u>\$ 53,428,658</u>	<u>\$ 51,765,092</u>

See accompanying notes to the consolidated financial statements

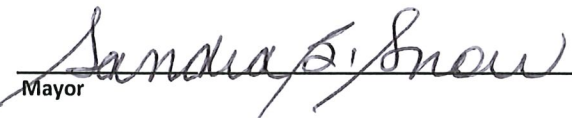
A-4

Town of Kentville
Consolidated Statement of Cash Flow

March 31

	2020	2019
	<u>Actual</u>	<u>Actual</u>
Operations		
Annual surplus	\$ 1,663,566	\$ 448,052
Amortization	2,062,384	1,956,747
Changes in non-cash working capital		
Decrease in taxes receivable	17,759	37,247
Decrease in other receivables	113,983	149,772
Decrease in properties held for sale	77,246	905,354
(Decrease) increase in payables	(69,934)	732,527
Increase (decrease) in deferred revenue- obligatory reserve fund	74,901	(476,164)
Increase in other liabilities	60,254	29,740
Decrease (increase) in non-financial assets	7,612	(2,133)
Cash from operating activities	<u>4,007,771</u>	<u>3,781,142</u>
Capital transactions		
Acquisition of tangible capital assets	(1,852,997)	(2,392,433)
Proceeds from sale of capital assets	34,180	76,029
(Gain) loss on sale of capital assets	(14,599)	16,441
Cash for capital transactions	<u>(1,833,416)</u>	<u>(2,299,963)</u>
Investments		
(Increase) in investments	<u>(143,598)</u>	<u>(112,359)</u>
Financing		
(Decrease) in bank loan	(386,564)	(547,726)
Proceeds from debt issue	731,400	916,000
Long-term debt principal repayment	(1,252,550)	(1,388,620)
Cash from financing activities	<u>(907,714)</u>	<u>(1,020,346)</u>
Change in net cash	<u>1,123,043</u>	<u>348,474</u>
Opening, net cash	4,261,539	3,913,065
Closing, net cash	<u>\$ 5,384,582</u>	<u>\$ 4,261,539</u>

On behalf of the Town


 Mayor


 Chief Administrative Officer

Town of Kentville**Consolidated Statement of Change in Net Financial Assets**

March 31

	2020	2019	
	<u>Budget</u> unaudited	<u>Actual</u> <u>Actual</u>	
Excess revenue over expenses	<u>\$ 699,400</u>	<u>\$ 1,663,566</u>	<u>\$ 448,052</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	(3,031,300)	(1,852,997)	(2,392,433)
Proceeds on disposal		34,180	76,029
(Gain) loss on disposal of tangible capital assets		(14,599)	16,441
Amortization	<u>1,972,200</u>	<u>2,062,384</u>	<u>1,956,747</u>
Decrease (increase) in net book value of tangible capital assets	<u>(1,059,100)</u>	<u>228,968</u>	<u>(343,216)</u>
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)		3,841	(4,974)
Other		<u>3,771</u>	<u>2,841</u>
Decrease (increase) in non-financial assets		<u>7,612</u>	<u>(2,133)</u>
Increase in net financial assets	<u>\$ (359,700)</u>	<u>1,900,146</u>	<u>102,703</u>
Opening, net financial assets		9,215,581	9,112,878
Closing, net financial assets		<u>\$ 11,115,727</u>	<u>\$ 9,215,581</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

1. Status of the entity

The incorporated Town of Kentville (the "Town") is a municipal government that was incorporated in 1886 pursuant to the Municipal Government Act. The Town provides or funds municipal services such as police, public works, parks and recreation, tourism and other general government operations. The Town owns one utility, has several designated special-purpose reserves and provides funding support for other financial entities involved in fire fighting, economic development, solid waste management, public transit and library services.

2. Significant accounting policies

The consolidated financial statements of the Town of Kentville are prepared by management in accordance with Canadian Public Sector Accounting Standards for local governments, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting entity

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

The financial activities of certain entities associated with the Town of Kentville are not consolidated. The Town's contributions to these entities are recorded in the Consolidated Statement of Operations. The entities that are not consolidated, along with the Town's percentage contribution, are as follows:

Kings Transit Authority (20%) (2019-20%)
Housing Nova Scotia (25%) (2019-25%)
Regional library – Annapolis Valley (5.82%) (2019-5.82%)
Annapolis Valley Centre for Education (10.3%) (2019-10.52%)
Regional sewer (40%) (2019-40%)
Valley Waste Resource Management Authority (9.95%) (2019-9.95%)

b) Basis of accounting

Revenues and expenditures are reported using the accrual basis of accounting. This basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or a legal obligation to pay.

c) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met, and reasonable estimates can be made.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

2. Significant accounting policies (continued)

d) Fund accounting

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

e) Cash and cash equivalents

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

f) Investments

The Town of Kentville uses the cost method of accounting for its portfolio investments.

g) Non-financial assets

Non-financial assets are not available to discharge the 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 ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

h) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair market value upon acquisition and are recorded as revenue.

Interest paid on projects in progress is capitalized as part of the cost of the project. During the year, \$3,931 (2019-\$6,798) of interest costs were capitalized. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over its useful life. Assets under construction are not amortized until the asset is put into use. Amortization is recorded as an expense commencing in the year following acquisition.

The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>	<u>Rate</u>
Office equipment	5 years	20%
Motor vehicles	3-5 years	33%-20%
Fixed and moveable equipment	10 years	10%
Sidewalks	20 years	5%
Municipal buildings	40 years	2.5%
Other infrastructure	50 years	2.0%

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

2. Significant accounting policies (continued)

i) Revenue recognition

Revenues are recognized as they are earned and measurable. Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made. Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be provided. These amounts will be recognized as revenue in the fiscal year the services are provided.

j) Use of estimates

In preparing the Town's consolidated financial statements, management is required to make estimates and use assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

k) Valuation allowance

Uncollected receivables

The Town provides a valuation allowance for estimated losses that will be incurred in collecting receivables outstanding.

l) Interest on reserve funds

Interest on operating and capital reserve funds is recorded as income in the Town of Kentville General Operating fund with the exception of interest earned on the funds for the administration pension, which is being accumulated in that reserve, interest earned on KWC Depreciation bank, which is being accumulated in that reserve and interest earned on Federal Gas Tax funds, which is recognized by that capital reserve.

m) Financial instruments- fair values

The estimated fair value of cash and cash equivalents, receivables, inventories, bank indebtedness and payables approximate the carrying values due to the relatively short-term nature of the instruments and /or floating interest rates on the instruments. The estimated fair value of long-term debt also approximates carrying value due to interest rates that are based on the lender's rate.

n) Taxes collected for others- education

The Province created regional centres for education under provisions in the Education Act. By Provincial statute, every municipality is required to make a mandatory contribution to education. The Annapolis Valley Regional Centre for Education (AVRCE) encompasses the following regions: Kings County, Kentville, Wolfville, Berwick and Hantsport. The total mandatory contribution is set by the Province each year.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

2. Significant accounting policies (continued)

o) Taxes collected for others- education (continued)

The AVRCE has a unique agreement and related formulae, which determines the yearly payment by each partner. Kentville's contribution in 2020 was \$1,556,256 (2019- \$1,502,640). Collection of this mandatory payment is by inclusion in the general tax levy; however, the net effect to the Town's financial results is nil, as amounts collected are forwarded to AVRCE.

p) Budget information

Budget information is presented on a basis consistent with that used for actual results.

q) Budget process

The budget amounts presented in the consolidated financial statements are based on the 2020 operating and capital budgets approved by Town Council on a cash basis. The following reconciles the approved budget to the budget amounts presented in the consolidated financial statements using the accrual basis of accounting, in accordance with Canadian public-sector standards.

	2020
Budget balance for the year (surplus)	\$7,700
Add back: amortization	(1,972,200)
proceeds new debt	(1,206,500)
transfers to/from own funds	(422,000)
Less: principal payments on debt	1,261,100
capital expenditures per budget	3,031,300
Adjusted annual surplus	\$699,400

r) Liability for contaminated site PS3260

In June 2010, the Public Sector Accounting Board issued *PS 3260 Liability for Contaminated Sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements. PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The Town has determined that none of its properties meet the criteria to recognize a liability for contaminated sites, therefore it expects no impact from adoption of PS 3260.

s) Land held for sale

Land held for sale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

3. Cash

Cash at March 31, 2020 is as follows:

	2020	2019
General operating bank	\$810,314	\$538,590
General capital bank	61,991	
Water operating bank	330,624	19,811
Water capital bank	92,911	93,395
Reserve banks		
General operating	567,796	715,793
General capital	1,469,064	1,261,857
Sanitary Sewer operating	209,188	333,669
Sanitary Sewer capital	140,370	110,370
Sanitary Sewer depreciation	184,013	130,812
Water operating	170,620	113,620
Water capital	385,449	289,454
Water depreciation	962,242	654,168
	\$5,384,582	\$4,261,539

4. Receivables

	2020		2019	
	Current Year	Prior Years	Total	Total
General Operating:				
Taxes Receivable				
Balance taxes, beginning of year		\$110,207	\$110,207	\$147,454
Current year's levy	\$9,453,464		9,453,464	9,007,431
	9,453,464	110,207	9,563,671	9,154,885
Deduct				
Current year's collection	9,293,296	109,971	9,403,267	8,969,724
Reduced taxes	67,956		67,956	74,954
	9,361,252	109,971	9,471,223	9,044,678
Balance- taxes, end of year	\$92,212	\$236	92,448	110,207
Sanitary sewer rates receivable			194,513	197,008
Other receivables			1,239,128	1,053,125
Total receivables General Operating			1,526,089	1,360,340
General Capital			67,911	104,112
Water rates and other			225,362	470,348
Special Reserves			89,950	106,254
			\$1,909,312	\$2,041,054

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

5. Land held for sale

	Opening Balance	Additions	Disposals at Cost	Balance 2020	Balance 2019
Unsold land	\$145,082	\$21,069	\$(72,841)	\$93,310	\$872,501
Allowance for loss				(25,474)	(727,419)
				\$67,836	\$145,082

Comprised of:

	2020	2019
Kentville Business Park	\$67,836	\$52,882
FW Robinson land	Nil	92,200
	<u>\$67,836</u>	<u>\$145,082</u>

FW Robinson- The FW Robinson land was sold on October 31, 2019 for \$67,000 (net of fees) and will be developed over the next two years. The Town incurred a loss on this land sale of \$25,474.

Kentville Business Park- As at March 31, 2020, it is not known if the Town will incur any losses on the sale of business park lands. Construction of new infrastructure to expand the Town-owned portion of the park was undertaken in 2018. New lots are being carved out as requests for lands occur.

6. Investments

Pursuant to revised Policy G-26, ratified by Council May 28, 2018 and the Minister for DMA on June 21, 2018 and under the guidance of the Town's Investment Committee, TD Wealth acts as custodian and fund advisor for the perpetual reserve investment fund. Investments include common shares, short-term financial instruments and long-term federal, provincial and corporate fixed-income securities.

Investments are recorded at cost. Investments in publicly-traded shares are recorded at the acquisition cost plus brokerage fees. Investments in long-term bonds are recorded at cost, net of any premium or discount. Declines in market value of investments below amortized cost are considered to be temporary in nature. Management fees are paid directly to TD Wealth out of current-period investment earnings. Capital gains can remain within the fund. Realized capital gains for the year ended March 31, 2020 are \$163,007 (2019- \$108,475).

Investment instruments include:

	2020		2019
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Short-term			
Cash and equivalents	\$867,266	\$861,871	\$1,005,913
Long-term			
Equity stock	3,919,010	3,723,040	3,870,916
Fixed income securities	8,478,984	7,914,583	8,244,833
	<u>\$13,265,260</u>	<u>\$12,499,494</u>	<u>\$13,121,662</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

7. Long term debt

	<u>2020</u>	<u>2019</u>
Municipal Finance Corporation debenture, bearing interest from 4.83%, repayable in annual instalments of \$60,000 plus interest, maturing in 2020	\$360,000	\$420,000
Municipal Finance Corporation debenture, bearing interest from 4.889%, repayable in annual instalments of \$19,650 plus interest, maturing in 2020		19,650
Municipal Finance Corporation debenture, bearing interest from 4.329%, repayable in annual instalments of \$95,830 plus interest, maturing in 2020		95,830
Municipal Finance Corporation debenture, bearing interest from 4.36%-4.5%, repayable in annual instalments of \$88,400 plus interest, maturing in 2020	88,400	176,800
Municipal Finance Corporation debenture, bearing interest from 3.69%-3.87%, repayable in annual instalments of \$22,420 plus interest, maturing in 2020	22,420	44,840
Municipal Finance Corporation debenture, bearing interest from 3.874%-4.221%, repayable in annual instalments of \$256,100 plus interest, maturing in 2021	512,200	768,300
Municipal Finance Corporation debenture, bearing interest from 2.992%-3.856%, repayable in annual instalments of \$118,560 plus interest, maturing in 2027	805,680	924,240
Municipal Finance Corporation debenture, bearing interest from 2.454%-2.979%, repayable in annual instalments of \$62,020 plus interest, maturing in 2023	248,080	310,100
Municipal Finance Corporation debenture, bearing interest from 2.516%-3.347%, repayable in annual instalments of \$92,500 plus interest, maturing in 2024	462,500	555,000
Municipal Finance Corporation debenture, bearing interest from 1.833%-2.786%, repayable in annual instalments of \$104,400 plus interest, maturing in 2025	626,400	730,800
Municipal Finance Corporation debenture, bearing interest from 1.809%-2.925%, repayable in annual instalments of \$109,920 plus interest, maturing in 2026	769,440	879,360
Municipal Finance Corporation debenture, bearing interest from 1.475%-2.653%, repayable in annual instalments of \$115,900 plus interest, maturing in 2027	927,200	1,043,100
Municipal Finance Corporation debenture, bearing interest from 2.367%-3.2995%, repayable in annual instalments of \$106,850 plus interest, maturing in 2028	809,150	916,000
Municipal Finance Corporation debenture, bearing interest from 1.982%-2.712%, repayable in annual instalments of \$73,140 plus interest, maturing in 2029	731,400	
	\$6,362,870	\$6,884,020

Town of Kentville
Notes to the Consolidated Financial Statements

March 31, 2020

7. Long term debt (continued)

Principal repayments during the next five years are due as follows:

	General Capital	Water Capital
2020	\$1,283,010	\$227,200
2021	\$812,190	\$227,200
2022	\$676,790	\$106,500
2023	\$649,230	\$60,500
2024	\$587,210	\$30,000

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

Total interest charges for debenture debt reported on the Consolidated Statement of Operations are \$193,680 (2019-\$213,721).

Of the total charges shown above, \$163,322 (2019-\$173,509) relates to general revenues of the Town of Kentville, \$23,460 (2019-\$31,694) was recovered from the water supply operation and \$6,898 (2019-\$8,518) was recovered from the sanitary sewer operation. The amounts are included on the Consolidated Statement of Operations, classified under the appropriate functional expenditure headings.

8. Deferred revenue- obligatory reserve fund

	2020	2019
Federal Gasoline tax revenue	<u>\$99,525</u>	<u>\$24,624</u>

9. Tax sale surplus

Pursuant to the Municipal Government Act, the Town of Kentville is required to record tax sale surplus funds on the Town of Kentville Operating Fund's Statement of Financial Position for a period of 20 years.

After the expiry date, the cash will be transferred to the Town Capital Reserve fund. Of the total amount, the following will be transferred as follows:

2037- \$12,043

10. Sick pay accrual

The Town of Kentville has a sick leave policy, which entitles employees with five or more years of service to a cash payment of a percentage of their accumulated sick days, on their termination of employment. The total liability at March 31, 2020 is \$606,488 (2019-\$636,417). Of this total liability, \$573,020 (2019-\$603,633) is recorded in the Town of Kentville Operating Fund and \$33,468 (2019-\$32,784) is recorded in the Kentville Water Commission Operating Fund.

Town of Kentville
Notes to the Consolidated Financial Statements

March 31, 2020

11. Tangible capital assets

	Cost Beginning of Year	Additions	Disposals	Cost End of year	Amortization 2019/20	Accumulated Amortization on Disposals	Accumulated Amortization End of Year	Net Book Value End of Year
General Capital								
Land	\$3,130,346			\$3,130,346				\$3,130,346
Land improvements	1,352,579	\$10,011		1,362,590	\$53,720		\$430,549	932,041
Buildings	6,264,761	105,023		6,369,784	202,745		3,088,848	3,280,936
Engineered structures	35,782,552	1,218,805		37,001,357	886,933		16,016,914	20,984,443
Plant & equipment	5,632,151	565,295	\$465,532	5,731,914	477,885	\$445,951	3,418,959	2,312,955
	52,162,389	1,899,134	465,532	53,595,991	1,621,283	445,951	22,955,270	30,640,721
Water Capital								
Land	144,661			144,661				144,661
Engineered structures	15,917,667	4,216		15,921,883	229,090		4,754,108	11,167,775
Plant & equipment	2,488,867	22,687		2,511,554	212,011		2,298,977	212,577
	18,551,195	26,903		18,578,098	441,101		7,053,085	11,525,013
	\$70,713,584	\$1,926,037	\$465,532	\$72,174,089	\$2,062,384	\$445,951	\$30,008,355	42,165,734
							Work in progress	59,474
								<u>\$42,225,208</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

12. Investment in capital assets

	2020	2019
Balance, beginning of year	\$35,740,600	\$34,971,573
Capital acquisitions	1,852,996	2,392,433
Debt proceeds	(1,254,754)	(1,573,488)
Repayment of debt	1,992,138	2,085,489
Properties held for sale and propane tank debt repayment	(93,088)	(86,190)
Assets disposed	(465,532)	(344,041)
Accumulated depreciation on disposal	445,951	251,571
Amortization and depreciation	(2,062,384)	(1,956,747)
	<u>415,327</u>	<u>769,027</u>
Balance, end of year	<u>\$36,155,927</u>	<u>\$35,740,600</u>

13. Commitments- leases

The Town of Kentville has entered into a number of long-term operating leases with varied expiry dates. The following is a compilation of leases as at March 31, 2020 and payments committed for these leases over the next five years.

	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$
Caterpillar- backhoe	19,249	9,624			
John Deere- tractor 4066	3,858	1,608			
John Deere- mower 997Z	1,825				
John Deere- mower 1570V	2,268				
Neopost- folder	3,525	2,644			
Xerox-photocopier- TH downstairs	3,022				
Ricoh-photocopier- TH upstairs	2,428	2,428	607		
Kyocera photocopier- Police	1,988	1,988	497		
Sharp photocopier- Library	1,013	1,013	760		
Library building lease*	76,428	76,428	76,428	76,428	76,428
	<u>115,604</u>	<u>95,733</u>	<u>78,292</u>	<u>76,428</u>	<u>76,428</u>

*The Municipality of the County of Kings and the Town of Kentville signed a funding agreement on August 19, 2016 in which the Municipality agrees to provide funding for an amount equal to half the lease cost for the Kentville Library. This agreement is in effect as long as the Kentville Library is housed in its current location.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

14. Pension plans

Two pension plans are set up for membership of all permanent employees of the Town. Contributions are shared by the Town and the members as follows: employee 7.1% and employer 7.1% of employee's pensionable earnings.

A **defined contribution pension plan** has been set up to conform to the Pension Benefits Act. All permanent employees belong to this plan. Sharing of contributions is as noted above for all employees other than CUPE Local 4403 members. CUPE Local 4403 members contribute 2.1% and the Town contributes 1.6% to this plan on behalf of CUPE Local 4403 members.

A **multi-sector pension plan** has been set up for the members of CUPE Local 4403. This Multi-Sector Pension Plan (MSPP) is offered through the Canadian Union of Public Employees (CUPE) and conforms to the Pension Benefits Act. CUPE employees shall contribute 5% to the MSPP and the employer shall contribute 5.5%. The Union acknowledges and agrees that under the current pension legislation, and/or regulations, the employer has no requirement to fund any deficit in the Plan but is required to contribute only that amount as required by the collective agreement in force between the parties.

During the year, on behalf of its employees, contributions were made as follows:

	Defined Contribution	MSPP
Town of Kentville	\$196,514 (2019-\$208,099)	\$48,576 (2019-\$48,716)
Kentville Water Utility	\$2,222 (2019-\$2,094)	\$7,819 (2019-\$7,679)

15. Rate of return on rate base

For the year ended March 31, 2020, the Town of Kentville Water Utility had a rate of return on rate base of 5.52% (2019- 4.53%). The rate of return is calculated using the amortization approved by the Nova Scotia Utility and Review Board.

16. Contingencies

a) Meadowview Landowners' Association

The Town of Kentville has received Notice of Intended Action by members of the Meadowview Community and the Meadowview Landowners' Association. To date, no action has commenced. The likelihood and the amount of any loss are not determinable at this time.

b) Kentville Volunteer Fire Department Inc.

Inter-municipal Fire Services Agreement

On January 23, 2017, a ten-year agreement between the Town of Kentville, the Municipality of the County of Kings and the Kentville Volunteer Fire Department, Inc. was ratified detailing the obligations of the partners. This agreement is for a 10-year period encompassing March 31, 2015 to March 31, 2025.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

16. Contingencies (continued)

c) Collective agreements

The collective agreement between the Town of Kentville and Atlantic Police Association (APA) Local 107 expired on March 31, 2019. Negotiations with the union will take place in 2020. The collective agreement between the Town of Kentville and CUPE Local 4403 was ratified on July 29, 2019. This contract expires March 31, 2023.

d) Valley Waste-Resource Management Authority loan guarantees

Kentville Town Council guaranteed its share of several loans taken by Valley Waste-Resource Management Authority (VWRMA). They are as follows:

Date	TBR #	Principal	Share	Amount
February 27, 2012	12/13-1	\$528,000	7.93%	\$41,870
February 25, 2013	13/14-1	\$230,000	7.94%	\$18,262
May 25, 2015	15/16-1	\$860,000	7.74%	\$66,564
July 25, 2016	16/17-1	\$399,000	9.95%	\$39,701
July 24, 2017	17/18-1	\$1,348,265	7.84%	\$105,637
January 29, 2018	17/18-2	\$514,000	9.95%	\$51,143
February 20, 2018	33-A-1	\$187,335	9.95%	\$18,640

The Town of Kentville is required to make payments on these loans only if Valley Waste-Resource Management Authority defaults. The Minister for the Nova Scotia Department of Municipal Affairs has authorized all loan guarantees.

17. Subsequent events

On July 7, 2020, the Town of Kentville will receive debenture funds in the amount of \$626,100 from Nova Scotia Municipal Finance Corporation for general purposes.

18. Other matters

The total remuneration in 2020, including benefits along with expenses, paid to each member of the council and the Chief Administrative Officer is as follows:

	Remuneration	Expenses
Mayor Snow	\$45,500	\$7,772
Andrew	24,688	6,759
Bolland	24,688	2,726
Gerrard	25,658	3,756
Maxwell	24,688	1,658
Pulsifer	24,688	2,635
Savage	26,054	3,250
CAO Rice	54,536	2,676
CAO Phillips	154,268	6,595
	<u>\$404,768</u>	<u>\$37,827</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

19. Properties held for sale

Former Kings County Academy lands

In 2012, the Town assumed title of the land occupied by the former Kings County Academy school and demolished the buildings over a two-year period. In 2016, the Town assumed title of 2.6 acres on Elizabeth Avenue formerly owned by the Annapolis Valley Regional Centre for Education. These properties were combined, deemed surplus and placed for sale. On June 1, 2018, the aforementioned lands were sold to Engore Developments Ltd. for \$190,000. The total expenditure incurred by the Town on this property equated to \$563,425. The Town incurred a loss of \$373,425 on the sale of these parcels.

Business Park lands

On December 28, 2015, the Town of Kentville purchased two lots (42.1 acres) of industrial land contained in the Kentville Business Park. The land was appraised at \$67,000 in 2014. The combined assessment at purchase was \$1,007,800. The cost of the land was \$67,000. This land is to be sold for economic development purposes.

On October 14, 2016, 3.85 acres of Business Park land were sold. The sale price was \$73,250. The net proceeds were deposited to the Town Capital Reserve for future development purposes. In December 2016, Lot TOK 3 (4.01 acres) of Business Park land was sold. The sale price was \$100,000. The net proceeds were deposited to the Town Capital Reserve for future development purposes.

In September 2017, Lot TOK 1 C [2016-2] (7.4 acres) of Business Park land was sold. The sale price was \$135,000. The payment schedule is as follows: Due on title transfer- \$90,000, fiscal 18/19- \$30,000 and fiscal 19/20- \$15,000.

On March 14, 2018, Lot 2L, Donald E. Hiltz Connector (.55 acres) of Business Park land was sold. The sale price was \$13,750. The net proceeds were deposited to the Town Capital Reserve for future development purposes.

On June 14, 2019 (Lot 2H) and September 25, 2019 (Lots 2A & 2B), three lots in the business park were sold. The sale prices were \$15,750 and \$47,000, respectively. The net proceeds were deposited to the Town Capital Reserve for future development purposes.

FW Robinson land

On August 15, 2016, the Town of Kentville purchased the FW Robinson building & land at 374 Main Street. This property had been vacant and for sale for several years. The owner did not reside in Kentville and the property's condition conflicted with the new brand messaging the Town adopted in early 2016. The property was purchased for \$170,000. The 2018 assessed value of this property was \$164,200 (AAN 04777972). The Town studied the viability of keeping the building intact through environmental and structural assessments. The costs to remediate were excessive and the building was demolished in February 2018. Demolition costs were \$255,627. The 2020 assessment of this land was \$92,200. This land was sold on October 31, 2019 for \$71,000 and the loss incurred by the Town is \$25,474.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

20. Segmented information

The Town of Kentville is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Town services are provided by departments and their activities are reported in those segments. The following departments have been separately disclosed in the segmented information along with the services they provide:

General Government services

Legislative- The Council serves as elected representatives of the Town of Kentville and collectively determines policies to be administered by Town employees, Boards and Commissions; provides the decision-making for the policy formulation and analysis process in the Town of Kentville; interprets the most important needs and aspirations of the citizens of the Town of Kentville; enhances communications between citizens and their local government in the Town of Kentville; establishes the direction and approves appropriate matters in conducting Town affairs.

General Administration provides the formulation, evaluation and implementation of Council policies, procedures and directives; recommends the establishment of policy, including the addition, deletion and modification to policy; provides continuing advice, guidance and assistance to Council and related committees and boards; ensures proper management and utilization of financial resources in a legally correct, responsible way following all guidelines as they pertain to municipal finance; provides mandatory transfer for assessment services.

Protective services

Police Protection- The Kentville Police Service is committed to building a safe community for the citizens through community partnerships, education and crime prevention, social development, excellence in service delivery, and professionalism practices by a commitment to community-based policing. **Law Enforcement** provides Provincial mandatory transfers for correctional services and prosecutorial services, along with by-law enforcement. **Fire Protection** provides services in an emergency capacity for the Town of Kentville; responds to emergency calls - fire, accident; supplies hydrants for firefighting purposes. **Emergency measures** provides central contact for Emergency Measures Organization; provides protection to its citizens in emergency situations; provides control of pests and animals; ensures the safety of citizens; ensures buildings are safe structurally and comply with building code legislation and fire code legislation.

Transportation services

Common Services provides the administration and provision of engineering and works; provides services to maintain the roadway systems, the waste water systems and street lighting; preserves and safeguards the investment made in infrastructure and equipment. **Environmental Health services** provide collection of solid waste and recyclables in an efficient and environmentally-friendly manner. To provide for the disposal of sewage in an environmentally acceptable manner by building and maintaining appropriate infrastructure. To ensure proper treatment of effluents as a partner in the regional sewage treatment plant.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

20. Segmented Information (continued)

Public Health and Welfare services

Public Health and Welfare provides a mandatory transfer to the Regional Housing Authority; provides support for local social programs.

Environmental Development services

Environmental Planning and Zoning administers policy and enforces codes, bylaws and regulations pertaining to use of land within the Town; administers Municipal Planning Strategy and Land Use Bylaw; provides natural resource development. **Community development** provides funding to the Regional Economic Network (REN 3), Kentville Business Community (KBC) and provides a capacity for promotion of the Town.

Recreation services

Recreation provides and facilitates quality leisure services for citizens of all ages in the Town (and County); provides the widest possible variety of constructive leisure pursuits including a pool, a splash pad, an arena, parks, walking and biking trails, passive recreation facilities; provides for cultural facilities such as a library and museum along with a mandatory transfer to the Regional Library.

Education services

Education provides the mandatory appropriations to Regional School Board for its provision of education services within the Annapolis Valley Regional Centre for Education.

Water services

The Kentville Water Utility provides the delivery of drinking water through the supply, pumping, treatment and distribution of potable water to its users.

Methodologies

Certain allocation methodologies are employed in the preparation of the segmented financial information. The General Operating Fund reports on municipal services that are funded primarily by property taxation and rates. The Kentville Water Operating Fund reports on municipal services that are funded primarily by rates.

The accounting policies used in these separate segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information, see the Schedules to the Consolidated Statement of Financial Activities (pp. A-25 to A-32).

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2020

21. Accumulated surplus

	2020	2019
Surpluses (deficits)		
General operating fund	\$Nil	\$Nil
General capital fund	(954,628)	(1,094,791)
Water operating fund	270,023	263,522
Water capital fund	82,102	78,102
Reserve funds	17,875,234	16,777,659
	<u>17,272,731</u>	<u>16,024,492</u>
Invested in tangible capital assets (net)	<u>36,155,927</u>	<u>35,740,600</u>
Total accumulated surplus	<u>\$53,428,658</u>	<u>\$51,765,092</u>

22. Kentville Water Utility- depreciation

On April 1, 2010, the Kentville Water Commission adopted **Section 3042** of the Nova Scotia Utility and Review Board Accounting Manual for Water Utilities- **Capital Asset Useful Life Guidelines**, which cites the recommended depreciation guidelines for a water utility. Kentville Water Commission applies these new depreciation rates on its newly-constructed tangible capital assets.

The rates are prescribed as follows:

Classification		Useful life	Annual Depreciation Rate
Structures	Wells	40 years	2.5%
	Pumping	50 years	2.0%
	Distribution reservoirs	75 years	1.3%
	Treatment plant	50 years	2.0%
Equipment	Pumping	10 years	10%
	Equipment	5 years	20%
Mains	Transmission/Distribution	75 years	1.3%
Meters		25 years	4.0%
Hydrants		75 years	1.3%
Services		50 years	2.0%

Town of Kentville
Notes to the Consolidated Financial Statements
 March 31, 2020

23. Consolidated expenses by object

	2020	2019
Remuneration	\$4,897,806	\$4,773,037
Contracted services	840,345	809,913
Purchased goods & services from the public sector	844,652	822,078
Materials, goods, supplies and utilities	3,377,119	3,555,148
Grants and transfers to organizations	442,587	452,658
Transfers to Province	139,710	136,047
Allowance for doubtful accounts	33,618	41,747
Other expenses	825	1,252
Interest on long-term debt	193,677	213,722
Bank charges and short-term interest	26,573	26,796
Amortization, write-downs, net gains/losses	2,081,965	2,052,443
Total consolidated expenses by object	\$12,878,877	\$12,884,841

24. Amounts contributed for provincially-mandated services:

	Budget	2020	2019
Assessment services	\$90,400	\$90,416	\$88,899
Correctional & prosecutorial services	95,500	97,663	95,529
Housing	90,000	49,433	58,041
Regional library	37,000	36,948	36,948
Education	1,556,300	1,556,256	1,502,640
	<u>\$1,869,200</u>	<u>\$1,830,716</u>	<u>\$1,782,057</u>

Education

Provincial statute requires that every municipality make a mandatory contribution to its centre for education. The Annapolis Valley Regional Centre for Education (AVRCE) encompasses the following locales: Kings County, Kentville, Wolfville, Berwick and Hantsport. The total mandatory contribution is set by the Province each year.

Assessment services

The Town is required to pay a share of the cost of operating the Property Valuation Services Corporation based on the total municipal assessment times the average of the Town's share of the Uniform Assessment and the Town's share of assessment accounts. This expense is included in general government services.

Correctional & prosecution services

Municipalities in Nova Scotia are required to make a mandatory contribution to fund the cost of correctional and prosecutorial services. The contributions are set by provincial formula and are included in protective services.

Town of Kentville**Notes to the Consolidated Financial Statements**March 31, 2020

24. Amounts contributed for provincially-mandated services (continued)**Housing**

The Town is required to pay a share of the costs of the operations of social housing located in Kentville provided by Housing Nova Scotia. This expense is included in public health services.

Regional library

The Town is required to pay a share of the costs of operations of the Annapolis Valley Regional library. This expense is included in recreation services.

25. Dispute- Town of Kentville Sanitary Sewer Area Service and the Municipality of County of Kings

The Town of Kentville and the Municipality of County of Kings continue to disagree over the cost-sharing formula related to county residents connected to the Town's sanitary sewer area service. The disagreement encompasses the years 2014/15 to 2017/18. In 2019, Town Council gave direction to the CAO to proceed to arbitration. The change in Chief Administrative Officer in Fall 2019 created a pause in this process. The Town met with its solicitors in January 2020 to bring the new CAO up-to-speed on the matter and to map out a plan going forward. The Town reached out on two occasions to resolve the issue between staff but to no avail. The Town has instructed its legal counsel to proceed to the arbitration. The outcome cannot be determined and therefore no contingency has been accrued.

26. Comparative figures

In some instances, comparative figures have been reclassified to conform to current year's financial statement presentation.

Town of Kentville

Schedules to Consolidated Statement of Financial Activities

Year Ended March 31

2020

2019

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
TAXATION REVENUE			
Assessable property			
Residential	\$ 5,950,000	\$ 5,938,325	\$ 5,696,925
Commercial			
Commercial property	1,989,400	1,953,793	1,891,538
Resource			
Taxable assessments	41,800	40,579	41,527
Forest (less than 50,000 acres)	100	85	85
Other assessable property taxes			
Farm property acreage	500	553	542
	<u>7,981,800</u>	<u>7,933,335</u>	<u>7,630,617</u>
Special tax agreements			
Bell Aliant-based on revenue	38,700	38,655	42,144
Business Park- based on Special Tax Legislation	686,900	705,713	636,163
	<u>725,600</u>	<u>744,368</u>	<u>678,307</u>
Subtotal assessable property	8,707,400	8,677,703	8,308,924
Other rates, charges and assessments			
Economic development	111,800	111,528	109,816
Special assessments- betterments	8,500	6,825	8,777
Fire area rate	161,900	161,178	165,151
Fire protection rate	414,700	496,230	414,763
Transfer to volunteer fire department-Fire area rate	(161,900)	(161,178)	(165,151)
Transfer to Kentville water utility-Fire protection rate	(414,700)	(496,230)	(414,763)
	<u>120,300</u>	<u>118,353</u>	<u>118,593</u>
Total taxation revenue levied	8,827,700	8,796,056	8,427,517
Expenditures as a reduction of tax revenue			
Appropriation for education	(1,556,300)	(1,556,256)	(1,502,640)
Transfer to Province, Corrections	(85,300)	(85,317)	(85,329)
Deficit of Housing Nova Scotia	(90,000)	(49,433)	(58,041)
	<u>(1,731,600)</u>	<u>(1,691,006)</u>	<u>(1,646,010)</u>
	<u>\$ 7,096,100</u>	<u>\$ 7,105,050</u>	<u>\$ 6,781,507</u>
GRANTS IN LIEU OF TAXES			
Federal government	<u>\$ 392,600</u>	<u>\$ 399,652</u>	<u>\$ 391,644</u>
Provincial government			
Provincial property	107,800	113,253	117,824
	<u>\$ 500,400</u>	<u>\$ 512,905</u>	<u>\$ 509,468</u>

See accompanying notes to the consolidated financial statements

A-25

Town of Kentville**Schedules to Consolidated Statement of Financial Activities**

Year Ended March 31

2020

2019

	Budget unaudited	Actual	Actual
SERVICES PROVIDED TO OTHER GOVERNMENTS			
Provincial government	\$ 113,600	\$ 118,775	\$ 113,649
Other local government	97,900	129,113	97,668
	<u>\$ 211,500</u>	<u>\$ 247,888</u>	<u>\$ 211,317</u>
SALES OF SERVICES			
Administration	\$ 37,900	\$ 37,195	\$ 36,445
Protective services	590,000	561,977	615,326
Transportation services	1,500		1,277
Recreation services	4,400	4,348	4,348
	<u>\$ 633,800</u>	<u>\$ 603,520</u>	<u>\$ 657,396</u>
OTHER REVENUE FROM OWN SOURCES			
Licenses and permits	\$ 10,300	\$ 9,793	\$ 9,430
Fines	32,000	39,782	32,965
Rentals	419,000	415,773	385,420
Miscellaneous	41,900	47,456	47,664
	<u>\$ 503,200</u>	<u>\$ 512,804</u>	<u>\$ 475,479</u>
UNCONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS			
Provincial government			
Municipal Grants Act- Equalization	\$ 167,800	\$ 167,850	\$ 167,850
NSPI- Grant in lieu of taxes	8,100	8,165	8,051
NSPI- HST offset	51,000	48,463	53,783
	<u>\$ 226,900</u>	<u>\$ 224,478</u>	<u>\$ 229,684</u>
CONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS			
Federal government			
Canada summer jobs	\$ 9,400	\$ 10,054	\$ 17,808
Senior mentoring program			22,800
	<u>9,400</u>	<u>10,054</u>	<u>40,608</u>
Provincial government			
Law enforcement	100,000	124,227	104,714
Transportation		1,163	
Recreation	25,000	36,454	37,885
	<u>125,000</u>	<u>161,844</u>	<u>142,599</u>
Other	6,800	11,108	4,651
	<u>\$ 141,200</u>	<u>\$ 183,006</u>	<u>\$ 187,858</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville**Schedules to Consolidated Statement of Financial Activities**

Year Ended March 31

2020

2019

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
General government services			
Legislative			
Mayor's remuneration	\$ 46,000	\$ 45,800	\$ 40,070
Mayor's expenses	10,000	7,772	6,899
Legislative benefits	11,500	11,597	8,617
Council remuneration	152,200	151,664	136,600
Council expense	26,300	23,132	29,849
	<u>246,000</u>	<u>239,965</u>	<u>222,035</u>
General administration			
Administrative and financial management	793,100	823,142	742,645
Taxation			
Reduced taxes (MGA, Section 69)	13,000	16,155	22,076
Reduced taxes (MGA, Section 71)	52,400	51,801	52,878
Property Valuation Services Corporation	90,400	90,416	88,899
Common services	125,600	141,489	132,521
Other general administrative services	20,000	20,685	20,380
	<u>1,094,500</u>	<u>1,143,688</u>	<u>1,059,399</u>
Debt charges			
Interest on long-term debt	5,100	4,990	5,568
Term loan interest		17	
Debenture discount	5,700	5,688	5,325
	<u>10,800</u>	<u>10,695</u>	<u>10,893</u>
Valuation allowances			
Uncollectible receivables	2,200	6,516	2,921
Accrued liability	65,000	27,102	38,826
	<u>67,200</u>	<u>33,618</u>	<u>41,747</u>
Other general government services			
Conventions and travel	20,000	17,358	20,428
Liability insurance	14,500	16,312	13,010
Grants	1,500	1,500	
Legal and audit	22,200	33,031	25,451
Management fees, perpetual investment fund	37,000	35,796	36,318
Other	2,000	1,194	10,334
	<u>97,200</u>	<u>105,191</u>	<u>105,541</u>
	<u>\$ 1,515,700</u>	<u>\$ 1,533,157</u>	<u>\$ 1,439,615</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville**Schedules to Consolidated Statement of Financial Activities**

Year Ended March 31

2020**2019**

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Protective services			
Police protection			
Administration	\$ 590,200	\$ 603,055	\$ 588,288
Crime investigation, prevention and protective services	1,756,900	1,666,441	1,775,170
Training	20,000	35,980	19,806
Police station and buildings	64,800	53,094	62,232
Police automotive equipment	53,800	51,529	53,388
Other	4,100	3,289	3,827
	<u>2,489,800</u>	<u>2,413,388</u>	<u>2,502,711</u>
Law enforcement			
Transfer to Province- Prosecuting attorney	10,200	12,346	10,200
Legal	50,000	22,055	13,673
Other	84,000	62,311	62,369
	<u>144,200</u>	<u>96,712</u>	<u>86,242</u>
Fire protection			
Transfer- Kentville Volunteer Fire Department- Operating	<u>183,600</u>	<u>183,474</u>	<u>174,612</u>
Emergency measures			
Emergency measures	32,000	91,960	27,809
Animal control	12,000	761	3,358
Building inspection	32,900	34,440	32,052
Fire inspection	30,000	41,750	41,864
Other	10,000	2,539	5,520
	<u>116,900</u>	<u>171,450</u>	<u>110,603</u>
Debt charges			
Term loan interest		97	
Interest on long-term debt	21,200	21,029	23,508
	<u>21,200</u>	<u>21,126</u>	<u>23,508</u>
	<u>\$ 2,955,700</u>	<u>\$ 2,886,150</u>	<u>\$ 2,897,676</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville**Schedules to Consolidated Statement of Financial Activities**

Year Ended March 31

2020**2019**

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Transportation services			
Common services			
Administration	\$ 218,800	\$ 157,617	\$ 136,523
Professional services	5,000	50,880	5,407
General equipment	298,000	316,368	286,870
Small tools and equipment	8,000	6,852	11,875
Workshops, yards, buildings	<u>39,200</u>	<u>40,509</u>	<u>40,337</u>
	<u>569,000</u>	<u>572,226</u>	<u>481,012</u>
Road transport			
Roads and streets	518,000	499,904	493,453
Street lighting	155,000	177,065	153,523
Traffic services	58,800	65,042	64,454
Parking	46,100	42,312	40,644
Other road transport	4,400	7,171	3,935
Other transportation			
Private work - other	25,000	18,658	20,339
Private work - water	<u>71,800</u>	<u>74,284</u>	<u>74,008</u>
	<u>879,100</u>	<u>884,436</u>	<u>850,356</u>
Public transit operating contribution	190,400	218,423	228,357
Public transit special contribution	<u>14,900</u>	<u>14,900</u>	<u>14,600</u>
	<u>205,300</u>	<u>233,323</u>	<u>242,957</u>
Debt charges			
Term loan interest	1,400	1,678	661
Interest on long-term debt	<u>72,900</u>	<u>71,460</u>	<u>83,748</u>
	<u>74,300</u>	<u>73,138</u>	<u>84,409</u>
	<u>\$ 1,727,700</u>	<u>\$ 1,763,123</u>	<u>\$ 1,658,734</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville**Schedules to Consolidated Statement of Financial Activities**

Year Ended March 31

2020

2019

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Environmental health services			
Garbage and waste collection and disposal			
Garbage and waste collection	\$ 39,000	\$ 24,171	\$ 31,471
Municipal dumps	8,000	6,060	8,000
Valley Waste Resource Management Authority	652,900	656,871	635,302
Other	1,500		
	<u>\$ 701,400</u>	<u>\$ 687,102</u>	<u>\$ 674,773</u>
Public health services			
Other	<u>\$ 9,500</u>	<u>\$ 9,500</u>	<u>\$ 4,000</u>
Environmental development services			
Environmental planning and zoning			
Administration	\$ 223,500	\$ 220,370	\$ 211,114
Research and planning	5,000	3,791	3,486
Legal	10,000	14,212	27,775
Other planning and zoning	1,000		650
	<u>239,500</u>	<u>238,373</u>	<u>243,025</u>
Community development			
Transfers to Regional Economic Network	26,600	25,103	26,024
Transfer for economic development	86,700	86,700	84,600
Other community development	21,000	15,829	21,724
	<u>134,300</u>	<u>127,632</u>	<u>132,348</u>
Natural resource development	<u>6,500</u>	<u>8,953</u>	<u>2,483</u>
Debt charges			
Term loan interest	5,500	4,417	6,000
Interest on long-term debt	37,700	36,363	34,083
	<u>43,200</u>	<u>40,780</u>	<u>40,083</u>
Other environmental development services			
Tourism and other development services	<u>258,300</u>	<u>268,645</u>	<u>249,216</u>
	<u>\$ 681,800</u>	<u>\$ 684,383</u>	<u>\$ 667,155</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville**Schedules to Consolidated Statement of Financial Activities**

Year Ended March 31

2020

2019

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Recreation and cultural services			
Recreation facilities			
Administration	\$ 480,700	\$ 471,728	\$ 447,749
Swimming pool	19,800	16,707	20,920
Arena	344,200	324,154	329,803
Parks and playgrounds	163,600	170,083	164,963
Recreation centre	40,400	39,336	38,535
Other recreation facilities	21,700	18,033	19,935
	<u>1,070,400</u>	<u>1,040,041</u>	<u>1,021,905</u>
Cultural buildings and facilities			
Library, museum and cultural	91,900	93,788	88,107
Transfer to Province- Regional Library	37,000	36,948	36,948
	<u>128,900</u>	<u>130,736</u>	<u>125,055</u>
Debt charges			
Term loan interest	1,100	708	2,392
Debenture interest	30,700	29,480	26,603
	<u>31,800</u>	<u>30,188</u>	<u>28,995</u>
Other recreational and cultural services			
Recreation grants and programs	58,300	43,182	53,684
Tree maintenance	71,000	49,141	68,178
	<u>129,300</u>	<u>92,323</u>	<u>121,862</u>
	<u>\$ 1,360,400</u>	<u>\$ 1,293,288</u>	<u>\$ 1,297,817</u>
Administration and general			
Supervision	\$ 14,600	\$ 14,610	\$ 14,250
Meter reading	38,800	35,816	34,904
Consumer billing and accounting	24,400	24,350	23,750
Officers' and executives' salaries	19,200	19,200	18,400
Other general office salaries	23,400	23,333	22,850
General office expense	13,900	13,024	13,784
Legal	500		
Audit	7,200	7,014	7,039
Rent	12,000	12,000	12,000
Regulatory expense	3,800	3,557	3,592
Insurance	11,700	11,742	9,934
Employee welfare	35,200	34,336	33,048
Training	5,000	4,183	4,436
Transportation	8,900	9,835	11,270
Professional studies	3,000	2,297	2,820
Miscellaneous, general expenses	13,800	12,052	11,939
	<u>\$ 235,400</u>	<u>\$ 227,349</u>	<u>\$ 224,016</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville**Schedules to Consolidated Statement of Financial Activities**

Year Ended March 31

2020

2019

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Supply			
Supervision and engineering	\$ 10,200	\$ 7,223	\$ 6,239
Labor	7,700	7,163	6,981
Supplies and expense	1,300	410	3,155
	<u>\$ 19,200</u>	<u>\$ 14,796</u>	<u>\$ 16,375</u>
Pumping			
Supervision and engineering	\$ 10,300	\$ 7,223	\$ 6,239
Labor	7,700	7,163	6,981
Supplies and expense	165,000	187,026	168,752
	<u>\$ 183,000</u>	<u>\$ 201,412</u>	<u>\$ 181,972</u>
Purification			
Supervision and engineering	\$ 13,700	\$ 9,631	\$ 8,319
Labor	62,000	57,306	55,847
Supplies and expense	214,800	189,366	217,142
	<u>\$ 290,500</u>	<u>\$ 256,303</u>	<u>\$ 281,308</u>
Transmission and distribution			
Supervision and engineering	\$ 34,200	\$ 24,078	\$ 20,798
Operation and meters	24,500	22,690	20,942
Maintenance of mains	90,000	79,847	37,384
Maintenance of services	65,000	60,479	78,432
Maintenance of meters	12,100	2,478	17,045
Maintenance of hydrants	26,000	25,535	33,542
Maintenance of other distribution plant	20,000	5,877	6,833
	<u>\$ 271,800</u>	<u>\$ 220,984</u>	<u>\$ 214,976</u>
Other			
Other	<u>\$ 500</u>	<u>\$ 71</u>	<u>\$ 373</u>
Debt charges			
Interest on long-term debt	23,400	23,460	31,695
Other debt charges	3,700	3,771	3,771
	<u>27,100</u>	<u>27,231</u>	<u>35,466</u>
Valuation allowances			
Allowance for uncollectibles	5,000	7,784	(1,952)
Accrued liability	800	684	804
	<u>5,800</u>	<u>8,468</u>	<u>(1,148)</u>
	<u>\$ 33,400</u>	<u>\$ 35,770</u>	<u>\$ 34,691</u>

See accompanying notes to the consolidated financial statements

A-32

Town of Kentville**Schedule of General Operating Fund and Sanitary Sewer Area Service**

Year Ended March 31

2020**2019**

		<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenue				
Taxation revenue	A-25	\$ 7,096,100	\$ 7,105,050	\$ 6,781,507
Grants in lieu	A-25	500,400	512,905	509,468
Services provided	A-26	211,500	247,888	211,317
Sales of services	A-26	633,800	603,520	657,396
Other revenue from own sources	A-26	503,200	512,804	475,479
Interest		119,300	173,024	143,742
Unconditional transfers	A-26	226,900	224,478	229,684
Conditional transfers	A-26	141,200	183,006	187,858
Rates		1,279,000	1,391,179	1,273,820
Other		1,300	1,500	1,725
		<u>10,712,700</u>	<u>10,955,354</u>	<u>10,471,996</u>
Expenditures				
General government services		1,478,700	1,497,361	1,403,297
Protective services	A-28	2,955,700	2,886,150	2,897,676
Transportation services	A-29	1,727,700	1,763,123	1,658,734
Environmental health services	A-30	701,400	687,102	674,773
Public health services	A-30	9,500	9,500	4,000
Environmental development services	A-30	681,800	684,383	667,155
Recreation and cultural services	A-31	1,360,400	1,293,288	1,297,817
Wastewater				
Administration		171,500	134,008	348,517
Wastewater maintenance		72,400	37,651	50,022
Pumping stations		56,300	42,636	92,072
Treatment		761,300	762,401	740,162
Other		6,900	6,898	8,518
		<u>9,983,600</u>	<u>9,804,501</u>	<u>9,842,743</u>
Net revenues		729,100	1,150,853	629,253
Net transfers		<u>(727,900)</u>	<u>(802,061)</u>	<u>(604,448)</u>
Change in operating surplus		<u>\$ 1,200</u>	348,792	24,805
Opening fund balance			Nil	Nil
Current year surplus transferred to reserve funds			<u>(348,792)</u>	<u>(24,805)</u>
Ending surplus			<u>\$ Nil</u>	<u>\$ Nil</u>

See accompanying notes to the consolidated financial statements

A-33

Town of Kentville**Schedule of General Operating Fund and Sanitary Sewer Area Service**

Year Ended March 31

	2020	2019
	<u>Actual</u>	<u>Actual</u>
Change in operating surplus (page A-33)	<u>\$ 348,792</u>	<u>\$ 24,805</u>
Ending surplus, General Operating	\$ 149,734	\$ 24,805
Ending surplus, Sanitary Sewer Area Service (restricted)	<u>199,058</u>	<u>Nil</u>
Combined ending surplus, before transfers	<u>\$ 348,792</u>	<u>\$ 24,805</u>

Town of Kentville
Schedule of General Capital Fund
Year Ended March 31

	2020	2019	
	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenue			
Grants - contribution	\$ 87,500	\$ 13,536	\$ 48,525
Capital contribution		1,000	5,635
Proceeds on sale	29,500	34,180	76,029
Proceeds on sale- properties held for sale		44,909	
	<u>117,000</u>	<u>93,625</u>	<u>130,189</u>
Expenditures			
General government service	88,500	66,109	58,315
Protective services	108,500	107,861	102,016
Transportation services	1,396,400	1,236,697	1,249,933
Environmental health services	210,000	72,099	130,664
Environmental development services	82,000	40,632	36,696
Recreation and cultural services	763,100	302,696	385,998
Write down- properties held for sale		25,474	727,419
	<u>2,648,500</u>	<u>1,851,568</u>	<u>2,691,041</u>
Net (expenditure)	(2,531,500)	(1,757,943)	(2,560,852)
Issue of debt	1,206,500	1,254,754	1,420,988
Repayment of debt	(1,033,900)	(1,764,938)	(1,705,789)
Recoveries		93,088	86,190
Net transfers	<u>2,358,900</u>	<u>2,315,202</u>	<u>2,201,179</u>
Change in fund balance	<u>\$ Nil</u>	140,163	(558,284)
Opening fund balance		<u>(1,094,791)</u>	<u>(536,507)</u>
Closing fund balance		<u>\$ (954,628)</u>	<u>\$ (1,094,791)</u>

Town of Kentville**Schedule of General Capital Fund Investment in Capital Assets**

Year Ended March 31

	2020	2019
	<u>Actual</u>	<u>Actual</u>
Tangible capital assets	<u>\$ 53,655,467</u>	<u>\$ 52,294,905</u>
Accumulated amortization	(22,955,268)	(21,779,936)
Outstanding debt and loans	(6,331,177)	(6,908,360)
Properties held for sale debt and loans	391,502	511,452
Propane tank debenture	<u>521,794</u>	<u>561,932</u>
	<u>(28,373,149)</u>	<u>(27,614,912)</u>
Investment in capital assets	25,282,318	24,679,993
Fund balance	<u>(954,628)</u>	<u>(1,094,791)</u>
	<u>\$ 24,327,690</u>	<u>\$ 23,585,202</u>

See accompanying notes to the consolidated financial statements

A-36

Town of Kentville
Schedule of Water Operating Fund

Year Ended March 31

	2020	2019
	<u>Budget</u> unaudited	<u>Actual</u> <u>Actual</u>
Revenue		
Metered	\$ 1,264,500	\$ 1,253,093
Flat rate	9,300	9,967
Public fire protection	603,700	603,731
Other	10,100	10,071
	<u>1,887,600</u>	<u>1,992,123</u>
Expenditures		
Source of supply	19,200	14,796
Power and pumping	183,000	201,412
Water treatment	290,500	256,303
Transmission and distribution	271,800	220,984
Administration and general	235,400	227,349
Fiscal	23,400	23,460
Other	10,000	12,310
	<u>1,033,300</u>	<u>956,614</u>
Net revenues	854,300	1,035,509
Net transfers and depreciation	<u>(847,800)</u>	<u>(1,029,008)</u>
Change in fund balance	<u>\$ 6,500</u>	<u>10,200</u>
Opening fund balance		<u>263,522</u>
Closing fund balance		<u>\$ 270,023</u>
<hr/>		
Change in fund balance	\$ 6,501	\$ 10,200
Add: transfer, accumulated surplus	<u>100,000</u>	<u>100,000</u>
Excess revenue	<u>\$ 106,501</u>	<u>\$ 110,200</u>

See accompanying notes to the consolidated financial statements

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Town of Kentville
Schedule of Water Capital Fund
Year Ended March 31

		2020	2019
	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenue			
Other		<u>\$ 4,000</u>	
Expenditures			
Capital expenditures	<u>\$ 382,800</u>	<u>26,903</u>	<u>\$ 428,811</u>
Net (expenditure)	(382,800)	(22,903)	(428,811)
Issue of debt			152,500
Repayment of debt	(227,200)	(227,200)	(379,700)
Net transfers	<u>610,000</u>	<u>254,103</u>	<u>659,880</u>
Change in fund balance	<u>\$ Nil</u>	4,000	3,869
Opening fund balance		<u>78,102</u>	<u>74,233</u>
Closing fund balance		<u>\$ 82,102</u>	<u>\$ 78,102</u>

Town of Kentville**Schedule of Water Capital Fund Investment in Capital Assets**

Year Ended March 31

	2020	2019
	<u>Actual</u>	<u>Actual</u>
Tangible capital assets	<u>\$ 18,578,097</u>	<u>\$ 18,551,195</u>
Accumulated amortization and depreciation	(7,053,088)	(6,611,987)
Outstanding debt	<u>(651,400)</u>	<u>(878,601)</u>
	<u>(7,704,488)</u>	<u>(7,490,588)</u>
Investment in capital assets	10,873,609	11,060,607
Fund balance	<u>82,102</u>	<u>78,102</u>
	<u>\$ 10,955,711</u>	<u>\$ 11,138,709</u>

	2020										2019		
	General			Sanitary Sewer			Water			Total	Actual		
	Operating	Capital	Perpetual	Operating	Capital	Depreciation	Operating	Capital	Depreciation				
Financial Assets													
Cash	\$ 567,796	\$ 1,469,064		\$ 209,188	\$ 140,370	\$ 184,013	\$ 170,620	\$ 385,449	\$ 962,242	\$ 4,088,742	\$ 4,615,655		
Receivables	149,819	327	\$ 88,907	199,058				195,261	1,226	634,598	254,054		
	<u>717,615</u>	<u>1,469,391</u>	<u>88,907</u>	<u>408,246</u>	<u>140,370</u>	<u>184,013</u>	<u>170,620</u>	<u>580,710</u>	<u>963,468</u>	<u>4,723,340</u>	<u>4,869,709</u>		
Investments (Note 6)	717,615	1,469,391	13,265,260	408,246	140,370	184,013	170,620	580,710	963,468	13,265,260	12,115,750		
			<u>13,354,167</u>							<u>17,988,600</u>	<u>16,985,459</u>		
Liabilities													
Payables									13,841	13,841	183,176		
Deferred revenue			99,525							99,525	24,624		
			<u>99,525</u>						<u>13,841</u>	<u>113,366</u>	<u>207,800</u>		
NET FINANCIAL ASSETS	717,615	1,369,866	13,354,167	408,246	140,370	184,013	170,620	580,710	949,627	17,875,234	16,777,659		
FUND BALANCES	\$ 717,615	\$ 1,369,866	\$ 13,354,167	\$ 408,246	\$ 140,370	\$ 184,013	\$ 170,620	\$ 580,710	\$ 949,627	\$ 17,875,234	\$ 16,777,659		

See accompanying notes to the consolidated financial statements

	2020										2019	
	Budget unaudited	General			Sanitary Sewer			Water		Total	Actual	
		Operating	Capital	Perpetual	Operating	Capital	Depreciation	Operating	Capital			Depreciation
Revenue												
Transfer- Federal Gas Tax	\$ 478,200	\$ 837,953							\$ 837,953		\$ 946,868	
Grants- donation		3,000							3,000			
Interest/dividends	430,000	5,152	\$ 488,124							\$ 17,571	513,983	
Capital gains	100,000		163,007						163,007		108,475	
Other		6,589							6,589			
	<u>1,008,200</u>	<u>8,008</u>	<u>846,105</u>	<u>651,131</u>					<u>17,571</u>	<u>1,522,815</u>	<u>1,569,326</u>	
Expenditures												
Administration	37,000		35,796							35,796	36,318	
Other										<u>35,796</u>	<u>3,227</u>	
											<u>39,545</u>	
Net revenues	<u>971,200</u>	<u>8,008</u>	<u>846,105</u>	<u>615,335</u>					<u>17,571</u>	<u>1,487,019</u>	<u>1,529,781</u>	
Net transfers	<u>(971,200)</u>	<u>(31,114)</u>	<u>(688,710)</u>	<u>(460,000)</u>					<u>282,860</u>	<u>(389,444)</u>	<u>(1,306,541)</u>	
Change in fund balance	\$ Nil	<u>(23,106)</u>	<u>157,395</u>	<u>155,335</u>					<u>300,431</u>	<u>1,097,575</u>	<u>223,240</u>	
Opening fund balance		<u>740,721</u>	<u>1,212,471</u>	<u>13,198,832</u>					<u>170,620</u>	<u>16,777,659</u>	<u>16,554,419</u>	
Closing fund balance		<u>\$ 717,615</u>	<u>\$ 1,369,866</u>	<u>\$ 13,354,167</u>					<u>\$ 170,620</u>	<u>\$ 17,875,234</u>	<u>\$ 16,777,659</u>	

See accompanying notes to the consolidated financial statements

Town of Kentville
Schedule to the Consolidated Financial Statements- Segmented Information
For the year ended March 31, 2020

	General Government	Protective services	Transportation services	Environmental health services	Public health services	Planning & development	Recreation & culture	Water services	Wastewater services	Total
Revenues										
Taxation revenue	\$ 7,105,050									\$ 7,105,050
Grants in lieu	512,905									512,905
Services provided	\$	118,775	\$ 24,718				104,395			247,888
Sales of services	37,195	561,977					4,348			603,520
Other revenue from own sources	87,339	47,791	6,000			\$ 24,737	346,937			512,804
Unconditional transfers	224,478									224,478
Conditional transfers		125,027	3,171				54,808			183,006
Transfer - Federal Gas Tax	837,953									837,953
Grants	17,536									17,536
Wastewater rates								\$ 1,391,179		1,391,179
Water rates							\$ 1,263,060			1,263,060
Public fire protection							721,264			721,264
Other revenue			6,589				6,683	1,500		14,772
Interest and dividends	680,278						5,118	5,010		690,406
Capital gains	163,007									163,007
Proceeds from sale of assets		10,180	15,000			9,000				34,180
	9,665,741	863,750	55,478			24,737	519,488	1,996,125	1,397,689	14,523,008
Expenses										
Salaries, wages and benefits	885,914	2,092,848	432,387	\$ 18,401		321,313	745,039	294,123	107,781	4,897,806
Contracted services		183,474		656,871						840,345
Purchase of services from public sector		76,190		6,060						844,652
Materials, goods supplies and utilities	432,860	500,167	1,024,275	5,770		205,487	467,609	634,435	106,516	3,377,119
Grants and transfers to organizations	69,456		233,323		\$ 9,500	116,803	13,505			442,587
Transfers to Province	90,416	12,346					36,948			139,710
Allowances for uncollectibles	33,618									33,618
Other expenses								825		825
Interest on long-term debt	4,990	21,029	71,460			36,363	29,480	23,459	6,896	193,677
Bank charges and short term interest	15,902	97	1,678			4,417	708	3,771		26,573
Amortization, depreciation, write downs, net gains (losses)	98,543	97,941	883,651			32,893	385,258	441,101	142,578	2,081,965
	1,631,699	2,984,092	2,646,774	687,102	9,500	717,276	1,678,547	1,397,714	1,126,173	12,878,877
Excess (deficiency) of revenue over expenses, before Other	8,034,042	(2,120,342)	(2,591,296)	(687,102)	(9,500)	(692,539)	(1,159,059)	598,411	271,516	1,644,151
Other						19,435				19,435
Properties held for sale										
Excess (deficiency) of revenue over expenses	\$ 8,034,042	\$ (2,120,342)	\$ (2,591,296)	\$ (687,102)	\$ (9,500)	\$ (673,104)	\$ (1,159,059)	\$ 598,411	\$ 271,516	\$ 1,663,586

See accompanying notes to the consolidated financial statements

Town of Kentville
Schedule to the Consolidated Financial Statements- Segmented Information

For the year ended March 31, 2019

	General Government	Protective services	Transportation services	Environmental health services	Public health services	Planning & development	Recreation & culture	Water services	Wastewater services	Total
Revenues										
Taxation revenue	\$ 6,781,507									\$ 6,781,507
Grants in lieu	509,468									509,468
Services provided	\$	113,649	\$ 20,575				\$ 77,093			211,317
Sales of services	36,444	615,327	1,277				4,348			657,396
Other revenue from own sources	76,862	40,598	6,000			\$ 17,729	334,290			475,479
Unconditional transfers	229,684									229,684
Conditional transfers		129,716					58,142			187,858
Transfer - Federal Gas Tax	946,868									946,868
Grants	54,160							\$ 1,273,820		54,160
Wastewater rates										1,273,820
Water rates								\$ 1,274,999		1,274,999
Public fire protection								603,731		603,731
Other revenue	653,971							4,981	1,725	670,677
Interest and dividends	108,475							5,090	3,754	117,219
Capital gains										
Proceeds from sale of assets		21,700	54,329							76,029
	9,397,439	920,990	82,181			17,729	473,873	1,888,801	1,279,299	14,060,312
Expenses										
Salaries, wages and benefits	795,612	2,090,930	407,307	\$ 24,360		325,053	733,534	279,549	116,692	4,773,037
Contracted services		174,612		635,301						809,913
Purchase of services from public sector		73,916		8,000					740,162	822,078
Materials, goods supplies and utilities	418,862	524,510	924,061	7,112		186,398	483,216	637,071	373,918	3,555,148
Grants and transfers to organizations	74,954		242,957		\$ 4,000	115,624	15,123			452,658
Transfers to Province	88,899	10,200					36,948			136,047
Allowances for uncollectibles	41,747									41,747
Other expenses								1,252		1,252
Interest on long-term debt	5,568	23,508	83,748			34,083	26,603	31,694	8,518	213,722
Bank charges and short term interest	13,972		661			6,000	2,392	3,771		26,796
Amortization, depreciation, write downs, net gains (losses)	112,963	86,734	886,640			31,477	324,500	472,625	137,504	2,052,443
	1,552,577	2,984,410	2,545,374	674,773	4,000	698,635	1,622,316	1,425,962	1,376,794	12,884,841
Excess (deficiency) of revenue over expenses, before Other	7,844,862	(2,063,420)	(2,463,193)	(674,773)	(4,000)	(680,906)	(1,148,443)	462,839	(97,495)	1,175,471
Other										
Properties held for sale						(727,419)				(727,419)
Excess (deficiency) of revenue over expenses	\$ 7,844,862	\$ (2,063,420)	\$ (2,463,193)	\$ (674,773)	\$ (4,000)	\$ (1,408,325)	\$ (1,148,443)	\$ 462,839	\$ (97,495)	\$ 448,052

See accompanying notes to the consolidated financial statements

Town of Kentville Water Utility
Non-consolidated Financial Statements
March 31, 2020

Town of Kentville Water Utility

Non-consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

Town of Kentville Water Utility

Opinion

We have audited the consolidated financial statements of the Town of Kentville Water Utility which comprise the statements of financial position as at March 31, 2020, statements of financial activities and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Town of Kentville Water Utility are prepared, in all material respects, 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 the Town of Kentville Water Utility in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 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 the Town of Kentville Water Utility's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town of Kentville Water Utility's financial reporting process.

Incorporated partners
Forse Investments Limited
Crosby Smith Holdings Limited

(902) 678-1125 Fax (902) 678-1060
www.kentandduffett.ca

INDEPENDENT AUDITOR'S REPORT (continued)

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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kentville Water Utility's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Water Utility's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town of Kentville Water Utility to cease to continue as a going concern.

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.

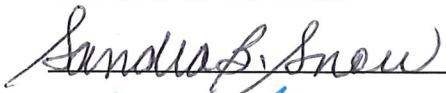
Kentville, Nova Scotia
June 29, 2020


Chartered Professional Accountants
Registered Municipal Auditor

Town of Kentville
Water Utility Operating Fund
Statement of Financial Position

March 31	2020	2019
Assets		
Cash and cash equivalents	\$ 330,624	\$ 19,811
Receivables		
Rates (less: allowance for doubtful accounts \$10,950; 2019- \$4,215)	224,762	228,775
Other (less: allowance for doubtful accounts \$12,000; 2019- \$12,000)	600	241,573
Due from own funds and agencies (Note 1)		
Depreciation reserve	13,841	6,177
Prepaid expense	6,966	10,719
	<u>\$ 576,793</u>	<u>\$ 507,055</u>
Liabilities		
Payables and accruals		
Trade	\$ 33,229	\$ 39,862
Due to own funds and agencies (Note 1)		
Water operating reserve		57,000
Water capital reserve	195,261	65,995
General operating fund, Town of Kentville	32,415	35,875
Customers' deposits	12,397	12,017
Accrued liability (Note 6)	33,468	32,784
	<u>306,770</u>	<u>243,533</u>
Surplus		
Surplus	270,023	263,522
	<u>\$ 576,793</u>	<u>\$ 507,055</u>

ON BEHALF OF THE TOWN

 MAYOR

 TOWN CLERK

Town of Kentville
Water Utility Operating Fund
Statement of Financial Activities

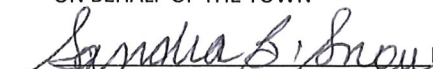
March 31

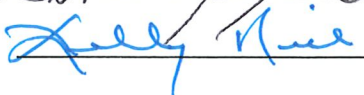
	<u>Budget</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Operating revenue			
Metered	\$ 1,264,500	\$ 1,253,093	\$ 1,265,281
Public fire protection	603,700	721,264	603,731
Sprinkler service	9,300	9,967	9,718
Other operating revenue	5,000	5,118	5,090
	<u>1,882,500</u>	<u>1,989,442</u>	<u>1,883,820</u>
Operating expenditure			
Source of supply (B-13)	19,200	14,796	16,375
Power and pumping (B-13)	183,000	201,413	181,972
Water treatment (B-13)	290,500	256,302	281,309
Transmission and distribution (B-14)	271,800	220,984	214,976
Transportation	8,900	9,835	11,270
Administration and general (B-14)	232,300	225,913	211,521
Depreciation	323,600	309,762	308,123
Taxes	167,000	166,786	166,945
	<u>1,496,300</u>	<u>1,405,791</u>	<u>1,392,491</u>
Net operating profit	<u>386,200</u>	<u>583,651</u>	<u>491,329</u>
Non-operating revenue			
Other	5,100	2,682	4,981
Non-operating expenditure			
Debt charges			
Principal	227,200	227,200	227,200
Interest	23,400	23,459	31,694
Debenture discount	3,700	3,771	3,771
Private work	500	71	374
Interest on customers' deposits		70	76
Transfer to Water operating reserve			57,000
Transfer to Water capital reserve	30,000	225,261	65,995
Dividend to owner	100,000	100,000	100,000
	<u>384,800</u>	<u>579,832</u>	<u>486,110</u>
Excess revenue	<u>\$ 6,500</u>	<u>6,501</u>	<u>10,200</u>
Surplus, beginning of year		<u>263,522</u>	<u>253,322</u>
Surplus, end of year		<u>\$ 270,023</u>	<u>\$ 263,522</u>

Town of Kentville
Water Utility Capital Fund
Statement of Financial Position

March 31	2020	2019
Assets		
Cash and cash equivalents		
Cash	\$ 92,911	\$ 93,395
Depreciation funds	962,242	654,168
Receivables		
Other	1,226	1,205
Due from own funds and agencies (Note 1)		
General operating fund, Town of Kentville	1,111	
Utility plant in service (B- 7)	<u>18,578,098</u>	<u>18,551,195</u>
	<u>\$ 19,635,588</u>	<u>\$ 19,299,963</u>
Liabilities		
Payables and accruals		
Trade	\$ 11,920	\$ 15,294
Due to other funds and agencies (Note 1)		
Water Utility operating fund	13,841	6,177
Term debt (Note 3)		
Debentures issued (B-15)		
Debentures issued to Provincial government or its agencies		
Municipal Finance Corporation	651,400	878,600
Accumulated depreciation (Note 5)	<u>5,739,707</u>	<u>5,429,943</u>
	<u>6,416,868</u>	<u>6,330,014</u>
Equity		
Investment in capital assets	12,186,991	12,242,651
Fund balance-Water general capital	<u>82,102</u>	<u>78,102</u>
	<u>12,269,093</u>	<u>12,320,753</u>
Fund balance- Water depreciation	<u>949,627</u>	<u>649,196</u>
	<u>13,218,720</u>	<u>12,969,949</u>
	<u>\$ 19,635,588</u>	<u>\$ 19,299,963</u>

ON BEHALF OF THE TOWN

 MAYOR

 TOWN CLERK

Town of Kentville
Water Utility Capital Fund
Statement of Financial Activities

March 31

	<u>Budget</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Revenue			
Other		<u>\$ 4,000</u>	
Expenditure			
Capital expenditures	\$ 382,800	26,903	\$ 432,680
Construction work in progress			(3,869)
	<u>382,800</u>	<u>26,903</u>	<u>428,811</u>
Net (expenditure)	<u>(382,800)</u>	<u>(22,903)</u>	<u>(428,811)</u>
Financing and transfers			
Issue of debt			152,500
Repayment of debt	(227,200)	(227,200)	(379,700)
Transfers from own funds and agencies	610,000	254,103	659,880
	<u>382,800</u>	<u>26,903</u>	<u>432,680</u>
Change in fund balance	<u>\$ Nil</u>	4,000	3,869
Beginning fund balance		<u>78,102</u>	<u>74,233</u>
Ending fund balance		<u>\$ 82,102</u>	<u>\$ 78,102</u>

Town of Kentville
Water Utility Capital Fund
Statement of Investment in Capital Assets

March 31	2020	2019
Balance, beginning of period	<u>\$ 12,320,752</u>	<u>\$ 12,002,160</u>
Add:		
Term debt retired - debenture principal	227,200	227,200
Depreciation funds	26,903	109,697
Capital reserve funds		108,500
Gas Tax reserve		214,483
Other	4,000	
	<u>258,103</u>	<u>659,880</u>
Less:		
Net book value of pump disposal		33,165
Depreciation of tangible capital assets	309,762	308,123
	<u>309,762</u>	<u>341,288</u>
Balance, end of period	<u>\$ 12,269,093</u>	<u>\$ 12,320,752</u>

Town of Kentville
Water Utility Capital Fund
Schedule of Utility Plant and Equipment

March 31	2020	2019
Tangible plant		
Land and land rights		
Source of supply land	\$ 51,019	\$ 51,019
Transmission land	74,391	74,391
Transmission land- right-of-way	19,251	19,251
	<u>144,661</u>	<u>144,661</u>
Structure and improvements		
Source of supply		
Collecting and impounding reservoirs- dam	53,275	53,275
Wells	1,195,834	1,195,834
Other water source structure	5,500	5,500
Power and pumping	260,947	260,947
Water treatment	394,186	394,186
Distribution reservoirs and standpipes	122,335	122,335
Water tank- Prospect Avenue	951,989	951,989
Water tank- Belcher Street - 2	859,338	859,338
Water tank- Chester Ave	697,784	697,784
Water tank- Industrial park	343,781	343,781
	<u>4,884,969</u>	<u>4,884,969</u>
Equipment		
Electric pumping	190,185	190,185
Motor operated tools and equipment	29,747	29,747
Small tools and work equipment	57,030	57,030
Digital mapping	12,105	12,105
Control and monitoring equipment	376,159	376,159
Vehicles	142,017	142,017
Generator	46,668	46,668
	<u>853,911</u>	<u>853,911</u>
Water treatment	236,116	236,116
	<u>236,116</u>	<u>236,116</u>
Mains		
Transmission	1,851,270	1,851,270
Distribution	8,795,529	8,795,529
	<u>10,646,799</u>	<u>10,646,799</u>
Services	<u>390,114</u>	<u>385,898</u>
Meters	<u>470,812</u>	<u>470,812</u>
Software/computers	<u>48,422</u>	<u>48,422</u>
Meter conversion	<u>327,294</u>	<u>315,417</u>
Hydrants	<u>391,654</u>	<u>391,654</u>
Pumps	<u>171,056</u>	<u>160,246</u>
Other	<u>12,290</u>	<u>12,290</u>
	<u>\$ 18,578,098</u>	<u>\$ 18,551,195</u>

Town of Kentville
Water Utility Reserve Funds
Statement of Financial Position

March 31			2020	2019
	<u>KWC</u> <u>Operating</u>	<u>KWC</u> <u>Capital</u>	<u>Total</u>	<u>Total</u>
Assets				
Cash	\$ 170,620	\$ 385,449	\$ 556,069	\$ 403,072
Due from Water operating		<u>195,261</u>	<u>195,261</u>	<u>122,995</u>
	<u>170,620</u>	<u>580,710</u>	<u>751,330</u>	<u>526,067</u>
Reserves	<u>\$ 170,620</u>	<u>\$ 580,710</u>	<u>\$ 751,330</u>	<u>\$ 526,067</u>

Town of Kentville
Water Utility Reserve Funds
Statement of Financial Activities

March 31			2020	2019
	<u>KWC</u> <u>Operating</u>	<u>KWC</u> <u>Capital</u>	<u>Total</u>	<u>Total</u>
Opening Balance	<u>\$ 170,620</u>	<u>\$ 355,447</u>	<u>\$ 526,067</u>	<u>\$ 511,572</u>
Additions				
Water operating		<u>225,263</u>	<u>225,263</u>	<u>122,995</u>
Deductions				
Water capital				<u>108,500</u>
Closing Balance	<u>\$ 170,620</u>	<u>\$ 580,710</u>	<u>\$ 751,330</u>	<u>\$ 526,067</u>

Town of Kentville Water Utility

Notes to the Non-Consolidated Financial Statements

March 31, 2020

1. Significant accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles for Nova Scotia water utilities by the Nova Scotia Utility and Review Board.

a) Non consolidation

Non-consolidated financial statements of the Town of Kentville Water Utility are prepared by management in accordance with Canadian generally accepted accounting principles for local governments and the Water Utility Accounting and Reporting handbook of the Nova Scotia Utility and Review Board, as required under Section 4000. Significant aspects of the accounting policies adopted by the Town of Kentville Water Utility are as follows:

b) Reporting entity

The non-consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and financial position of the reporting entity.

c) Basis of accounting

Revenues and expenditures are reported using the accrual basis of accounting. This basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

d) Due to/from own funds and agencies

The Water Utility carries inter-fund balances of costs incurred on behalf of the Water Utility. The Water Utility intends to repay all due to/from balances by the date of its next year-end, March 31, 2021.

e) Valuation allowance

Uncollected rates

The Town of Kentville Water Utility provides a valuation allowance for estimated losses that will be incurred in collecting receivables outstanding.

f) Capital assets

Capital assets are reported as expenditures in the period they are acquired. Capital assets and projects in progress are recorded at the utility's cost except for donated assets which are recorded at fair market value when obtained. Interest incurred during construction on significant water capital projects is capitalized. Interest is not calculated for projects temporarily funded from operations. Capital assets are depreciated at rates prescribed by the Nova Scotia Utility and Review Board.

Town of Kentville Water Utility

Notes to the Non-Consolidated Financial Statements

March 31, 2020

1. Significant accounting policies (continued)

g) Interest on reserve funds

Interest on operating and capital reserve funds is recorded as income in the Town of Kentville General Operating fund. Interest earned on depreciation funds is recorded in that fund, as required by the Nova Scotia Utility and Review Board.

h) Allocation of municipal costs to Water Utility funds

Where identifiable, costs incurred by the Town of Kentville General Operating fund on behalf of the Water Utility are charged to the utility funds. Salary and wage related costs are allocated in proportion to time spent performing functions on behalf of the Water Utility. Interest is not calculated and recorded on monthly balances due between Water Utility funds and other funds.

i) Debenture discount

Significant debenture discounts are amortized over the term of the associated debt. To March 31, 2020, four debenture discounts have been treated in this fashion. Issue May 29, 2011 has two years remaining, issue May 15, 2012 has three years remaining, issue June 5, 2014 has five years remaining and issue May 30, 2018 has three years remaining.

j) Cash and cash equivalents

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

k) Use of estimates

In preparing the Town of Kentville Water Utility's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

l) Financial instruments

Fair values

The estimated fair value of cash and cash equivalents, receivables, inventories, bank indebtedness and payables approximate carrying values due to the relatively short-term nature of the instruments and /or floating interest rates on the instruments. The estimated fair value of long-term debt also approximates carrying value due to interest rates that are based on the lender's rate.

Town of Kentville Water Utility

Notes to the Non-Consolidated Financial Statements

March 31, 2020

2. Asset valuation allowances

Rates	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$4,215	\$8,581
Add: provision for the year	7,783	
Less: write-offs	1,048	2,414
provision for the year		<u>1,952</u>
Balance, end of year	<u>\$10,950</u>	<u>\$4,215</u>
 Other	 <u>2020</u>	 <u>2019</u>
Balance, beginning of year	\$12,000	<u>\$12,000</u>
 Balance, end of year	 <u>\$12,000</u>	 <u>\$12,000</u>

3. Long term debt

Principal repayments during the next five years are due as follows:

	<u>Water Capital</u>
2020	\$227,200
2021	\$227,200
2022	\$106,500
2023	\$60,500
2024	\$30,000

All long-term debt outstanding at year-end has been properly authorized by Nova Scotia Department of Municipal Affairs and Housing.

4. Depreciation reserve bank account

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$654,168	\$462,523
Add: depreciation transfer	317,428	309,761
interest	17,549	11,144
Less: funds used current & prior year's projects	<u>26,903</u>	<u>129,260</u>
Balance, end of year	<u>\$962,242</u>	<u>\$654,168</u>

5. Accumulated allowance for depreciation

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$5,429,943	\$5,165,736
Add: current year's depreciation	309,764	308,123
Less: accumulated depreciation on disposals	<u> </u>	<u>43,916</u>
Balance, end of year	<u>\$5,739,707</u>	<u>\$5,429,943</u>

Town of Kentville Water Utility

Notes to the Non-Consolidated Financial Statements

March 31, 2020

6. Sick pay accrual

The Town of Kentville Water Utility has a sick leave policy, which entitles employees with five or more years of service to a cash payment of a percentage of their accumulated sick days, on their termination of employment. The total liability at March 31, 2020 is \$33,468 (2019-\$32,784). This amount is accrued in the Kentville Water Commission Operating Fund.

7. Pension plans

Two pension plans are set up for membership of all permanent employees of the Town of Kentville Water Utility. Contributions are shared by the Town of Kentville Water Utility and the members as follows: employee 7.1% and employer 7.1% of employee's pensionable earnings.

A **defined contribution pension plan** has been set up to conform to the Pension Benefits Act. All permanent employees belong to this plan. Sharing of contributions is as noted above for all employees other than CUPE Local 4403 members. CUPE Local 4403 members contribute 2.1% and the Town of Kentville Water Utility contributes 1.6% to this plan on behalf of CUPE Local 4403 members.

A **multi-sector pension plan** has been set up for the members of CUPE Local 4403. This Multi-Sector Pension Plan (MSPP) is offered through the Canadian Union of Public Employees (CUPE) and conforms to the Pension Benefits Act. CUPE employees shall contribute 5% to the MSPP and the employer shall contribute 5.5%. The Union acknowledges and agrees that under the current pension legislation, and/or regulations, the employer has no requirement to fund any deficit in the Plan but is required to contribute only that amount as required by the collective agreement in force between the parties.

During the year, the Town of Kentville Water Utility made contributions in the amount of \$2,222 (2019-\$2,094) on behalf of its employees to the defined contribution plan and \$7,819 (2019-\$7,679) to the multi-sector pension plan.

8. Rate of return on rate base

For the year ended March 31, 2020, the Kentville Water Utility had a rate of return on rate base of 5.52% (2019-4.53%).

9. Collective agreement

A new collective agreement with CUPE Local 4403 was ratified on July 29, 2019. This agreement is for a four-year term expiring on March 31, 2023.

10. Comparative figures

In some instances, comparative figures have been restated to conform to current year's presentation.

Town of Kentville**Water Utility Operating Fund****Schedules to Statement of Financial Activities**

March 31

	<u>Budget</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Source of supply			
Supervision and engineering	\$ 10,200	\$ 7,223	\$ 6,239
Operation labour	7,700	7,163	6,981
Maintenance of plant	1,300	410	3,155
	<u>\$ 19,200</u>	<u>\$ 14,796</u>	<u>\$ 16,375</u>
Power and pumping			
Supervision and engineering	\$ 10,300	\$ 7,223	\$ 6,239
Operation labour	7,700	7,163	6,981
Power	142,000	157,022	141,955
Supplies and expenses	1,100	1,735	1,051
Maintenance of plant	21,900	28,270	25,746
	<u>\$ 183,000</u>	<u>\$ 201,413</u>	<u>\$ 181,972</u>
Water treatment			
Supervision and engineering	\$ 13,700	\$ 9,631	\$ 8,319
Operation labour	62,000	57,306	55,847
Supplies and expenses	130,800	140,912	128,300
Maintenance of structures and improvements	21,000	13,646	17,183
Maintenance of equipment	18,000	14,191	22,595
Water testing costs	35,000	12,066	38,986
Heat, light, power and telephone	10,000	8,550	10,079
	<u>\$ 290,500</u>	<u>\$ 256,302</u>	<u>\$ 281,309</u>

Town of Kentville
Water Utility Operating Fund
Schedules to Statement of Financial Activities

March 31

	<u>Budget</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Transmission and distribution			
Supervision and engineering	\$ 34,200	\$ 24,078	\$ 20,798
Operation and meters	24,500	22,690	20,942
Maintenance of distribution reservoirs - standpipes	18,000	5,877	6,804
Maintenance of structures and improvements	2,000		29
Maintenance of transmission mains	5,000	7,764	106
Maintenance of distribution mains	85,000	72,083	37,278
Maintenance of services	65,000	60,479	78,432
Maintenance of meters	12,100	2,478	17,045
Maintenance of hydrants	26,000	25,535	33,542
	<u>\$ 271,800</u>	<u>\$ 220,984</u>	<u>\$ 214,976</u>
Collection , administration and general			
Supervision	\$ 14,600	\$ 14,610	\$ 14,250
Meter reading	38,800	35,816	34,904
Consumer billing and accounting	24,400	24,350	23,750
Uncollectible accounts	14,700	17,524	7,548
Other accounting and collection expenses	100		86
Officers' and executives' salaries	19,200	19,200	18,400
Other general office salaries	23,400	23,333	22,850
General office expenses and supplies	14,900	12,856	11,695
Legal	500		
Audit	7,200	7,014	7,039
Rent - office	12,000	12,000	12,000
Regulatory expense	3,800	3,557	3,592
Insurance	11,700	11,742	9,934
Employee welfare and pensions	35,200	34,336	33,048
General	3,000	2,411	4,365
Training	5,000	4,183	4,436
Professional studies	3,000	2,297	2,820
Provision for sick leave	800	684	804
	<u>\$ 232,300</u>	<u>\$ 225,913</u>	<u>\$ 211,521</u>

Town of Kentville
Water Utility Capital Fund
Schedule of Capital Debt Charges
Year Ended March 31

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 2019</u>	<u>Issued 2020</u>	<u>Redeemed 2020</u>	<u>Balance 2020</u>	<u>Interest & Accrued</u>	<u>Interest Rates 2020</u>
2011	2021	\$ 362,100		\$ 120,700	\$ 241,400	\$ 10,779	3.874%
2012	2027	184,000		46,000	138,000	4,772	2.792%
2014	2024	180,000		30,000	150,000	4,571	1.923%
2018	2028	152,500		30,500	122,000	3,337	2.060%
TOTAL DEBENTURE		<u>\$ 878,600</u>		<u>\$ 227,200</u>	<u>\$ 651,400</u>	<u>\$ 23,459</u>	

Town of Kentville
Water Utility Capital Fund
Schedule of Water Utility Capital Projects Funding

March 31

2020

	Total Capital <u>Cost</u>	Depreciation <u>Funds</u>
Meters & meter conversion	\$ 11,877	\$ 11,877
Services	4,216	4,216
Pumps	<u>10,810</u>	<u>10,810</u>
Total Water Utility	<u>\$ 26,903</u>	<u>\$ 26,903</u>

Town of Kentville
Water Utility Capital Fund
Statement of Capital Financing

March 31	2020	2019
Source		
Funds available from prior year		
Cash	\$ 93,395	\$ 40,628
Depreciation bank account	654,168	462,523
Due from other funds		67,411
Other receivables	1,205	638
Transfer from depreciation reserve	26,903	109,697
Transfer from water capital reserve		108,500
Transfer from operating funds- Water Utility- depreciation	309,762	308,123
Transfer from Gas Tax reserve		214,483
Interest on depreciation funds	17,573	11,711
Other	4,000	
Decrease in construction work in progress		3,868
Balance temporarily financed at end of period		
Payables- trade	11,920	15,294
Due to operating fund- Water Utility	13,841	6,177
	<u>\$ 1,132,767</u>	<u>\$ 1,349,053</u>
Application		
Balance temporarily financed at end of previous period		
Payables- trade	\$ 15,294	\$ 32,242
Due to operating fund- Water Utility	6,177	4,539
Due to other funds		21,127
Capital asset acquisitions	26,903	432,680
Transfer to capital fund- Water Utility	26,903	109,697
Funds available for application		
Cash	92,911	93,395
Depreciation bank account	962,242	654,168
Due from other funds	1,111	
Other receivables	1,226	1,205
	<u>\$ 1,132,767</u>	<u>\$ 1,349,053</u>