

Town of Kentville

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

March 31, 2021

Town of Kentville

Annual Financial Report

Consolidated Financial Statements

Kentville Water Utility Non-consolidated Financial Statements

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Annual Report
March 31, 2021

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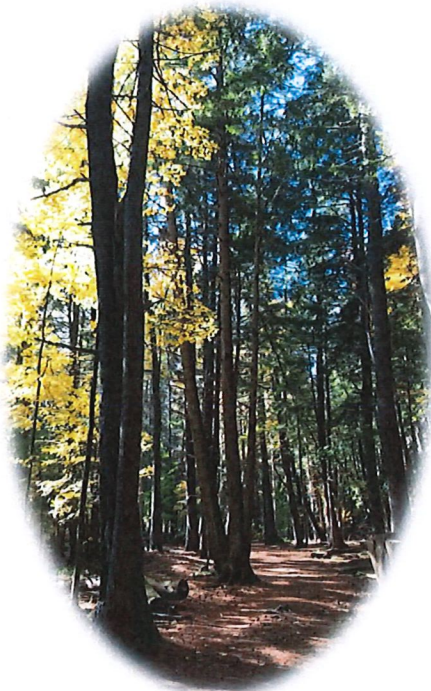


Kentville

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)

7.5%
Unemployment Rate
(Feb 2021)

3,046
Dwelling Units
(2020)



Town of Kentville Annual Report

This report contains an array 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, 2021.

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 assortment 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 2024.

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, Dan Troke, in January 2021.
- The COVID-19 pandemic began its sweep of the world in late 2019 and continues to present day. Nova Scotia issued a State of Emergency on March 22, 2020 to curb the spread of COVID-19 within the Province. The Province sustained two waves in 2020 with a major shut down in March to May 2020 and a partial shut down in November to December 2020. The third wave (which carries more easily spread variants) began to play havoc in the Province in March 2021 and forced the Province to impose strict measures in late April. The Province's re-opening plan is found at <https://novascotia.ca/reopening-plan>.
- The State of Emergency has yet to be lifted by the Province. Daily testing and monitoring of cases continues to limit community spread. Vaccines are available and are being rolled out to citizens on an age-based system. Citizens are encouraged to get vaccinated in order to stem the transmission of the virus. At date of writing 71.1% of the population has had one or more doses of vaccine.

Economic Snapshot– National/Provincial

The federal economic picture is materially brighter than originally predicted last year, as the recovery across Canada has been stronger than expected in spite of the second wave of the pandemic in late 2020. With mass vaccination campaigns underway, the pace of recovery will pick up. Pent-up demand, high household savings, government support and stimulus measures are expected to provide substantial thrust to provincial economies.

All provinces will reverse their 2020 GDP losses in 2021. However, provinces will operate well below their pre-pandemic trajectories. Labour markets will take longer to fully heal and resumption of activity in the hospitality sector and other high-touch industries will be a slow and bumpy process. Things won't look and feel normal in 2021. Stronger investment activity may be seen in some provinces due to capital spending intentions. However, for Nova Scotia, capex spending will fall, contributing to lower positions in Canada's growth rankings for 2021.

Nova Scotia is expected to fully reverse last year's drop in GDP. The province has made great progress so far, having recovered 94% of jobs lost during the pandemic. It is possible to achieve mass immunization against COVID-19 by mid-year, which would loosen travel restrictions within Canada. Freer travel would benefit all Atlantic Provinces¹.

Economic indicators¹

Forecast Detail*– Nova Scotia	2020	2021F	2022F
Real GDP	-3.9	5.0	3.3
Employment	-4.7	6.4	1.6
Unemployment rate (%)	9.8	8.0	7.3
Housing starts (units)	4.9	6.3	4.4
Retail sales	-1.9	8.6	4.5
CPI	0.3	2.4	2.1

¹Source: RBC Economics Research, March 2021 (* - % change unless otherwise indicated)

Economic Snapshot– Provincial/Regional

February 2021 labour market statistics for Nova Scotia disclose that employment increased by 2500 in February, all of which was part-time work. The unemployment rate edged down from 8.3% to 8.1%.

On an annual basis, most indicators were comparable to February 2020, the last month before COVID-19 containment measures took effect. Total employment reflects a near-complete rebound from the unprecedented job loss that occurred in March and April 2020.

The number of workers in the Annapolis Valley was little changed from February 2020. Among those employed, there was a slight shift from full-time to part-time work. The labour force contracted slightly which, along with the small uptick in employment, cause the unemployment rate to decline to 7.5%. Accommodation and food services and wholesale and retail trade posted severe employment declines. These were offset by hiring in educational services and professional, scientific and technical services.²

Economic Snapshot– Local

For Kentville, 135 permits were issued in 2020/21 and totalled \$26,498,674 (19/20–114 permits issued; value \$18,175,282).

Property sales in assessment dollars (over \$1) for Kentville are as follows:³

Year	Value in Assessment Dollars
2020	\$52,243,787
2019	\$41,530,019
2018	\$30,162,594
2017	\$38,318,020
2016	\$22,042,137

² Labour Market Bulletin Nova Scotia February 2021

³ Source: PVSC, March 2021

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 staff 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 approximately 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 servicing the debt (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. A recent revision (2021) sits before the Minister for approval.

Since 1999, \$11.3 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, 2021, the **market value** of the Special Perpetual Reserve Fund was \$13,997,928 (2020- \$12,499,494).

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 2020/21, the CAP was 1.0%. The CAP eligibility criteria can be found on the PVSC website at www.pvsc.ca.

Results of the Year Ended March 31, 2021

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 repaving several streets, renewal of sidewalks, storm sewers and the arena parking lot, renovations of the Town Hall complex and the Police Services building, the purchases of equipment for several departments, the construction at several Recreation parks and playgrounds and funding for an accessibility study.

Some key highlights were:

- ⇒ In 2020/21 the total **Residential tax rate remained stable at \$1.53 $\frac{3}{4}$ cents/100**
- ⇒ In 2020/21 the total **Commercial tax rate decreased 1 cent to \$3.51 $\frac{2}{5}$ cents/100.**
- ⇒ Total **taxable assessment growth** April 1, 2020 (net of cap and adjustments) was **4.2%**.
- ⇒ **CAP** on Residential and Resource assessments (set by the Province) was **1.0%**.
- ⇒ **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, 2021**, the Town of Kentville General Operating Fund recorded a **non-consolidated surplus** of **\$312,357** (2020-\$149,734). This 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 \$106,733** (2020-\$199,058), before the surplus was transferred to its operating reserve, as per DMA guidelines, and
- ⇒ The Kentville Water Utility Operating Fund recorded a **non-consolidated surplus of \$7,534** (2020-\$6,501).
- ⇒ **At March 31, 2021**, the consolidated **PSAS-compliant annual surplus is \$1,087,345** (2020- \$1,663,566).

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 (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 quantify the future revenues 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, 2021**, the Town financial statements report:

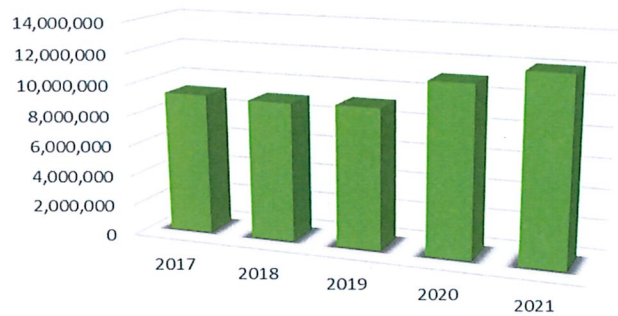
	2021	2020	Variance
Cash and cash equivalents	7,316,641	7,361,730	45,089
Investments	13,254,790	13,265,260	(10,470)
Financial assets	20,571,431	20,626,990	(55,559)
Liabilities	8,509,104	9,511,263	(1,002,159)
Net (financial) assets	12,062,327	11,115,727	946,600
Non-financial assets	42,453,676	42,312,931	140,745
Accumulated surplus	54,516,003	53,428,658	1,087,345

Fund	Net revenues (expenses)
	\$
General Operating (before Δ pre-pays)	1,284,913
General Capital	(2,069,742)
Water Operating (before Δ pre-pays)	1,063,476
Water Capital	(417,787)
Reserves	1,085,740
Net consolidated expenditure (agrees to increase in Net (financial) assets)	946,600

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, 2021**, the Town was in a net financial asset position of **\$12.1 million** (2020-\$11.1 million). The change of during the year is the result of an decrease in cash and properties for resale and an increase in receivables offset by decreased payables and long-term debt.

NET FINANCIAL POSITION



Non-Financial Assets

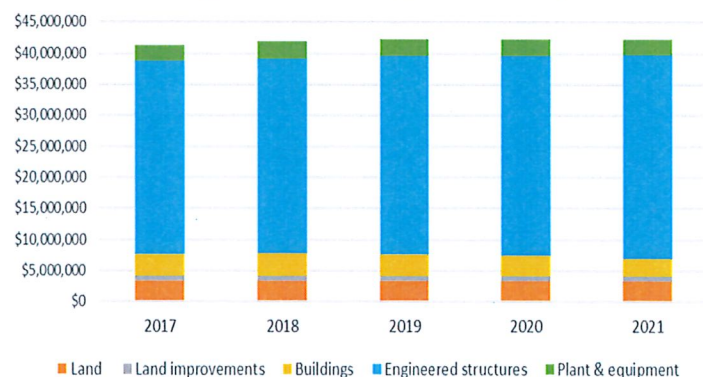
Non-financial assets are physical resources used to provide delivery of services to the public. They include purchased, constructed, contributed or developed tangible capital assets and prepaid expenses. Tangible capital assets comprise the majority of the non-financial asset figure.

As shown in the chart below, the Town continues to invest 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 are often at cross purposes creating 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 2022-2025, 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 2021, on a consolidated basis, including amortization and disposals, the Town’s tangible capital assets increased by \$153,963 (2020-\$(228,968)).

Tangible Capital Assets (net book value)

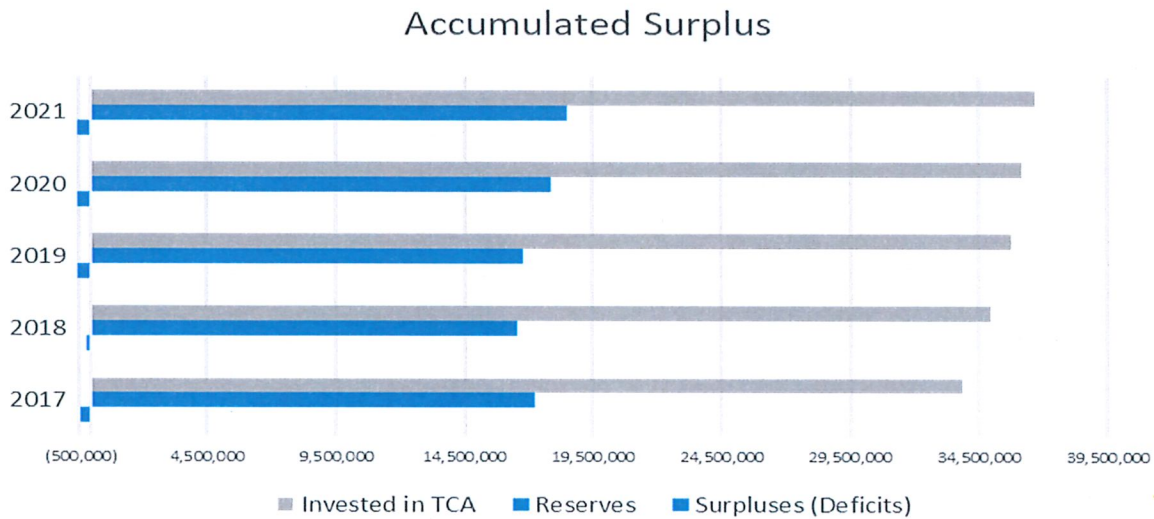


Accumulated Surplus

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 (deficit) 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 2021 the **accumulated surplus is increased by \$1.1 million to \$54.5 million**, due to the increase in net financial assets of \$946,600, the net increase in tangible capital assets \$153,963 plus the net decrease of other non-financial assets \$(13,218) (detailed on page 16).

Approximately **77.7%** of the accumulated surplus reflects the Town’s investment in its tangible capital assets (2020– 79%). 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 (2021 details are):

	Town	Water	Total
Tangible capital assets /CWIP*	\$55,260,082	\$ 18,999,885	74,259,967
Less: Amortization/Depreciation (Water)	(24,357,179)	(6,078,896)	(30,436,075)
Less: Deprecation (not rated) (Water)	0	(1,444,721)	(1,444,721)
	30,902,903	11,476,268	42,379,171
Less: Short term debt	(1,058,799)		(1,058,799)
Less: Long term debt	(5,054,560)	(424,200)	(5,478,760)
Add back: Debt to be recovered (other transactions)	828,857		828,857
TOTAL	25,618,401	\$11,052,068	\$36,670,469

* 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	2021	2020
Reserve funds		
Town operating	\$1,078,291	\$717,615
Town capital	1,474,589	1,369,866
Sanitary sewer operating	514,979	408,246
Sanitary sewer capital	140,370	140,370
Sanitary sewer depreciation	100,774	184,013
Kentville Water utility operating	170,620	170,620
Kentville Water utility capital	798,810	580,710
Kentville Water utility depreciation	874,369	949,627
Town perpetual capital	<u>13,327,443</u>	<u>13,354,167</u>
Total reserve funds (A-40)	<u>18,480,245</u>	<u>17,875,234</u>
Invested in tangible capital assets (net) (page 19 & A-16)	<u>36,670,469</u>	<u>36,155,927</u>
Fund surplus (deficit) (fund balance)		
Town operating (includes Sanitary Sewer Area Service) (A-33)	0	0
Town capital (A-35)	(998,370)	(954,628)
Kentville Water operating (A-37)	277,557	270,023
Kentville Water capital (A-38)	<u>86,102</u>	<u>82,102</u>
Total (deficit)	<u>(634,711)</u>	<u>(602,503)</u>
ACCUMULATED SURPLUS	<u>\$54,516,003</u>	<u>\$53,428,658</u>



Consolidated Statement of Operations (A-4)

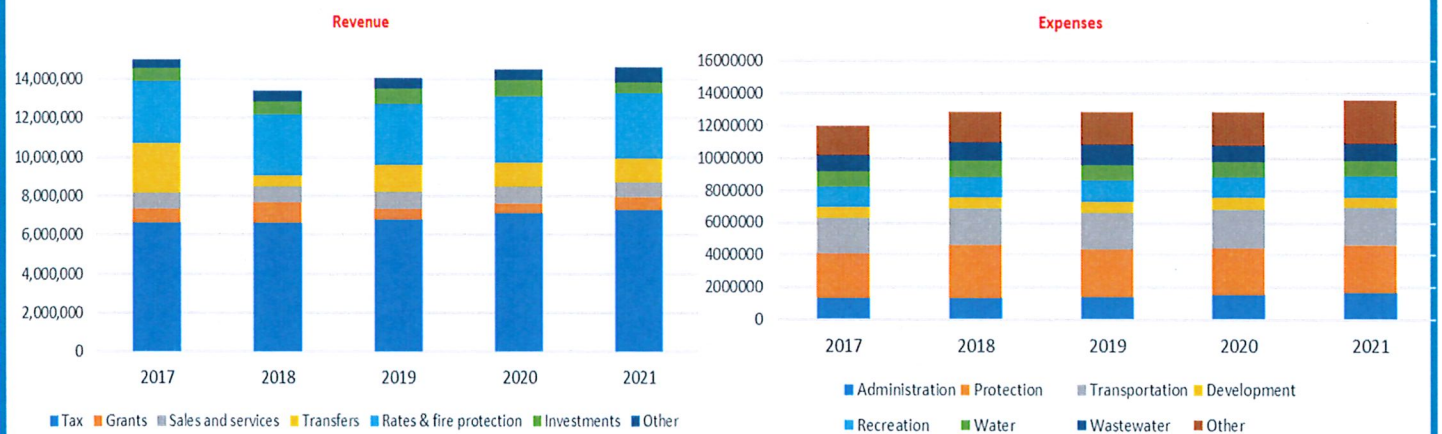
The Consolidated Statement of Operations is a compilation of the schedules of all the Town’s entities including all operating, all capital and all reserve funds (pages A-33 to A-41). This statement lists all major sources of revenue, such as taxation, grants, user fees, rates and upper-level government transfer payments. The expenses for the fiscal year are presented by functional activity.

Beyond government transfers, the Town has a good balance of revenue sources with the majority coming from taxation, sales of services, rates and perpetual investment fund income. Indicators of a government’s vulnerability include revenue streams over which it has no control. One such indicator is “*Reliance on government transfers*”. The Provincial threshold is 15% of total revenue. The Town’s percentage as cited in the **2020** Financial Condition Index (FCI) is **2.8% (low risk)**.

Revenue is over budget \$631,300, primarily due to excess revenue found in Conditional transfers, Gas Tax Transfer, Other and Proceeds from sale. On the expense side of the ledger, before “Other”, **Expenses** are under budget \$263,641. Overages in General government services (staff complement changes) and Net book value of TCA disposed are offset by savings in Protective services (area rates, animal control), Transportation (snow removal), Recreation (fewer summer staff, lower building expense, Regional library), Water & Wastewater services. A portion of “Properties held for sale” was sold for a net gain of \$28,586.

The difference between the revenue and expense sections is shown as the annual surplus for the reporting period. **For 2021**, the Statement of Operations discloses an **annual surplus of \$1,087,345** (2020-\$1,663,566). The annual surplus is combined with the accumulated surplus position (beginning of the year) to find the end-of-year accumulated surplus. The accumulated surplus indicates the Town has resources (financial and physical) to provide future services. At **March 31, 2021**, the accumulated surplus is **\$54.5 million** (2020-\$53.4 million).

The Consolidated Statement of Operations in chart form is below.

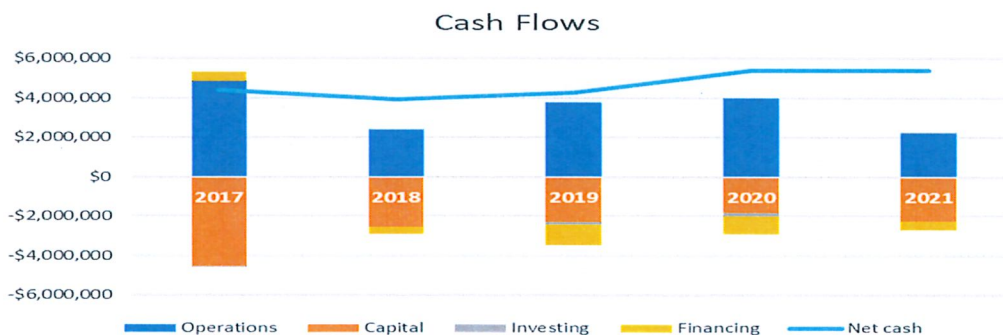


Consolidated Statement of Cash Flow (A-5)

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 **2020** was **2.1**, 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 2021 is \$4,945,258** (2020-\$5,384,582)– **a decrease of \$439,324.** Cash held by fund is as follows:

Fund	2021	2020
General operating bank	149,688	\$810,314
General capital bank		61,991
Water operating bank	91,749	330,624
Water capital bank	104,190	92,911
Reserve banks		
General operating	765,893	567,796
General capital	1,446,003	1,469,064
Sanitary sewer operating	408,246	209,188
Sanitary sewer capital	140,370	140,370
Sanitary sewer depreciation	100,774	184,013
Water operating	170,620	170,620
Water capital	710,710	385,449
Water depreciation	857,015	962,242
	4,945,258	\$5,384,582



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

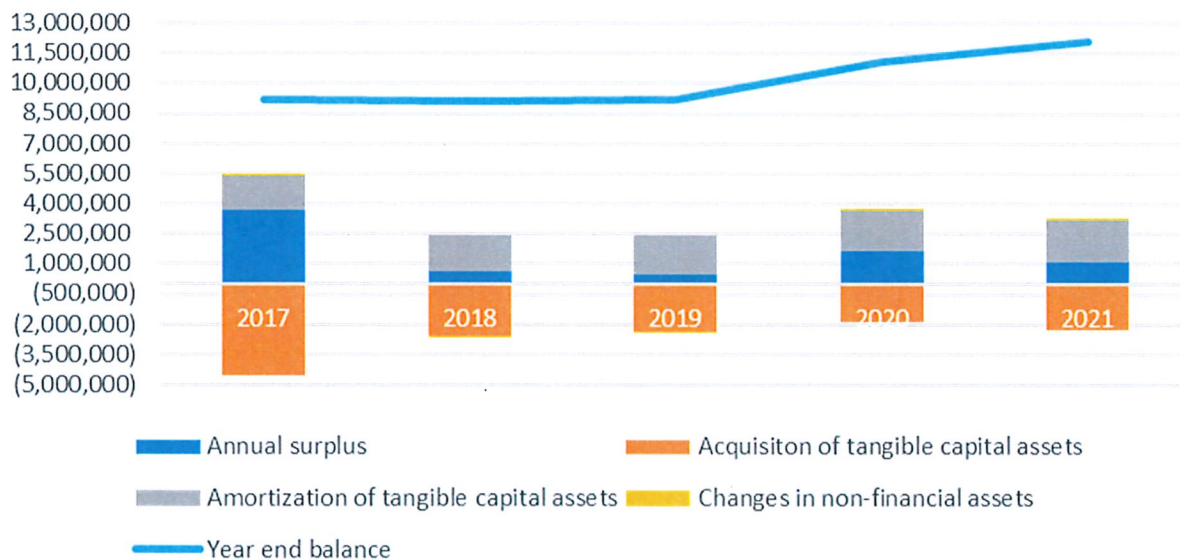
This page explains the difference between the Town’s annual surplus reported on the Statement of Operations- \$1,087,345 and the increase in Net Financial Assets -\$946,600. The Net Financial Asset position is a key indicator of the Town’s financial position and our ability to provide future services 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 **2021** surplus of **\$1,087,345** is comprised of (1) an increase in tangible capital assets (net of amortization & disposals) of \$153,963 , (2) a decrease in prepaid and other expenses \$13,218 and (3) the increase in net financial assets \$946,600.

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 summarizing 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 **\$419,090** (2020-\$348,792).

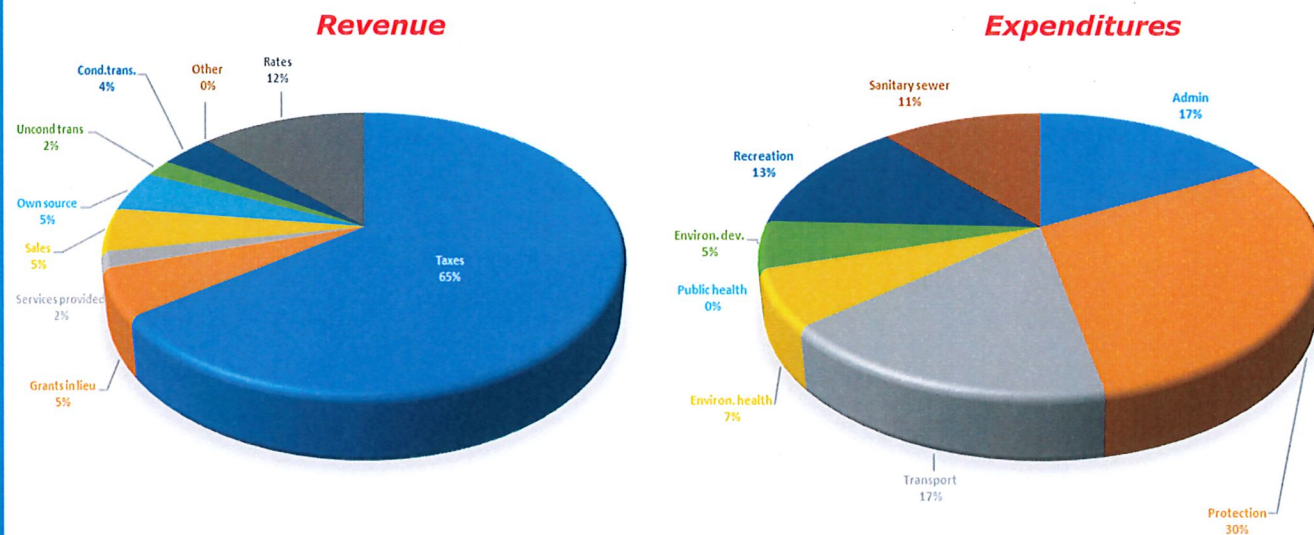
Revenue is over budget \$344,313 due to conditional transfers & wastewater rates. **Expenditures** are under budget \$185,038 due to savings in Protective services- fire protection, Transportation services- snow removal and Recreation services- savings in part time remuneration, facility expenses and library along with decreased wastewater expenditures.

After accounting for transfers between our own funds which includes long-term debt recovery, the **annual surplus** is **\$419,090** (2020-\$348,792).

Separating the two above-noted entities combined on this statement (shown on page A-34), the **2021** surplus for the **Town General Operating Fund** is **\$312,357** (2020-\$149,734), while the **2021** surplus for the **Sanitary Sewer Area Service** is **\$106,733** (2020- \$198,058). The entire 2021 surplus will be transferred to the Town's operating reserve fund, as per Provincial direction as follows: \$312,357 to the Town Operating reserve fund and \$106,733 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.

TOWN GENERAL OPERATING FUND- 20/21



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

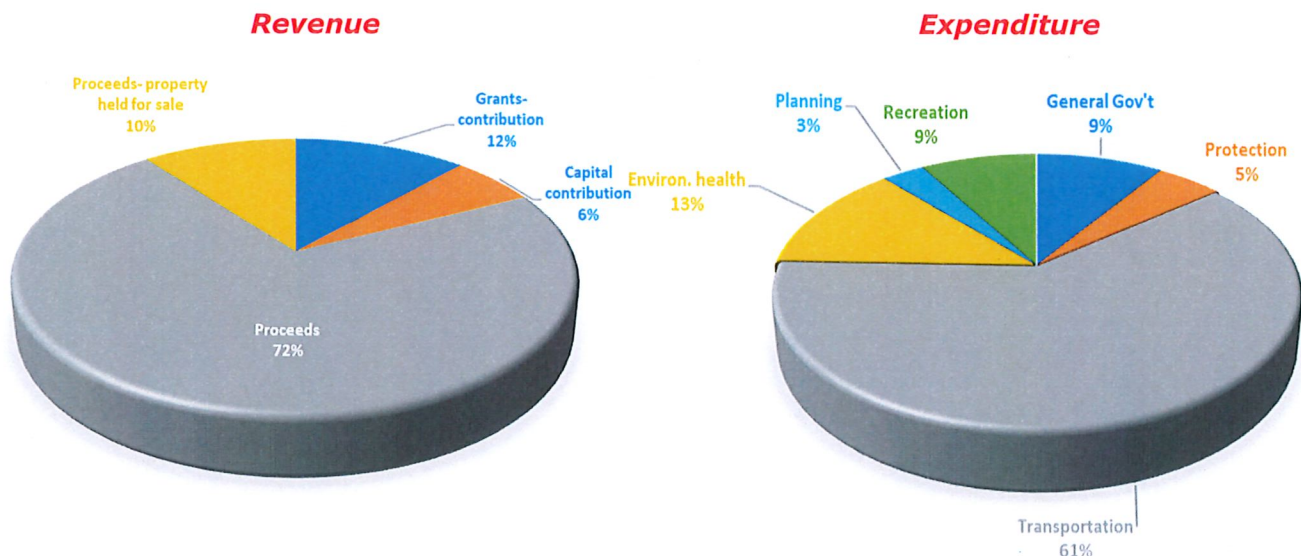
This fund accrues the Town’s tangible capital assets and related amortization along with the short and long-term borrowing obtained to partially finance these acquisitions. **Revenue** is comprised of contributions from outside sources, proceeds on sale of assets and grants from the Provincial government. **Expenditures** reflect the current investment in the Town’s infrastructure - the capital assets acquired in 2020/2021. New assets totaled **\$2,268,558**, including Work-in-Progress assets. Capital projects were financed by Operations (\$81,296), various Capital Reserves (\$612,897), Contributions (\$5,000), Province NS (\$22,270); Federal Gas Tax Reserve (\$543,153); Authorized Temporary Borrowing (\$758,799) and Cash (\$245,143).

Total expenditures in the capital fund increased from \$1.9 million in 2020 to **\$2.3 million in 2021**. The closing *Fund Balance* for **2021** is **\$ (998,370)** compared to \$(954,628) in 2020.

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 (\$25,618,405) plus the Fund Balance make up the Town Capital fund’s accumulated surplus of **\$24,620,035** (2020-\$24,327,690).

2021 construction projects included renewal of sidewalks on East Main Street and Prospect Avenue, paving of Condon Avenue, Gladys Porter Drive and Blair Avenue funded by **Federal Gas Tax**. Other projects included upgrades to the Town Hall building in the Finance department and Council chambers; purchases of Police and Transportation equipment; renewal of storm sewers and the arena parking lot; upgrades to the Centre Square gathering space & new gateway signage. Under Recreation, Webster Street trail (at Aberdeen) was developed; the Recreation Centre bathrooms were upgraded; fixtures were purchased for Memorial Park and the Town’s accessibility plan study was completed.

TOWN GENERAL CAPITAL FUND- 20/21



Schedule of Water Operating Fund (A-37)

This page represents the Kentville Water Utility Operating Fund and summarizes its revenue and expenditures from operations along with inter-fund 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 **\$1,059,718** (2020-\$1,035,509). After including transfers between our own funds and depreciation adjustments, the increase in fund balance is **\$7,534** (2020-\$6,501). Kentville Water Commission pays a dividend to the Town of Kentville Operating Fund (as the owner of the utility). The amount transferred in **2021** was **\$100,000** (2020- \$100,000). Before this transfer, the Utility's surplus was **\$ 107,534** (2020-\$106,501).

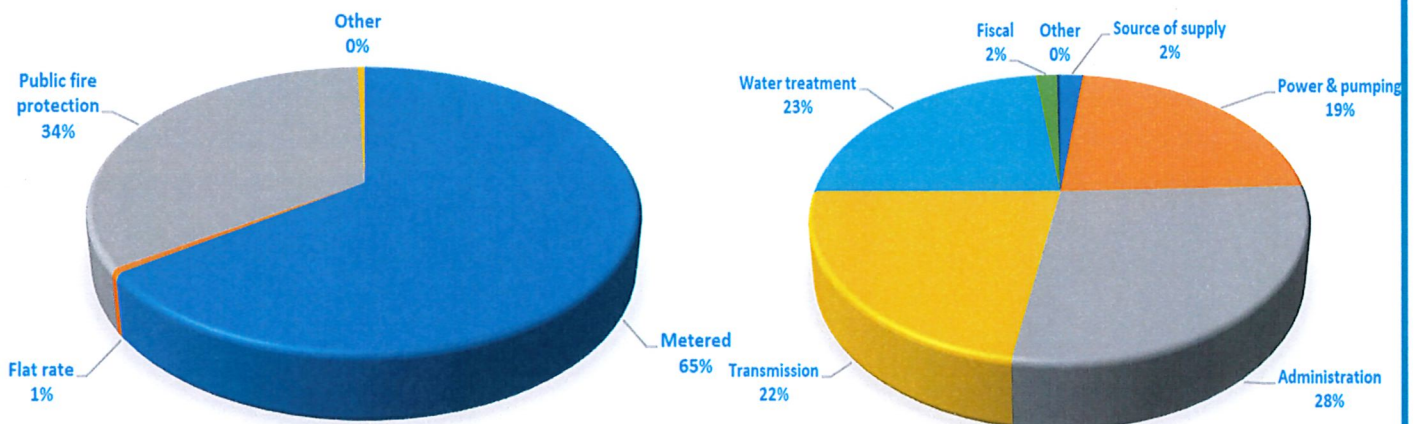
The "**Closing fund balance**", which is equivalent to its "accumulated surplus", is **\$277,557** (2020-\$270,023).

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

WATER UTILITY OPERATING FUND-20/21

Revenue

Expenditures



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 by a Kings County customer for water connection 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 2020/2021. Acquisitions in **2021** totaled **\$421,787**. Capital projects were financed by the Depreciation Reserve (\$421,787).

Net expenditure in the Water Utility Capital Fund increased from \$22,903 in 2020 to **\$417,787** in **2021**. For **2021**, the Water Utility’s Capital Fund Balance is **\$ 86,102** (2020-\$82,102).

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 Utility 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 **\$11,138,166** (2020-\$10,955,711).

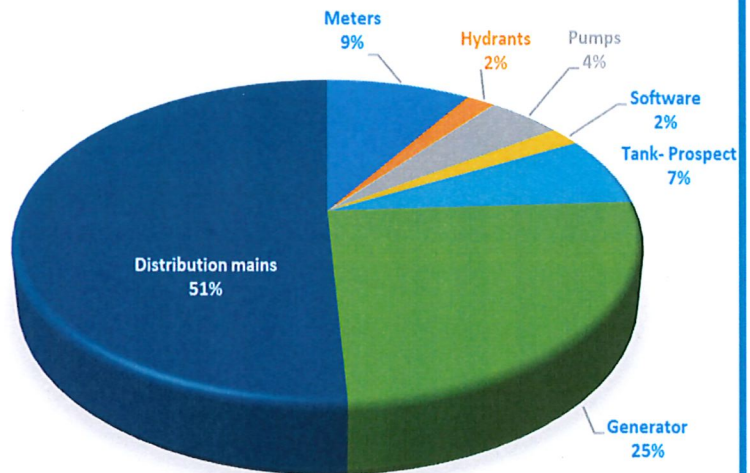
2021 construction projects included yearly projects such as acquisition of meters and pumps, along with the renewal of distribution mains on Condon Avenue and Prospect Avenue. A generator was installed on Mitchell Avenue to ensure service is maintained during power outages. In addition, capital work took place on the Prospect Avenue water tank.

WATER UTILITY CAPITAL FUND 20/21

Revenue

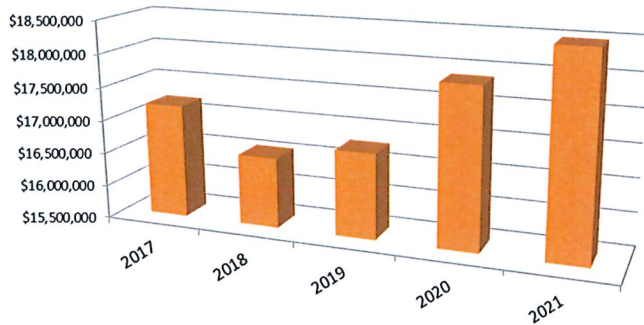


Expenditures



Reserve Funds (A 40-41)

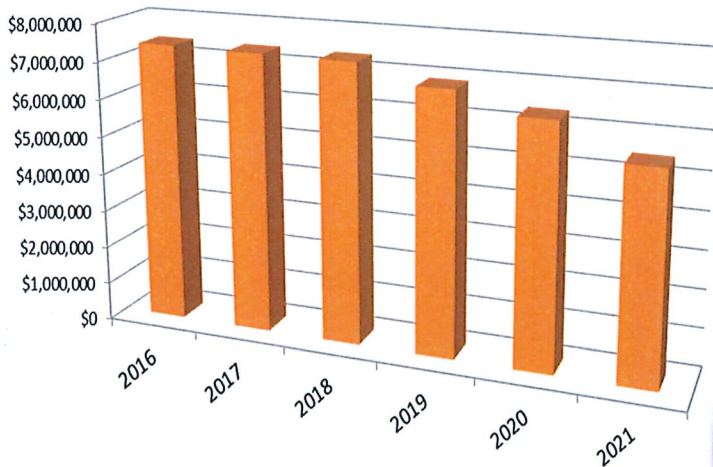
In **2021**, reserve funds increased by \$605,011 to **\$18.5 million**. The increase is due the transfer of 2020 surplus funds from the Town’s three operating funds, the receipt of our share of a previous year’s surplus from a joint partner along with budgeted transfers from our operating funds. The Town is committed to maintaining healthy reserve funds for future operating or capital expenditures. Some reserve funds are earmarked for specific capital project financing or for future operating purposes. The Perpetual Reserve Fund adheres to its own set of parameters.



**RESERVE BALANCES
as at March 31, 2021**
 Operating: \$1,078,291
 Capital: \$1,474,589
 Perpetual: \$13,327,443
 Sanitary Sewer: \$756,123
 Water: \$1,843,799
TOTAL: \$18,480,245

Long-Term Debt Outstanding (Principal)

Long-Term principal debt levels decreased in **2021** by \$884,110 (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 annual 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.



2021
New Debt Issued: \$626,100
Principal Repaid: \$(1,510,210)

**PRINCIPAL OUTSTANDING
March 31, 2021**
 Town \$4,848,260
 Water \$ 424,200
 Sewer \$ 206,300
TOTAL: \$5,478,760

Operating Budget 2021/2022

In a normal year, the budgeting process for a municipal unit is generally a challenge, as the wish list far exceeds the available financial resources. For two years, the COVID-19 pandemic has thrown a proverbial wrench into our day-to-day operations. Last year, we were forced to cancel many recreation and economic development activities. In particular, Recreation Services was drastically affected by the pandemic in its provision of service delivery; however, our Recreation team pivoted many programmes into those that could be shared virtually or with social distancing parameters. We had hoped that, with the development of vaccines and their efficient rollout, 21/22 would enable us to get back to "(new) normal". This hasn't been the case, as the third wave grabbed hold of the world, forcing Nova Scotia into another lockdown end of April. In mid-June, the Province began to increase gathering protocols due to low case numbers province-wide and the uptake of vaccinations by the Nova Scotian population.

So far this fiscal year, the pandemic forced the cancellation of some early 21/22 Kentville-based festivals and events. This summer, Recreation programs will be offered (following up-to-date gathering protocols) and spaces have filled quickly. The pool and splashpad (which were closed in 2020) will reopen July 1 to the delight of many.

Some details on the 21/22 Operating Budget include: the Provincial assessment **CAP** equated to **0.3%** (last year 1.0%) and provided some new revenue for 21/22 operations. The Town's **assessment base increased** overall by **2.3%**, mainly due to new multi-unit residential developments. The Town's Operating Fund 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 April 14, 2021. This meeting culminated in property tax rates, which were forwarded to Town Council for ratification on April 26, 2021. In spite of the pandemic situation, Council was able to hold both the ***total Residential tax rate and the total Commercial rate at 20/21 levels.***

Capital Investment Plan 2021 to 2025

The Town's Capital Investment Plan encompasses 5 years. This plan was presented to Council on April 21, 2021 and, after discussion, Council recommended it be sent to the April 26, 2021 Council meeting. At that meeting, Council ratified the current year and approved the remaining 4 years in principle. The Capital Program for **2021/22** totals **\$2.3** million. Projects include renewed paving in Burke subdivision funded by Federal Gas Tax; the start of the Active Transportation program funded by Federal Green Initiative Funds including trails and trail bridge construction; purchases of equipment for Police, Transportation and Recreation; renewals of sidewalks & storm sewers; the long-awaited building of the skatepark bowl and the dog park, along with various additions to Memorial Park and Oakdene Park. Investment downtown includes the continuation of Centre Square beautification project, the purchase of seating and seasonal lighting.

Kentville continues to be ablaze with development!

To elaborate:

Calkin Building– The Calkin building was sold in January 2021.

Miner's Landing development continues in the east end of town. Two of the four buildings were completed in 2020, with the third and fourth buildings under construction. A trail connection is budgeted in future capital, which will link the complex with the Town's trail system.

Kentville Bridge– Replacement of the bridge over the Cornwallis River was completed in fall 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. The Town expanded the infrastructure creating new lots and continued interest in the park. Since that purchase, many lots have been sold, with several sold in the early days of the 21/22 year.

Ryan's Park (Former KCA lands)- Enqore Developments began earthworks/buried infrastructure of its multi-building facility in the fall of 2020. Building will continue through the current year.

Chrysalis House's new facility on River Street is nearing completion.

River Street land– (*aka Kentville Futures Land*) Land on River Street was recently sold for multi-unit purposes.

MacDougall Heights– The developer is proposing a continuation of the subdivision off Acadia Drive.

To conclude this report, I wish to thank Town Council for its support and direction to all departments 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 collective vision forward throughout these challenging years. 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 28, 2021


Town of Kentville
Management's Report
March 31, 2021

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.



Dan Troke
Chief Administrative Officer



Debra A. Crowell
Director of Finance

Town of Kentville
Consolidated Financial Statements
March 31, 2021

**Town of Kentville
Consolidated Financial Statements**

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INDEPENDENT AUDITOR'S REPORT

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, 2021, 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 of Kentville 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 Statement

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 of Kentville 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 of Kentville 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 28, 2021

Kent & Duffett

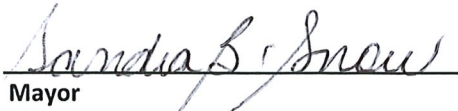
Chartered Professional Accountants

Town of Kentville
Consolidated Statement of Financial Position

March 31	2021	2020
Financial Assets		
Cash (Note 3)	\$ 4,945,258	\$ 5,384,582
Receivables (Note 4)	2,304,426	1,909,312
Properties held for sale (Note 5 & Note 19)	66,957	67,836
	<u>7,316,641</u>	<u>7,361,730</u>
Investments (Note 6)		
Restricted	10,000,000	10,000,000
Unrestricted	3,254,790	3,265,260
	<u>13,254,790</u>	<u>13,265,260</u>
	<u>20,571,431</u>	<u>20,626,990</u>
Liabilities		
Bank loan	1,088,374	620,803
Payables	1,724,533	2,040,662
Deferred revenue- obligatory reserve fund (Note 8)	61	99,525
Other	205,333	375,360
Long-term debt (Note 7)	5,478,760	6,362,870
Tax sale surplus (Note 9)	12,043	12,043
	<u>8,509,104</u>	<u>9,511,263</u>
NET FINANCIAL ASSETS	<u>12,062,327</u>	<u>11,115,727</u>
Non-Financial Assets		
Tangible capital assets (Note 11)	42,379,171	42,225,208
Prepaid expenses	72,114	81,561
Other	2,391	6,162
	<u>42,453,676</u>	<u>42,312,931</u>
ACCUMULATED SURPLUS	<u>\$ 54,516,003</u>	<u>\$ 53,428,658</u>

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

2021

2020

	<u>Page</u>	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenues				
Taxation revenue	A-25	\$ 7,281,000	\$ 7,285,694	\$ 7,105,050
Grants in lieu	A-25	578,900	601,299	512,905
Services provided	A-26	228,400	212,167	247,888
Sales of services	A-26	617,900	551,425	603,520
Other revenue from own sources	A-26	443,700	457,920	512,804
Unconditional transfers	A-26	224,200	222,798	224,478
Conditional transfers	A-26	125,800	444,024	183,006
Transfer- Federal Gas Tax		470,600	540,815	837,953
Grants		90,000	48,270	17,536
Wastewater rates		1,279,000	1,371,519	1,391,179
Water rates		1,281,100	1,321,218	1,263,060
Public fire protection		721,200	685,815	721,264
Other revenue		6,600	108,854	14,772
Interest and dividends		534,600	577,482	690,406
Capital gains		100,000		163,007
Proceeds from sale of assets		11,000	196,000	34,180
		<u>13,994,000</u>	<u>14,625,300</u>	<u>14,523,008</u>
Expenses				
General government services	A-27	1,568,100	1,712,126	1,533,157
Protective services	A-28	3,043,900	2,943,180	2,886,150
Transportation services	A-29	1,772,600	1,660,614	1,763,123
Environmental health services	A-30	659,800	636,545	687,102
Public health services	A-30	6,500	6,500	9,500
Environmental development services	A-30	643,500	630,420	684,383
Recreation and cultural services	A-31	1,370,100	1,298,622	1,293,288
Water		1,057,000	956,674	956,615
Wastewater		1,106,400	1,096,245	983,594
Net book value of tangible assets disposed			512,497	19,581
Amortization		2,075,000	2,097,924	2,062,384
Capital loss			6,759	
Other			8,435	
		<u>13,302,900</u>	<u>13,566,541</u>	<u>12,878,877</u>
Annual surplus, before Other		691,100	1,058,759	1,644,131
Other				
Properties held for sale			28,586	19,435
Annual surplus		691,100	1,087,345	1,663,566
Accumulated surplus, beginning of year		53,428,700	53,428,658	51,765,092
Accumulated surplus, end of year		\$ 54,119,800	\$ 54,516,003	\$ 53,428,658

See accompanying notes to the consolidated financial statements

A-4

Town of Kentville
Consolidated Statement of Cash Flow

March 31

	2021	2020
	<u>Actual</u>	<u>Actual</u>
Operations		
Annual surplus	\$ 1,087,345	\$ 1,663,566
Amortization	2,097,924	2,062,384
Changes in non-cash working capital		
Decrease in taxes receivable	17,702	17,759
(Increase) decrease in other receivables	(412,816)	113,983
Decrease in properties held for sale	879	77,246
(Decrease) in payables	(316,129)	(69,934)
(Decrease) increase in deferred revenue- obligatory reserve fund	(99,464)	74,901
(Decrease) increase in other liabilities	(170,027)	60,254
Decrease in non-financial assets	13,218	7,612
Cash from operating activities	<u>2,218,632</u>	<u>4,007,771</u>
Capital transactions		
Acquisition of tangible capital assets	(2,764,384)	(1,852,997)
Proceeds from sale of capital assets	196,000	34,180
Loss (gain) on sale of capital assets	316,497	(14,599)
Cash for capital transactions	<u>(2,251,887)</u>	<u>(1,833,416)</u>
Investments		
Decrease (increase) in investments	<u>10,470</u>	<u>(143,598)</u>
Financing		
Increase (decrease) in bank loan	467,571	(386,564)
Proceeds from debt issue	626,100	731,400
Long-term debt principal repayment	(1,510,210)	(1,252,550)
Cash from financing activities	<u>(416,539)</u>	<u>(907,714)</u>
Change in net cash	<u>(439,324)</u>	<u>1,123,043</u>
Opening, net cash	5,384,582	4,261,539
Closing, net cash	<u>\$ 4,945,258</u>	<u>\$ 5,384,582</u>

On behalf of the Town


 Mayor


 Chief Administrative Officer

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

March 31

	2021	2020	
	<u>Budget</u> <u>unaudited</u>	<u>Actual</u>	<u>Actual</u>
Excess revenue over expenses	<u>\$ 691,100</u>	<u>\$ 1,087,345</u>	<u>\$ 1,663,566</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	(2,712,800)	(2,764,384)	(1,852,997)
Proceeds on disposal	11,000	196,000	34,180
Loss (gain) on disposal of tangible capital assets		316,497	(14,599)
Amortization	<u>2,075,000</u>	<u>2,097,924</u>	<u>2,062,384</u>
(Increase) decrease in net book value of tangible capital assets	<u>(626,800)</u>	<u>(153,963)</u>	<u>228,968</u>
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)		9,447	3,841
Other		<u>3,771</u>	<u>3,771</u>
Decrease in non-financial assets		<u>13,218</u>	<u>7,612</u>
Increase in net financial assets	<u>\$ 64,300</u>	<u>946,600</u>	<u>1,900,146</u>
Opening, net financial assets		11,115,727	9,215,581
Closing, net financial assets		<u>\$ 12,062,327</u>	<u>\$ 11,115,727</u>

See accompanying notes to the consolidated financial statements

A-6

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

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, planning, economic development 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%) (2020-20%)
Housing Nova Scotia (25%) (2020-25%)
Regional library – Annapolis Valley (5.8%) (2020-5.82%)
Annapolis Valley Centre for Education (9.88%) (2020-10.3%)
Regional sewer (49.9%) (2020-49.6%)
Valley Waste Resource Management Authority (9.97%) (2020-9.95%)

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 because 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, 2021

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 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, \$3,889 (2020-\$3,931) 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, 2021

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 except for 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 (Canada Community-Building Fund), 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 the Hantsport area. The total mandatory contribution is set by the Province each year.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

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 2021 was \$1,535,807 (2020- \$1,556,256). 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 2021 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.

	2021
Budget balance for the year (surplus)	\$11,200
Add back: amortization	(2,075,000)
proceeds new debt	(946,600)
transfers to/from own funds	(221,500)
Less: principal payments on debt	1,210,200
capital expenditures per budget	2,712,800
Adjusted annual surplus	\$691,100

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, 2021

3. Cash

Cash at March 31, 2021 is as follows:

	2021	2020
General operating bank	\$149,688	\$810,314
General capital bank		61,991
Water operating bank	91,749	330,624
Water capital bank	104,190	92,911
Reserve banks		
General operating	765,893	567,796
General capital	1,446,003	1,469,064
Sanitary Sewer operating	408,246	209,188
Sanitary Sewer capital	140,370	140,370
Sanitary Sewer depreciation	100,774	184,013
Water operating	170,620	170,620
Water capital	710,710	385,449
Water depreciation	857,015	962,242
	<u>\$4,945,258</u>	<u>\$5,384,582</u>

4. Receivables

	2021		2020	
	Current Year	Prior Years	Total	Total
General Operating:				
Taxes Receivable				
Balance taxes, beginning of year		\$92,448	\$92,448	\$110,207
Current year's levy	\$9,635,551		9,635,551	9,453,464
	<u>9,635,551</u>	<u>92,448</u>	<u>9,727,999</u>	<u>9,563,671</u>
Deduct				
Current year's collection	9,504,789	84,389	9,589,178	9,403,267
Reduced taxes	64,076		64,076	67,956
	<u>9,568,865</u>	<u>84,389</u>	<u>9,653,254</u>	<u>9,471,223</u>
Balance- taxes, end of year	\$66,686	\$8,059	74,745	92,448
Sanitary sewer rates receivable			200,121	194,513
Other receivables			1,432,121	1,239,128
Total receivables General Operating			<u>1,706,987</u>	<u>1,526,089</u>
General Capital			86,761	67,911
Water rates and other			433,238	225,362
Special Reserves			77,440	89,950
			<u>\$2,304,426</u>	<u>\$1,909,312</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

5. Land held for sale

	Opening Balance	Additions	Disposals at Cost	Balance 2021	Balance 2020
Unsold land	\$67,836	\$3,785	\$(4,664)	\$66,957	\$93,310
Allowance for loss					(25,474)
				\$66,957	\$67,836

Comprised of:

	2021	2020
Kentville Business Park	\$66,957	\$67,836

Kentville Business Park- As at March 31, 2021, 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 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 (losses) gains for the year ended March 31, 2021 are \$(6,759) (2020-\$163,007).

Investment instruments include:

	2021		2020
	Cost	Market	Cost
Short-term			
Cash and equivalents	\$2,012,228	\$2,014,616	\$867,266
Long-term			
Equity stock	4,766,934	5,489,715	3,919,010
Fixed income securities	6,475,628	6,493,597	8,478,984
	<u>\$13,254,790</u>	<u>\$13,997,928</u>	<u>\$13,265,260</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

7. Long term debt

	<u>2021</u>	<u>2020</u>
Municipal Finance Corporation debenture, bearing interest from 4.83%, repayable in annual instalments of \$60,000 plus interest, maturing in 2021		\$360,000
Municipal Finance Corporation debenture, bearing interest from 4.36%-4.5%, repayable in annual instalments of \$88,400 plus interest, maturing in 2021		88,400
Municipal Finance Corporation debenture, bearing interest from 3.69%-3.87%, repayable in annual instalments of \$22,420 plus interest, maturing in 2021		22,420
Municipal Finance Corporation debenture, bearing interest from 3.874%-4.221%, repayable in annual instalments of \$256,100 plus interest, maturing in 2021	\$256,100	512,200
Municipal Finance Corporation debenture, bearing interest from 2.992%-3.856%, repayable in annual instalments of \$118,560 plus interest, maturing in 2027	687,120	805,680
Municipal Finance Corporation debenture, bearing interest from 2.454%-2.979%, repayable in annual instalments of \$62,020 plus interest, maturing in 2023	186,060	248,080
Municipal Finance Corporation debenture, bearing interest from 2.516%-3.347%, repayable in annual instalments of \$92,500 plus interest, maturing in 2024	370,000	462,500
Municipal Finance Corporation debenture, bearing interest from 1.833%-2.786%, repayable in annual instalments of \$104,400 plus interest, maturing in 2025	522,000	626,400
Municipal Finance Corporation debenture, bearing interest from 1.809%-2.925%, repayable in annual instalments of \$109,920 plus interest, maturing in 2026	659,520	769,440
Municipal Finance Corporation debenture, bearing interest from 1.475%-2.653%, repayable in annual instalments of \$115,900 plus interest, maturing in 2027	811,300	927,200
Municipal Finance Corporation debenture, bearing interest from 2.367%-3.2995%, repayable in annual instalments of \$106,850 plus interest, maturing in 2028	702,300	809,150
Municipal Finance Corporation debenture, bearing interest from 1.982%-2.712%, repayable in annual instalments of \$73,140 plus interest, maturing in 2029	658,260	731,400
Municipal Finance Corporation debenture, bearing interest from 0.678%-1.879%, repayable in annual instalments of \$62,610 plus interest, maturing in 2030	626,100	
	\$5,478,760	\$6,362,870

Town of Kentville
Notes to the Consolidated Financial Statements

March 31, 2021

7. Long term debt (continued)

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

	General Capital	Water Capital
2021	\$874,800	\$227,200
2022	\$739,400	\$106,500
2023	\$711,840	\$60,500
2024	\$649,820	\$30,000
2025	\$587,320	\$0

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 \$159,111 (2020-\$193,680).

Of the total charges shown above, \$138,030 (2020-\$163,322) relates to general revenues of the Town of Kentville, \$15,705 (2020-\$23,460) was recovered from the water supply operation and \$5,376 (2020-\$6,898) 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

	2021	2020
Federal Gasoline tax revenue	<u>\$61</u>	<u>\$99,525</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, 2021 is \$591,189 (2020-\$606,488). Of this total liability, \$557,018 (2020-\$573,020) is recorded in the Town of Kentville Operating Fund and \$34,171 (2020-\$33,468) is recorded in the Kentville Water Commission Operating Fund.

Town of Kentville
Notes to the Consolidated Financial Statements

March 31, 2021

11. Tangible capital assets

	Cost Beginning of Year	Additions	Disposals	Cost End of year	Amortization 2020/21	Accumulated Amortization on Disposals	Accumulated Amortization End of Year	Net Book Value End of Year
General Capital								
Land	\$3,130,346	\$14,904		\$3,145,250				\$3,145,250
Land improvements	1,362,590	6,841		1,369,431	\$44,032		\$474,580	894,851
Buildings	6,369,784	235,238	\$571,273	6,033,749	211,071	\$58,777	3,241,142	2,792,607
Engineered structures	37,001,357	1,567,041	102,173	38,466,225	888,142	102,173	16,802,883	21,663,342
Plant & equipment	5,731,914	444,534	64,533	6,111,915	484,147	64,533	3,838,574	2,273,341
	53,595,991	2,268,558	737,979	55,126,570	1,627,392	225,483	24,357,179	30,769,391
Water Capital								
Land	144,661			144,661				144,661
Engineered structures	15,921,883	243,916		16,165,799	232,261		4,986,369	11,179,430
Plant & equipment	2,511,554	177,871		2,689,425	238,271		2,537,248	152,177
	18,578,098	421,787		18,999,885	470,532		7,523,617	11,476,268
	\$72,174,089	\$2,690,345	\$737,979	\$74,126,455	\$2,097,924	\$225,483	\$31,880,796	42,245,659
							Work in progress	133,512
								<u>\$42,379,171</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

12. Investment in capital assets

	2021	2020
Balance, beginning of year	\$36,155,927	\$35,740,600
Capital acquisitions	2,764,384	1,852,996
Debt proceeds	(1,588,499)	(1,254,754)
Repayment of debt	2,033,564	1,992,138
Properties held for sale and propane tank debt repayment	(84,487)	(93,088)
Assets disposed	(737,979)	(465,532)
Accumulated depreciation on disposal	225,483	445,951
Amortization and depreciation	(2,097,924)	(2,062,384)
	514,542	415,327
Balance, end of year	\$36,670,469	\$36,155,927

13. Commitments- leases

The Town of Kentville entered into a number of long-term operating leases with varied expiry dates. The following is a compilation of leases as at March 31, 2021 and payments committed for these leases over the next five years.

	2022	2023	2024	2025	2026
	\$	\$	\$	\$	\$
Caterpillar- backhoe	9,624				
John Deere- tractor 4066	1,608				
Scag Turf Tiger	4,482	4,482	4,482	2,241	
Steiner 450 tractor	5,005	5,005	5,005	2,502	
Neopost- folder	2,644				
Ricoh-photocopier- TH downstairs	3,183	3,183	3,183	2,387	
Ricoh-photocopier- TH upstairs	2,428	607			
Kyocera photocopier- Police	1,988	497			
Sharp photocopier- Library	1,013	760			
Library building lease*	76,428	76,428	76,428	76,428	76,428
	108,403	90,962	89,098	83,558	76,428

*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 if the Kentville Library is housed in its current location.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

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 7.5% and employer 7.5% 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 2.5% and the Town contributes 2.0% 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 5.0% 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	\$213,346 (2020-\$196,514)	\$45,566 (2020-\$48,576)
Kentville Water Utility	\$2,739 (2020-\$2,222)	\$7,932 (2020-\$7,819)

15. Rate of return on rate base

For the year ended March 31, 2021, the Town of Kentville Water Utility had a rate of return on rate base of 5.32% (2020- 5.52%). The rate of return is calculated using the amortization approved by the Nova Scotia Utility and Review Board.

16. Contingencies

a) 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.

b) Collective agreements

The collective agreement between the Town of Kentville and Atlantic Police Association (APA) Local 107 was ratified on June 29, 2020 and will expire March 31, 2024. The collective agreement between the Town of Kentville and CUPE Local 4403 was ratified on July 29, 2019. This contract expires March 31, 2023.

c) 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:

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

16. Contingencies (continued)

Date of Ratification	Debenture #	Principal	Share	Guarantee Amount	Outstanding
May 25, 2015	36-A-1	\$860,000	7.74%	\$66,564	\$42,386
July 24, 2017	37-A-1	\$1,348,265	7.84%	\$105,637	82,397
July 25, 2016	38-A-1	\$399,000	9.95%	\$39,701	} 41,776
February 20, 2018	38-A-1	\$187,335	9.95%	\$18,640	
January 29, 2018	39-A-1	\$514,000	9.95%	\$51,143	4,843
October 13, 2020		\$945,000	9.99%	\$94,406	
Total					<u>\$171,402</u>

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 May 28, 2021, the Town of Kentville received debenture funds in the amount of \$662,600 from Nova Scotia Municipal Finance Corporation for general purposes and \$100,000 for sanitary sewer purposes and \$300,000 for Kentville Police Services building.

Three lots have been sold in the business park: Lot 2F was purchased for \$13,000 on April 1, 2021, Lot 2E was purchased on May 10, 2021 for \$15,000 and Parcel "Y" sold for \$13,250.00 on June 3, 2021. In addition, on May 31, 2021, the Town of Kentville sold 155 River Street for \$298,000.

18. Other matters

The total remuneration in 2021, including benefits along with expenses, paid to each member of the council and the Chief Administrative Officer is as follows:

	Remuneration	Expenses
Mayor Snow	\$46,448	\$724
Andrew	14,829	(289)
Bolland	14,829	(206)
Gerrard	26,816	458
Huntley	10,373	57
Maxwell	25,203	438
Pulsifer	14,829	287
Savage	25,973	335
Yorke	10,373	149
Zebian	10,373	262
CAO Troke	26,409	700
CAO Rice	115,963	1,140
	<u>\$342,418</u>	<u>\$4,055</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

19. Properties held for sale

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 was 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.

On March 30, 2021, Lot 2D in the business park was sold. The sale price was \$37,250. The net proceeds were deposited to the Town Capital Reserve for future development purposes.

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.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

20. Segmented information (continued)

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 wastewater 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.

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.

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

20. Segmented Information (continued)

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 Centre for Education for its provision of education services within the Annapolis Valley Region.

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).

21. Accumulated surplus

	2021	2020
Surpluses (deficits)		
General operating fund	\$Nil	\$Nil
General capital fund	(998,370)	(954,628)
Water operating fund	277,557	270,023
Water capital fund	86,102	82,102
Reserve funds	18,480,245	17,875,234
	<u>17,845,534</u>	<u>17,272,731</u>
Invested in tangible capital assets (net)	<u>36,670,469</u>	<u>36,155,927</u>
Total accumulated surplus	<u>\$54,516,003</u>	<u>\$53,428,658</u>

Town of Kentville

Notes to the Consolidated Financial Statements

March 31, 2021

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	20 years	5.0%
	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%

23. Consolidated expenses by object

	2021	2020
Remuneration	\$4,945,250	\$4,897,806
Contracted services	768,994	840,345
Purchased goods & services from the public sector	882,120	844,652
Materials, goods, supplies and utilities	3,519,120	3,377,119
Grants and transfers to organizations	454,643	442,587
Transfers to Province	130,132	139,710
Allowance for doubtful accounts	58,243	33,618
Other expenses	1,162	825
Interest on long-term debt	159,111	193,677
Bank charges and short-term interest	22,150	26,573
Amortization, write-downs, net gains/losses	2,625,616	2,081,965
Total consolidated expenses by object	\$13,566,541	\$12,878,877

Town of Kentville**Notes to the Consolidated Financial Statements**March 31, 2021

24. Amounts contributed for provincially mandated services:

	Budget	2021	2020
Assessment services	\$91,200	\$91,159	\$90,416
Correctional & prosecutorial services	95,100	86,912	97,663
Housing	90,000	60,526	49,433
Regional library	42,800	36,948	36,948
Education	1,536,000	1,535,807	1,556,256
	<u>\$1,855,100</u>	<u>\$1,811,352</u>	<u>\$1,830,716</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.

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.

Town of Kentville**Notes to the Consolidated Financial Statements**March 31, 2021

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

The arbitration between the Town of Kentville and the Municipality of County of Kings was held on February 21, 2021 before Craig M. Garson, Q.C. of Garson MacDonald. The arbitration award was released on April 8, 2021. The Town was awarded \$ 598,440, which equated to the amount claimed by Kentville. The arbitrator awarded Kings \$ 96,968, as acknowledged by Kentville. The arbitrator's decision regarding costs arrived June 22, 2021 with Kentville being awarded \$44,848. No payments have been exchanged between the parties.

26. Notices of Intended Action

The Town received a *Notice of Action* by M & D Davison on March 11, 2020. The matter was sent to the Town's general insurance carrier and a claims officer was assigned. The Town's financial responsibility is the deductible of \$25,000. To March 31, 2021, the Town expended \$18,614, which is included in General Administration.

The Town received a *Notice of Intended Action* by Open Arms Resource Centre Society on March 17, 2021. The matter was forwarded to the Town's general insurance carrier and a claim has been opened. The Town's financial responsibility is the deductible of \$ 25,000. To March 31, 2021, the Town expended NIL.

27. 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

	2021	2020	
	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
TAXATION REVENUE			
Assessable property			
Residential	\$ 6,170,800	\$ 6,141,985	\$ 5,938,325
Commercial			
Commercial property	1,906,600	1,883,615	1,953,793
Resource			
Taxable assessments	41,900	41,961	40,579
Forest (less than 50,000 acres)	100	85	85
Other assessable property taxes			
Farm property acreage	500	565	553
	<u>8,119,900</u>	<u>8,068,211</u>	<u>7,933,335</u>
Special tax agreements			
Bell Aliant- based on revenue	38,000	38,022	38,655
Business Park- based on Special Tax Legislation	713,400	741,124	705,713
	<u>751,400</u>	<u>779,146</u>	<u>744,368</u>
Subtotal assessable property	8,871,300	8,847,357	8,677,703
Other rates, charges and assessments			
Economic development	113,800	114,622	111,528
Special assessments- betterments	6,800	4,935	6,825
Fire area rate	198,400	197,482	161,178
Fire protection rate	496,400	471,155	496,230
Transfer to volunteer fire department- Fire area rate	(198,400)	(197,482)	(161,178)
Transfer to Kentville water utility- Fire protection rate	(496,400)	(471,155)	(496,230)
	<u>120,600</u>	<u>119,557</u>	<u>118,353</u>
Total taxation revenue levied	8,991,900	8,966,914	8,796,056
Expenditures as a reduction of tax revenue			
Appropriation for education	(1,536,000)	(1,535,807)	(1,556,256)
Transfer to Province, Corrections	(84,900)	(84,887)	(85,317)
Deficit of Housing Nova Scotia	(90,000)	(60,526)	(49,433)
	<u>(1,710,900)</u>	<u>(1,681,220)</u>	<u>(1,691,006)</u>
	<u>\$ 7,281,000</u>	<u>\$ 7,285,694</u>	<u>\$ 7,105,050</u>
GRANTS IN LIEU OF TAXES			
Federal government	<u>\$ 396,300</u>	<u>\$ 418,029</u>	<u>\$ 399,652</u>
Provincial government			
Provincial property	<u>182,600</u>	<u>183,270</u>	<u>113,253</u>
	<u>\$ 578,900</u>	<u>\$ 601,299</u>	<u>\$ 512,905</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

2021

2020

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
SERVICES PROVIDED TO OTHER GOVERNMENTS			
Provincial government	\$ 118,000	\$ 120,285	\$ 118,775
Other local government	<u>110,400</u>	<u>91,882</u>	<u>129,113</u>
	<u>\$ 228,400</u>	<u>\$ 212,167</u>	<u>\$ 247,888</u>
SALES OF SERVICES			
Administration	\$ 38,500	\$ 37,522	\$ 37,195
Protective services	575,000	493,192	561,977
Transportation services		16,363	
Recreation services	<u>4,400</u>	<u>4,348</u>	<u>4,348</u>
	<u>\$ 617,900</u>	<u>\$ 551,425</u>	<u>\$ 603,520</u>
OTHER REVENUE FROM OWN SOURCES			
Licenses and permits	\$ 4,800	\$ 4,922	\$ 9,793
Fines	33,000	22,262	39,782
Rentals	361,800	340,819	415,425
Miscellaneous	<u>44,100</u>	<u>89,917</u>	<u>47,804</u>
	<u>\$ 443,700</u>	<u>\$ 457,920</u>	<u>\$ 512,804</u>
UNCONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS			
Provincial government			
Municipal Grants Act- Equalization	\$ 167,800	\$ 167,850	\$ 167,850
NSPI- Grant in lieu of taxes	8,400	8,390	8,165
NSPI- HST offset	<u>48,000</u>	<u>46,558</u>	<u>48,463</u>
	<u>\$ 224,200</u>	<u>\$ 222,798</u>	<u>\$ 224,478</u>
CONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS			
Federal government			
Canada summer jobs		\$ 10,542	\$ 10,054
Canadian Parks & Recreation Association	<u>800</u>	<u>800</u>	
	<u>800</u>	<u>11,342</u>	<u>10,054</u>
Provincial government			
Administration		189,973	
Law enforcement	100,000	100,000	124,227
Transportation- transit		83,200	
Economic development		15,000	1,163
Recreation	<u>25,000</u>	<u>44,509</u>	<u>36,454</u>
	<u>125,000</u>	<u>432,682</u>	<u>161,844</u>
Other			<u>11,108</u>
	<u>\$ 125,800</u>	<u>\$ 444,024</u>	<u>\$ 183,006</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

2021**2020**

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
General government services			
Legislative			
Mayor's remuneration	\$ 47,000	\$ 46,648	\$ 45,800
Mayor's expenses	7,000	725	7,772
Legislative benefits	11,800	13,737	11,597
Council remuneration	155,400	154,199	151,664
Council expense	24,300	5,126	23,132
Election	40,000	33,398	
	<u>285,500</u>	<u>253,833</u>	<u>239,965</u>
General administration			
Administrative and financial management	796,500	866,108	823,142
Taxation			
Reduced taxes (MGA, Section 69)	13,300	11,334	16,155
Reduced taxes (MGA, Section 71)	53,000	52,742	51,801
Property Valuation Services Corporation	91,200	91,159	90,416
Common services	125,700	148,290	141,489
Other general administrative services	20,000	17,731	20,685
	<u>1,099,700</u>	<u>1,187,364</u>	<u>1,143,688</u>
Debt charges			
Interest on long-term debt	4,200	4,236	4,990
Term loan interest			17
Debenture discount	6,200	4,429	5,688
	<u>10,400</u>	<u>8,665</u>	<u>10,695</u>
Valuation allowances			
Uncollectible receivables	2,200	(84)	6,516
Accrued liability	65,000	58,327	27,102
	<u>67,200</u>	<u>58,243</u>	<u>33,618</u>
Other general government services			
Conventions and travel	15,000	5,512	17,358
Liability insurance	20,600	20,621	16,312
Grants	7,000		1,500
Legal and audit	23,700	140,896	33,031
Management fees, perpetual investment fund	37,000	35,391	35,796
Other	2,000	1,601	1,194
	<u>105,300</u>	<u>204,021</u>	<u>105,191</u>
	<u>\$ 1,568,100</u>	<u>\$ 1,712,126</u>	<u>\$ 1,533,157</u>

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

Year Ended March 31

2021**2020**

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Protective services			
Police protection			
Administration	\$ 599,500	\$ 584,933	\$ 603,055
Crime investigation, prevention and protective services	1,799,600	1,842,006	1,666,441
Training	20,000	16,321	35,980
Police station and buildings	53,500	46,271	53,094
Police automotive equipment	55,800	46,956	51,529
Other	3,700	3,995	3,289
	<u>2,532,100</u>	<u>2,540,482</u>	<u>2,413,388</u>
Law enforcement			
Transfer to Province- Prosecuting attorney	10,200	2,025	12,346
Legal	40,000	33,241	22,055
Other	89,500	66,402	62,311
	<u>139,700</u>	<u>101,668</u>	<u>96,712</u>
Fire protection			
Transfer- Kentville Volunteer Fire Department- Operating	195,500	165,143	183,474
Emergency measures			
Emergency measures	32,300	32,981	91,960
Animal control	12,000	361	761
Building inspection	48,500	27,882	34,440
Fire inspection	58,500	56,172	41,750
Other	10,000	5,589	2,539
	<u>161,300</u>	<u>122,985</u>	<u>171,450</u>
Debt charges			
Term loan interest			97
Interest on long-term debt	15,300	12,902	21,029
	<u>15,300</u>	<u>12,902</u>	<u>21,126</u>
	<u>\$ 3,043,900</u>	<u>\$ 2,943,180</u>	<u>\$ 2,886,150</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

2021**2020**

	<u>Budget</u> <u>unaudited</u>	<u>Actual</u>	<u>Actual</u>
Transportation services			
Common services			
Administration	\$ 234,100	\$ 232,607	\$ 157,617
Professional services	5,000	23,771	50,880
General equipment	307,500	288,152	316,368
Small tools and equipment	8,500	5,272	6,852
Workshops, yards, buildings	39,600	43,712	40,509
	<u>594,700</u>	<u>593,514</u>	<u>572,226</u>
Road transport			
Roads and streets	522,000	427,564	499,904
Street lighting	156,000	154,472	177,065
Traffic services	59,800	58,228	65,042
Parking	47,100	38,746	42,312
Other road transport	4,400	4,272	7,171
Other transportation			
Private work- other	25,000	20,159	18,658
Private work- water	71,800	70,549	74,284
	<u>886,100</u>	<u>773,990</u>	<u>884,436</u>
Public transit operating contribution	210,300	218,401	218,423
Public transit special contribution	15,200	15,095	14,900
	<u>225,500</u>	<u>233,496</u>	<u>233,323</u>
Debt charges			
Term loan interest	1,900	1,533	1,678
Interest on long-term debt	64,400	58,081	71,460
	<u>66,300</u>	<u>59,614</u>	<u>73,138</u>
	<u>\$ 1,772,600</u>	<u>\$ 1,660,614</u>	<u>\$ 1,763,123</u>

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

Year Ended March 31

2021

2020

	<u>Budget</u> <u>unaudited</u>	<u>Actual</u>	<u>Actual</u>
Environmental health services			
Garbage and waste collection and disposal			
Garbage and waste collection	\$ 39,100	\$ 27,129	\$ 24,171
Municipal dumps	8,000	5,565	6,060
Valley Waste Resource Management Authority	611,200	603,851	656,871
Other	1,500		
	<u>\$ 659,800</u>	<u>\$ 636,545</u>	<u>\$ 687,102</u>
Public health services			
Other	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 9,500</u>
Environmental development services			
Environmental planning and zoning			
Administration	\$ 228,500	\$ 217,498	\$ 220,370
Research and planning	5,000	2,267	3,791
Legal	10,000	14,446	14,212
Other planning and zoning	1,000	65	
	<u>244,500</u>	<u>234,276</u>	<u>238,373</u>
Community development			
Transfers to Regional Economic Network	29,000	28,414	25,103
Transfer for economic development	88,800	88,800	86,700
Other community development	24,800	47,629	15,829
	<u>142,600</u>	<u>164,843</u>	<u>127,632</u>
Natural resource development	<u>6,500</u>	<u>3,836</u>	<u>8,953</u>
Debt charges			
Term loan interest	600	634	4,417
Interest on long-term debt	36,300	34,572	36,363
	<u>36,900</u>	<u>35,206</u>	<u>40,780</u>
Other environmental development services			
Tourism and other development services	<u>213,000</u>	<u>192,259</u>	<u>268,645</u>
	<u>\$ 643,500</u>	<u>\$ 630,420</u>	<u>\$ 684,383</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

2021

2020

	Budget unaudited	Actual	Actual
Recreation and cultural services			
Recreation facilities			
Administration	\$ 506,400	\$ 468,007	\$ 471,728
Swimming pool	9,500	6,558	16,707
Arena	362,500	368,707	324,154
Parks and playgrounds	169,700	168,454	170,083
Recreation centre	45,400	33,263	39,336
Other recreation facilities	22,100	17,059	18,033
	<u>1,115,600</u>	<u>1,062,048</u>	<u>1,040,041</u>
Cultural buildings and facilities			
Library, museum and cultural	90,900	87,919	93,788
Transfer to Province- Regional Library	42,800	36,948	36,948
	<u>133,700</u>	<u>124,867</u>	<u>130,736</u>
Debt charges			
Term loan interest	2,000	1,441	708
Debenture interest	35,000	28,239	29,480
	<u>37,000</u>	<u>29,680</u>	<u>30,188</u>
Other recreational and cultural services			
Recreation grants and programs	43,800	70,407	43,182
Tree maintenance	40,000	11,620	49,141
	<u>83,800</u>	<u>82,027</u>	<u>92,323</u>
	<u>\$ 1,370,100</u>	<u>\$ 1,298,622</u>	<u>\$ 1,293,288</u>
Administration and general			
Supervision	\$ 15,000	\$ 15,000	\$ 14,610
Meter reading	39,000	36,051	35,816
Consumer billing and accounting	25,000	25,000	24,350
Officers' and executives' salaries	18,200	18,200	19,200
Other general office salaries	23,800	23,821	23,333
General office expense	13,900	11,814	13,024
Legal	500		
Audit	7,100	7,153	7,014
Rent	12,000	12,000	12,000
Regulatory expense	3,800	3,676	3,557
Insurance	17,500	17,518	11,742
Employee welfare	35,000	34,756	34,336
Training	5,000	98	4,183
Transportation	9,100	5,915	9,835
Professional studies	3,000		2,297
Miscellaneous, general expenses	14,100	11,700	12,052
	<u>\$ 242,000</u>	<u>\$ 222,702</u>	<u>\$ 227,349</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

2021**2020**

	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Supply			
Supervision and engineering	\$ 10,400	\$ 9,053	\$ 7,223
Labor	7,800	7,210	7,163
Supplies and expense	1,300	705	410
	<u>\$ 19,500</u>	<u>\$ 16,968</u>	<u>\$ 14,796</u>
Pumping			
Supervision and engineering	\$ 10,300	\$ 9,053	\$ 7,223
Labor	7,800	7,210	7,163
Supplies and expense	186,200	200,611	187,026
	<u>\$ 204,300</u>	<u>\$ 216,874</u>	<u>\$ 201,412</u>
Purification			
Supervision and engineering	\$ 13,800	\$ 12,071	\$ 9,631
Labor	62,500	57,681	57,306
Supplies and expense	216,100	202,076	189,366
	<u>\$ 292,400</u>	<u>\$ 271,828</u>	<u>\$ 256,303</u>
Transmission and distribution			
Supervision and engineering	\$ 34,500	\$ 30,177	\$ 24,078
Maps and records		4,865	
Operation and meters	25,300	22,330	22,690
Maintenance of mains	90,000	56,400	79,847
Maintenance of services	65,000	56,537	60,479
Maintenance of meters	12,100	789	2,478
Maintenance of hydrants	26,000	33,271	25,535
Maintenance of other distribution plant	20,000	10,488	5,877
	<u>\$ 272,900</u>	<u>\$ 214,857</u>	<u>\$ 220,984</u>
Other			
Other	<u>\$ 500</u>	<u>\$ 343</u>	<u>\$ 71</u>
Debt charges			
Interest on long-term debt	15,800	15,705	23,460
Other debt charges	3,800	3,771	3,771
	<u>19,600</u>	<u>19,476</u>	<u>27,231</u>
Valuation allowances			
Allowance for uncollectibles	5,000	(7,078)	7,784
Accrued liability	800	703	684
	<u>5,800</u>	<u>(6,375)</u>	<u>8,468</u>
	<u>\$ 25,900</u>	<u>\$ 13,444</u>	<u>\$ 35,770</u>

See accompanying notes to the consolidated financial statements

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

Year Ended March 31

2021**2020**

		<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenue				
Taxation revenue	A-25	\$ 7,281,000	\$ 7,285,694	\$ 7,105,050
Grants in lieu	A-25	578,900	601,299	512,905
Services provided	A-26	228,400	212,167	247,888
Sales of services	A-26	617,900	551,425	603,520
Other revenue from own sources	A-26	443,700	457,920	512,804
Interest		99,600	74,614	173,024
Unconditional transfers	A-26	224,200	222,798	224,478
Conditional transfers	A-26	125,800	444,024	183,006
Rates		1,279,000	1,371,519	1,391,179
Other		1,500	2,853	1,500
		<u>10,880,000</u>	<u>11,224,313</u>	<u>10,955,354</u>
Expenditures				
General government services		1,531,100	1,676,735	1,497,361
Protective services	A-28	3,043,900	2,943,180	2,886,150
Transportation services	A-29	1,772,600	1,660,614	1,763,123
Environmental health services	A-30	659,800	636,545	687,102
Public health services	A-30	6,500	6,500	9,500
Environmental development services	A-30	643,500	630,420	684,383
Recreation and cultural services	A-31	1,370,100	1,298,622	1,293,288
Wastewater				
Administration		172,500	204,665	134,008
Wastewater maintenance		73,600	44,337	37,651
Pumping stations		61,400	49,368	42,636
Treatment		793,500	792,501	762,401
Other		5,400	5,375	6,898
		<u>10,133,900</u>	<u>9,948,862</u>	<u>9,804,501</u>
Net revenues		746,100	1,275,451	1,150,853
Net transfers		<u>(742,400)</u>	<u>(856,361)</u>	<u>(802,061)</u>
Change in operating surplus		<u>\$ 3,700</u>	419,090	348,792
Opening fund balance			Nil	Nil
Current year surplus transferred to reserve funds			<u>(419,090)</u>	<u>(348,792)</u>
Ending surplus			<u>\$ Nil</u>	<u>\$ Nil</u>

See accompanying notes to the consolidated financial statements

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

Year Ended March 31

	2021	2020
	<u>Actual</u>	<u>Actual</u>
Change in operating surplus (page A-33)	<u>\$ 419,090</u>	<u>\$ 348,792</u>
Ending surplus, General Operating	\$ 312,357	\$ 149,734
Ending surplus, Sanitary Sewer Area Service (restricted)	<u>106,733</u>	<u>199,058</u>
Combined ending surplus, before transfers	<u>\$ 419,090</u>	<u>\$ 348,792</u>

Town of Kentville
Schedule of General Capital Fund

Year Ended March 31

	2021	2020	
	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenue			
Grants- contribution	\$ 60,000	\$ 32,270	\$ 13,536
Capital contribution	30,000	16,000	1,000
Proceeds on sale	11,000	196,000	34,180
Proceeds on sale- properties held for sale	<u>101,000</u>	<u>28,586</u>	<u>44,909</u>
	<u>101,000</u>	<u>272,856</u>	<u>93,625</u>
Expenditures			
General government service	153,800	218,688	66,109
Protective services	143,200	112,152	107,861
Transportation services	1,239,500	1,437,227	1,236,697
Environmental health services	235,300	303,683	72,099
Environmental development services	80,800	72,117	40,632
Recreation and cultural services	517,800	198,731	302,696
Write down- properties held for sale	<u>2,370,400</u>	<u>2,342,598</u>	<u>25,474</u>
	<u>2,370,400</u>	<u>2,342,598</u>	<u>1,851,568</u>
Net (expenditure)	(2,269,400)	(2,069,742)	(1,757,943)
Issue of debt	946,600	1,588,499	1,254,754
Repayment of debt	(983,000)	(1,806,364)	(1,764,938)
Recoveries		84,488	93,088
Net transfers	<u>2,305,800</u>	<u>2,159,377</u>	<u>2,315,202</u>
Change in fund balance	<u>\$ Nil</u>	(43,742)	140,163
Opening fund balance		<u>(954,628)</u>	<u>(1,094,791)</u>
Closing fund balance		<u>\$ (998,370)</u>	<u>\$ (954,628)</u>

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

Year Ended March 31

	2021	2020
	<u>Actual</u>	<u>Actual</u>
Tangible capital assets	<u>\$ 55,260,086</u>	<u>\$ 53,655,467</u>
Accumulated amortization	(24,357,178)	(22,955,268)
Outstanding debt and loans	(6,113,359)	(6,331,177)
Properties held for sale debt and loans	347,200	391,502
Propane tank debenture	<u>481,656</u>	<u>521,794</u>
	<u>(29,641,681)</u>	<u>(28,373,149)</u>
Investment in capital assets	25,618,405	25,282,318
Fund balance	<u>(998,370)</u>	<u>(954,628)</u>
	<u>\$ 24,620,035</u>	<u>\$ 24,327,690</u>

See accompanying notes to the consolidated financial statements

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

	2021	2020	
	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenue			
Metered	\$ 1,271,000	\$ 1,310,594	\$ 1,253,093
Flat rate	10,100	10,624	9,967
Public fire protection	721,200	685,815	721,264
Other	10,100	9,359	7,799
	<u>2,012,400</u>	<u>2,016,392</u>	<u>1,992,123</u>
Expenditures			
Source of supply	19,500	16,968	14,796
Power and pumping	204,300	216,874	201,412
Water treatment	292,400	271,828	256,303
Transmission and distribution	272,900	214,857	220,984
Administration and general	242,000	222,702	227,349
Fiscal	15,800	15,705	23,460
Other	10,100	(2,260)	12,310
	<u>1,057,000</u>	<u>956,674</u>	<u>956,614</u>
Net revenues	955,400	1,059,718	1,035,509
Net transfers and depreciation	(947,900)	(1,052,184)	(1,029,008)
Change in fund balance	<u>\$ 7,500</u>	<u>7,534</u>	<u>6,501</u>
Opening fund balance		<u>270,023</u>	<u>263,522</u>
Closing fund balance		<u>\$ 277,557</u>	<u>\$ 270,023</u>
<hr/>			
Change in fund balance		\$ 7,534	\$ 6,501
Add: transfer, accumulated surplus		<u>100,000</u>	<u>100,000</u>
Excess revenue		<u>\$ 107,534</u>	<u>\$ 106,501</u>

See accompanying notes to the consolidated financial statements

Town of Kentville
Schedule of Water Capital Fund

Year Ended March 31

		2021	2020
	<u>Budget</u> unaudited	<u>Actual</u>	<u>Actual</u>
Revenue			
Other		<u>\$ 4,000</u>	<u>\$ 4,000</u>
Expenditures			
Capital expenditures	<u>\$ 342,400</u>	<u>421,787</u>	<u>26,903</u>
Net (expenditure)	(342,400)	(417,787)	(22,903)
Repayment of debt	(227,200)	(227,200)	(227,200)
Net transfers	<u>569,600</u>	<u>648,987</u>	<u>254,103</u>
Change in fund balance	<u>\$ Nil</u>	4,000	4,000
Opening fund balance		<u>82,102</u>	<u>78,102</u>
Closing fund balance		<u>\$ 86,102</u>	<u>\$ 82,102</u>

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

Year Ended March 31

	2021	2020
	<u>Actual</u>	<u>Actual</u>
Tangible capital assets	<u>\$ 18,999,884</u>	<u>\$ 18,578,097</u>
Accumulated amortization and depreciation	<u>(7,523,620)</u>	<u>(7,053,088)</u>
Outstanding debt	<u>(424,200)</u>	<u>(651,400)</u>
	<u>(7,947,820)</u>	<u>(7,704,488)</u>
Investment in capital assets	11,052,064	10,873,609
Fund balance	<u>86,102</u>	<u>82,102</u>
	<u>\$ 11,138,166</u>	<u>\$ 10,955,711</u>

See accompanying notes to the consolidated financial statements

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	2021										2020	
	General		Sanitary Sewer		Water							
	Operating	Capital	Perpetual	Operating	Capital	Depreciation	Operating	Capital	Depreciation	Total	Actual	
Financial Assets												
Cash	\$ 765,893	\$ 1,446,003		\$ 408,246	\$ 140,370	\$ 100,774	\$ 170,620	\$ 710,710	\$ 857,015	\$ 4,599,631	\$ 4,088,742	
Receivables	312,398	28,647	\$ 76,780	106,733			88,100	17,354		630,012	634,598	
	<u>1,078,291</u>	<u>1,474,650</u>	<u>76,780</u>	<u>514,979</u>	<u>140,370</u>	<u>100,774</u>	<u>170,620</u>	<u>798,810</u>	<u>874,369</u>	<u>5,229,643</u>	<u>4,723,340</u>	
Investments (Note 6)	1,078,291	1,474,650	13,254,790	514,979	140,370	100,774	170,620	798,810	874,369	13,254,790	13,265,260	
			<u>13,331,570</u>							<u>18,484,433</u>	<u>17,988,600</u>	
Liabilities												
Payables			4,127							4,127	13,841	
Deferred revenue		61								61	99,525	
		<u>61</u>	<u>4,127</u>							<u>4,188</u>	<u>113,366</u>	
NET FINANCIAL ASSETS	<u>1,078,291</u>	<u>1,474,589</u>	<u>13,327,443</u>	<u>514,979</u>	<u>140,370</u>	<u>100,774</u>	<u>170,620</u>	<u>798,810</u>	<u>874,369</u>	<u>18,480,245</u>	<u>17,875,234</u>	
FUND BALANCES	<u>\$ 1,078,291</u>	<u>\$ 1,474,589</u>	<u>\$ 13,327,443</u>	<u>\$ 514,979</u>	<u>\$ 140,370</u>	<u>\$ 100,774</u>	<u>\$ 170,620</u>	<u>\$ 798,810</u>	<u>\$ 874,369</u>	<u>\$ 18,480,245</u>	<u>\$ 17,875,234</u>	

See accompanying notes to the consolidated financial statements

	2021										2020	
	Budget unaudited	General			Sanitary Sewer			Water		Total	Actual	
		Operating	Capital	Perpetual	Operating	Capital	Depreciation	Operating	Capital			Depreciation
Revenue												
Transfer- Federal Gas Tax	\$ 470,600	\$ 540,815								\$ 540,815	\$ 837,953	
Grants- donation	430,000	2,340	\$ 489,244							499,389	512,266	3,000
Interest/dividends	100,000									7,335	163,007	6,589
Capital gains												
Other		96,121								96,121		
	<u>1,000,600</u>	<u>96,591</u>	<u>543,155</u>	<u>489,244</u>						<u>1,136,325</u>	<u>1,522,815</u>	
Expenditures												
Administration	37,000		35,391							35,391	35,796	
Other	<u>37,000</u>		<u>15,194</u>							<u>15,194</u>	<u>35,796</u>	
			<u>50,585</u>							<u>50,585</u>		
Net revenues	963,600	96,591	543,155	438,659						1,085,740	1,487,019	
Net transfers	(963,600)	264,085	(438,432)	(465,383)	\$ 106,733	\$ (83,239)	\$ 218,100	(82,593)	(480,729)		(389,444)	
Change in fund balance	\$ Nil	360,676	104,723	(26,724)	106,733	(83,239)	218,100	(75,258)	605,011		1,097,575	
Opening fund balance		717,615	1,369,866	13,354,167	408,246	140,370	580,710	949,627	17,875,234		16,777,659	
Closing fund balance		\$ 1,078,291	\$ 1,474,589	\$ 13,327,443	\$ 514,979	\$ 140,370	\$ 798,810	\$ 874,369	\$ 18,480,245		\$ 17,875,234	

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, 2021

	General Government	Protective services	Transportation services	Environmental health services	Public health services	Planning & development	Recreation & culture	Water services	Wastewater services	Total
Revenues										
Taxation revenue	\$ 7,285,694								\$	7,285,694
Grants in lieu	601,299									601,299
Services provided	\$ 120,285	\$ 318					\$ 91,564			212,167
Sales of services	37,522	493,192	16,363				4,348			551,425
Other revenue from own sources	103,090	33,462	6,000			\$ 23,743	291,625			457,920
Unconditional transfers	222,798									222,798
Conditional transfers	189,973	115,000	83,200				55,851			444,024
Transfer- Federal Gas Tax	540,815									540,815
Grants	48,270									48,270
Wastewater rates								\$ 1,371,519		1,371,519
Water rates								\$ 1,321,218		1,321,218
Public fire protection								685,815		685,815
Other revenue	570,208		96,121					2,850		108,854
Interest and dividends	191,000							9,883		577,482
Proceeds from sale of assets	5,000							3,479		196,000
	9,790,669	766,939	202,002			23,743	443,388	2,020,395	1,378,164	14,625,300
Expenses										
Salaries, wages and benefits	862,813	2,173,631	466,410	\$ 23,071		291,258	703,902	307,612	114,553	4,945,250
Contracted services		165,143		603,851						768,994
Purchase of services from public sector		84,054		5,565						882,120
Materials, goods, supplies and utilities	616,850	505,425	899,093	4,057		165,885	515,592	628,421	792,501	3,519,120
Grants and transfers to organizations	64,076		233,496		\$	138,071	12,500			454,643
Transfers to Province	91,159	2,025					36,948			130,132
Allowances for uncollectibles	58,243									58,243
Other expenses								1,162		1,162
Interest on long-term debt	4,236	12,902	58,081			34,572	28,239	15,705	5,376	159,111
Bank charges and short term interest	14,771		1,533			634	1,441	3,771		22,150
Amortization, depreciation, write downs, net gains (losses)	634,190	96,088	865,069			38,644	377,078	470,532	144,015	2,625,616
	2,346,318	3,039,268	2,525,682	636,544	6,500	669,064	1,675,700	1,427,203	1,240,262	13,566,541
Excess (deficiency) of revenue over expenses, before Other	7,444,351	(2,272,329)	(2,323,680)	(636,544)	(6,500)	(645,321)	(1,232,312)	593,192	137,902	1,058,759
Other										
Properties held for sale	28,586									28,586
Excess (deficiency) of revenue over expenses	\$ 7,472,937	\$ (2,272,329)	\$ (2,323,680)	\$ (636,544)	\$ (6,500)	\$ (645,321)	\$ (1,232,312)	\$ 593,192	\$ 137,902	\$ 1,087,345

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						54,808			224,478
Conditional transfers		125,027	3,171							183,006
Transfer- Federal Gas Tax	837,953									837,953
Grants	17,536							\$ 1,391,179		1,391,179
Wastewater rates								\$ 1,263,060		1,263,060
Water rates							721,264			721,264
Public fire protection							6,683		1,500	14,772
Other revenue	680,278		6,589				5,118		5,010	690,406
Interest and dividends	163,007									163,007
Capital gains										34,180
Proceeds from sale of assets	9,665,741	10,180	15,000			9,000				14,523,008
		863,750	55,478			24,737	519,488	1,996,125	1,397,689	
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					762,402	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	1,644,131
Other										
Properties held for sale						19,435				19,435
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	\$ 1,663,566

See accompanying notes to the consolidated financial statements

Town of Kentville Water Utility
Non-consolidated Financial Statements
March 31, 2021

Town of Kentville Water Utility

Non-consolidated Financial Statements

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Section B

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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, 2021, 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.

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.

Kent & Duffett

Town of Kentville
Water Utility Operating Fund
Statement of Financial Position

March 31	2021	2020
Assets		
Cash and cash equivalents	\$ 91,749	\$ 330,624
Receivables		
Rates (less: allowance for doubtful accounts \$3,445; 2020- \$10,950)	215,153	224,762
Other (less: allowance for doubtful accounts \$12,000; 2020- \$12,000)	218,085	600
Due from own funds and agencies (Note 1)		
Depreciation reserve		13,841
Prepaid expense	3,208	6,966
	<u>\$ 528,195</u>	<u>\$ 576,793</u>
Liabilities		
Payables and accruals		
Trade	\$ 46,876	\$ 33,229
Due to own funds and agencies (Note 1)		
Depreciation reserve	16,794	
Water capital reserve	88,100	195,261
General operating fund, Town of Kentville	52,454	32,415
Customers' deposits	12,242	12,397
Accrued liability (Note 6)	34,171	33,468
	<u>250,637</u>	<u>306,770</u>
Surplus		
Surplus	277,558	270,023
	<u>\$ 528,195</u>	<u>\$ 576,793</u>

ON BEHALF OF THE TOWN

Sandra B. Snow MAYOR

D. Luke TOWN CLERK

Town of Kentville
Water Utility Operating Fund
Statement of Financial Activities

March 31

	<u>Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Operating revenue			
Metered	\$ 1,271,000	\$ 1,310,594	\$ 1,253,093
Public fire protection	721,200	685,815	721,264
Sprinkler service	10,100	10,624	9,967
Other operating revenue	5,000	3,476	5,118
	<u>2,007,300</u>	<u>2,010,509</u>	<u>1,989,442</u>
Operating expenditure			
Source of supply (B-13)	19,500	16,968	14,796
Power and pumping (B-13)	204,300	216,874	201,413
Water treatment (B-13)	292,400	271,828	256,302
Transmission and distribution (B-14)	272,900	214,857	220,984
Transportation	9,100	5,915	9,835
Administration and general (B-14)	238,700	210,296	225,913
Depreciation	322,400	339,194	309,762
Taxes	168,300	167,690	166,786
	<u>1,527,600</u>	<u>1,443,622</u>	<u>1,405,791</u>
Net operating profit	<u>479,700</u>	<u>566,887</u>	<u>583,651</u>
Non-operating revenue			
Other	5,100	5,883	2,682
Non-operating expenditure			
Debt charges			
Principal	227,200	227,200	227,200
Interest	15,800	15,705	23,459
Debenture discount	3,800	3,771	3,771
Private work	500	343	71
Interest on customers' deposits		116	70
Transfer to Water capital reserve	130,000	218,100	225,261
Dividend to owner	100,000	100,000	100,000
	<u>477,300</u>	<u>565,235</u>	<u>579,832</u>
Excess revenue	<u>\$ 7,500</u>	<u>7,535</u>	<u>6,501</u>
Surplus, beginning of year		<u>270,023</u>	<u>263,522</u>
Surplus, end of year		<u>\$ 277,558</u>	<u>\$ 270,023</u>

Town of Kentville
Water Utility Capital Fund
Statement of Financial Position

March 31	2021	2020
Assets		
Cash and cash equivalents		
Cash	\$ 104,190	\$ 92,911
Depreciation funds	857,015	962,242
Receivables		
Other	559	1,226
Due from own funds and agencies (Note 1)		
Water Utility operating fund	16,794	
General operating fund, Town of Kentville	2,114	1,111
Utility plant in service (B-7)	18,999,885	18,578,098
	<u>\$ 19,980,557</u>	<u>\$ 19,635,588</u>
Liabilities		
Payables and accruals		
Trade	\$ 20,202	\$ 11,920
Due to other funds and agencies (Note 1)		
Water Utility operating fund		13,841
Term debt (Note 3)		
Debentures issued (B-15)		
Debentures issued to Provincial government or its agencies		
Municipal Finance Corporation	424,200	651,400
Accumulated depreciation (Note 5)	6,078,901	5,739,707
	<u>6,523,303</u>	<u>6,416,868</u>
Equity		
Investment in capital assets	12,496,784	12,186,991
Fund balance- Water general capital	86,102	82,102
	<u>12,582,886</u>	<u>12,269,093</u>
Fund balance- Water depreciation	874,368	949,627
	<u>13,457,254</u>	<u>13,218,720</u>
	<u>\$ 19,980,557</u>	<u>\$ 19,635,588</u>

ON BEHALF OF THE TOWN

Sandra S. Snow MAYOR

D. Drake TOWN CLERK

Town of Kentville
Water Utility Capital Fund
Statement of Financial Activities

March 31

	<u>Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Revenue			
Other		\$ 4,000	\$ 4,000
Expenditure			
Capital expenditures	\$ 342,400	421,787	26,903
Net (expenditure)	<u>(342,400)</u>	<u>(417,787)</u>	<u>(22,903)</u>
Financing and transfers			
Repayment of debt	(227,200)	(227,200)	(227,200)
Transfers from own funds and agencies	569,600	648,987	254,103
	<u>342,400</u>	<u>421,787</u>	<u>26,903</u>
Change in fund balance	<u>\$ Nil</u>	4,000	4,000
Beginning fund balance		<u>82,102</u>	<u>78,102</u>
Ending fund balance		<u>\$ 86,102</u>	<u>\$ 82,102</u>

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

March 31	2021	2020
Balance, beginning of period	<u>\$ 12,269,093</u>	<u>\$ 12,320,752</u>
Add:		
Term debt retired- debenture principal	227,200	227,200
Depreciation funds	421,787	26,903
Other	4,000	4,000
	<u>652,987</u>	<u>258,103</u>
Less:		
Depreciation of tangible capital assets	339,194	309,762
	<u>339,194</u>	<u>309,762</u>
Balance, end of period	<u>\$ 12,582,886</u>	<u>\$ 12,269,093</u>

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

March 31	2021	2020
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	981,408	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>4,914,388</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	152,515	46,668
	<u>959,758</u>	<u>853,911</u>
Water treatment	236,116	236,116
Mains		
Transmission	1,851,270	1,851,270
Distribution	9,010,026	8,795,529
	<u>10,861,296</u>	<u>10,646,799</u>
Services	<u>390,114</u>	<u>390,114</u>
Meters	<u>470,812</u>	<u>470,812</u>
Software/computers	<u>56,243</u>	<u>48,422</u>
Meter conversion	<u>364,780</u>	<u>327,294</u>
Hydrants	<u>399,068</u>	<u>391,654</u>
Pumps	<u>190,359</u>	<u>171,056</u>
Other	<u>12,290</u>	<u>12,290</u>
	<u>\$ 18,999,885</u>	<u>\$ 18,578,098</u>

Town of Kentville
Water Utility Reserve Funds
Statement of Financial Position

March 31			2021	2020
	<u>KWC Operating</u>	<u>KWC Capital</u>	<u>Total</u>	<u>Total</u>
Assets				
Cash	\$ 170,620	\$ 710,710	\$ 881,330	\$ 556,069
Due from Water operating		88,100	88,100	195,261
	<u>170,620</u>	<u>798,810</u>	<u>969,430</u>	<u>751,330</u>
Reserves	<u>\$ 170,620</u>	<u>\$ 798,810</u>	<u>\$ 969,430</u>	<u>\$ 751,330</u>

Town of Kentville
Water Utility Reserve Funds
Statement of Financial Activities

March 31			2021	2020
	<u>KWC Operating</u>	<u>KWC Capital</u>	<u>Total</u>	<u>Total</u>
Opening Balance	<u>\$ 170,620</u>	<u>\$ 580,710</u>	<u>\$ 751,330</u>	<u>\$ 526,067</u>
Additions				
Water operating		218,100	218,100	225,263
Closing Balance	<u>\$ 170,620</u>	<u>\$ 798,810</u>	<u>\$ 969,430</u>	<u>\$ 751,330</u>

Town of Kentville Water Utility

Notes to the Non-Consolidated Financial Statements

March 31, 2021

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, 2022.

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, 2021

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, 2021, three debenture discounts have been treated in this fashion. Issue May 15, 2012 has one year remaining, issue June 5, 2014 has three years remaining and issue May 30, 2018 has two 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, 2021

2. Asset valuation allowances

Rates	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$10,950	\$4,215
Add: provision for the year		7,783
Less: write-offs	427	1,048
provision for the year	7,078	
Balance, end of year	<u>\$3,445</u>	<u>\$10,950</u>
 Other	 <u>2021</u>	 <u>2020</u>
Balance, beginning of year	<u>\$12,000</u>	<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>
2021	\$227,200
2022	\$106,500
2023	\$60,500
2024	\$30,000
2025	\$NIL

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>2021</u>	<u>2020</u>
Balance, beginning of year	<u>\$962,242</u>	\$654,168
Add: depreciation transfer	308,559	317,428
interest	8,001	17,549
Less: funds used current & prior year's projects	<u>421,787</u>	<u>26,903</u>
Balance, end of year	<u>\$857,015</u>	<u>\$962,242</u>

5. Accumulated allowance for depreciation

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	<u>\$5,739,707</u>	\$5,429,943
Add: current year's depreciation	<u>339,194</u>	<u>309,764</u>
Balance, end of year	<u>\$6,078,901</u>	<u>\$5,739,707</u>

Town of Kentville Water Utility

Notes to the Non-Consolidated Financial Statements

March 31, 2021

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, 2021 is \$34,171 (2020-\$33,468). 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 7.5% and employer 7.5% 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 2.5% and the Town of Kentville Water Utility contributes 2.0% 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 \$2,739 (2020 -\$2,222) on behalf of its employees to the defined contribution plan and \$7,932 (2020-\$7,819) to the multi-sector pension plan.

8. Rate of return on rate base

For the year ended March 31, 2021, the Kentville Water Utility had a rate of return on rate base of 5.32% (2020-5.52%).

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>2021 Actual</u>	<u>2020 Actual</u>
Source of supply			
Supervision and engineering	\$ 10,400	\$ 9,053	\$ 7,223
Operation labour	7,800	7,210	7,163
Maintenance of plant	1,300	705	410
	<u>\$ 19,500</u>	<u>\$ 16,968</u>	<u>\$ 14,796</u>
Power and pumping			
Supervision and engineering	\$ 10,300	\$ 9,053	\$ 7,223
Operation labour	7,800	7,210	7,163
Power	158,000	191,984	157,022
Supplies and expenses	1,900	1,834	1,735
Maintenance of plant	26,300	6,793	28,270
	<u>\$ 204,300</u>	<u>\$ 216,874</u>	<u>\$ 201,413</u>
Water treatment			
Supervision and engineering	\$ 13,800	\$ 12,071	\$ 9,631
Operation labour	62,500	57,681	57,306
Supplies and expenses	132,100	140,920	140,912
Maintenance of structures and improvements	21,000	16,737	13,646
Maintenance of equipment	18,000	17,759	14,191
Water testing costs	35,000	18,753	12,066
Heat, light, power and telephone	10,000	7,907	8,550
	<u>\$ 292,400</u>	<u>\$ 271,828</u>	<u>\$ 256,302</u>

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

March 31

	<u>Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Transmission and distribution			
Supervision and engineering	\$ 34,500	\$ 30,177	\$ 24,078
Maps and records		4,865	
Operation and meters	25,300	22,330	22,690
Maintenance of distribution reservoirs- standpipes	18,000	9,328	5,877
Maintenance of structures and improvements	2,000	1,160	
Maintenance of transmission mains	5,000	1,911	7,764
Maintenance of distribution mains	85,000	54,489	72,083
Maintenance of services	65,000	56,537	60,479
Maintenance of meters	12,100	789	2,478
Maintenance of hydrants	26,000	33,271	25,535
	<u>\$ 272,900</u>	<u>\$ 214,857</u>	<u>\$ 220,984</u>
Collection, administration and general			
Supervision	\$ 15,000	\$ 15,000	\$ 14,610
Meter reading	39,000	36,051	35,816
Consumer billing and accounting	25,000	25,000	24,350
Uncollectible accounts	15,000	2,922	17,524
Other accounting and collection expenses	100	28	
Officers' and executives' salaries	18,200	18,200	19,200
Other general office salaries	23,800	23,821	23,333
General office expenses and supplies	14,900	11,128	12,856
Legal	500		
Audit	7,100	7,153	7,014
Rent- office	12,000	12,000	12,000
Regulatory expense	3,800	3,676	3,557
Insurance	17,500	17,518	11,742
Employee welfare and pensions	35,000	34,756	34,336
General	3,000	2,242	2,411
Training	5,000	98	4,183
Professional studies	3,000		2,297
Provision for sick leave	800	703	684
	<u>\$ 238,700</u>	<u>\$ 210,296</u>	<u>\$ 225,913</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 2020</u>	<u>Issued 2021</u>	<u>Redeemed 2021</u>	<u>Balance 2021</u>	<u>Interest & Accrued</u>	<u>Interest Rates 2021</u>
2011	2021	\$ 241,400		\$ 120,700	\$ 120,700	\$ 5,920	4.057%
2012	2027	138,000		46,000	92,000	3,323	3.172%
2014	2024	150,000		30,000	120,000	3,831	2.769%
2018	2028	122,000		30,500	91,500	2,631	2.582%
TOTAL DEBENTURE		<u>\$ 651,400</u>		<u>\$ 227,200</u>	<u>\$ 424,200</u>	<u>\$ 15,705</u>	

Town of Kentville
Water Utility Capital Fund
Schedule of Water Utility Capital Projects Funding
March 31

2021

	<u>Total Capital Cost</u>	<u>Depreciation Funds</u>
Meters & meter conversion	\$ 37,486	\$ 37,486
Pumps	19,303	19,303
Hydrants	7,414	7,414
Software/computers	7,821	7,821
Water tank- Prospect Avenue	29,419	29,419
Generator	105,847	105,847
Distribution mains	214,497	214,497
	<hr/>	<hr/>
Total Water Utility	\$ 421,787	\$ 421,787

Town of Kentville
Water Utility Capital Fund
Statement of Capital Financing

March 31

2021

2020

Source

Funds available from prior year		
Cash	\$ 92,911	\$ 93,395
Depreciation bank account	962,242	654,168
Due from other funds	1,111	
Other receivables	1,226	1,205
Transfer from depreciation reserve	421,787	26,903
Transfer from operating funds- Water Utility- depreciation	339,194	309,762
Interest on depreciation funds	7,334	17,573
Other	4,000	4,000
Balance temporarily financed at end of period		
Payables- trade	20,202	11,920
Due to operating fund- Water Utility		13,841
	<u>\$ 1,850,007</u>	<u>\$ 1,132,767</u>

Application

Balance temporarily financed at end of previous period		
Payables- trade	\$ 11,920	\$ 15,294
Due to operating fund- Water Utility	13,841	6,177
Capital asset acquisitions	421,787	26,903
Transfer to capital fund- Water Utility	421,787	26,903
Funds available for application		
Cash	104,190	92,911
Depreciation bank account	857,015	962,242
Due from operating fund- Water Utility	16,794	
Due from other funds	2,114	1,111
Other receivables	559	1,226
	<u>\$ 1,850,007</u>	<u>\$ 1,132,767</u>