
**Town of Kentville
Water Commission
Non-Consolidated
Financial Statements
AUDITED
March 31, 2024**



**Town of Kentville
Water Commission
Non-Consolidated Financial Statements
Audited**

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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, 2024, 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.

Kentville, Nova Scotia
July 29, 2024



Chartered Professional Accountants
Registered Municipal Auditor

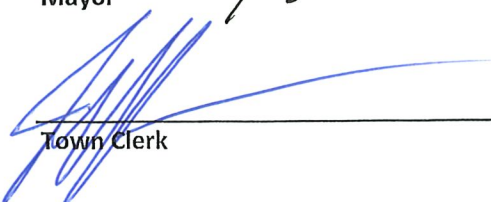
Town of Kentville
 Water Commission Operating Fund
 Statement of Financial Position
 March 31

	2024	2023
Assets		
Cash	\$ 341,813	\$ 61,855
Accounts Receivable (Note 3)		
Rates	227,457	203,332
Other	130	691
Due from own funds and agencies		
Water capital fund	0	88,657
Water operating reserve	0	74,610
Depreciation reserve	13,009	2,917
Prepaid expense	1,025	1,951
	\$ 583,434	434,013
Liabilities		
Accounts payable		
Trade	\$ 137,663	\$ 40,033
Due to own funds and agencies		
Town general operating fund	104,397	46,969
Water operating reserve	10	
Deferred revenue - customers' deposits	12,495	12,028
Accrued liability (Note 4)	62,952	48,540
	317,517	147,570
Accumulated Surplus	\$ 265,917	\$ 265,917

On behalf of the Town



 Mayor



 Town Clerk

Town of Kentville
Water Commission Operating Fund
Statement of Financial Activities

March 31	Budget		
	2024	2024	2023
Operating revenue			
Metered	\$ 1,315,000	\$ 1,344,249	\$ 1,292,969
Public fire protection	603,750	603,731	635,967
Sprinkler service	11,400	11,703	11,403
Other operating revenue	4,300	4,813	4,343
Total Operating revenue	1,934,450	1,964,496	1,944,682
Operating expenditure			
Source of supply	22,900	21,795	20,198
Power and pumping	215,400	261,250	207,437
Water treatment	392,100	366,478	411,010
Transmission and distribution	288,100	325,793	345,792
Transportation	11,120	12,574	8,170
Administration and general	276,540	282,010	266,058
Depreciation (Note 7)	399,000	385,991	360,783
Taxes	167,500	167,820	167,464
Total operating expenditure	1,772,660	1,823,711	1,786,912
Net operating revenue	161,790	140,785	157,770
Non-operating revenue			
Transfer from Operating Reserve	-	-	74,610
Other	5,100	2,128	1,135
Total non-operating revenue	5,100	2,128	75,745
Non-operating expenditure			
Debt charges (Note 5)			
Principal	60,500	60,500	106,500
Interest	1,300	1,923	3,352
Debenture discount	200	209	685
Private work	500	683	455
Interest on customers' deposits	-	124	44
Capital from operations	28,000	-	22,479
Dividend to owner	100,000	100,000	100,000
Total Non-Operating Expenditure	190,500	163,439	233,515
Excess revenue over expenditure	\$ (23,610)	(20,526)	-
Surplus, beginning of year		286,443	286,443
Surplus, end of year		\$ 265,917	\$ 286,443

See accompanying notes to the non-consolidated financial statements

Town of Kentville
 Water Commission Capital Fund
 Statement of Financial Position
 March 31

2024 2023

Assets


Cash and cash equivalents		
Cash	\$ -	\$ 17,420
Depreciation funds (Note 6)	1,220,621	1,011,540
Receivables		
Other	6,571	4,195
Due from own funds and agencies		
Water Utility operating fund	10	-
Water Utility capital reserve	-	141,923
General operating fund, Town of Kentville	18,311	-
General capital fund, Town of Kentville	5,333	-
Utility plant in service (Pg 11)	20,292,730	19,784,677
Capital work in progress	-	7,890
	\$ 21,543,576	\$ 20,967,645

Liabilities

Bank indebtedness	\$ 25,721	\$ -
Payables and accruals		
Trade	37,879	32,475
Due to other funds and agencies		
Water Commission operating fund	-	91,574
Water capital fund	13,009	-
Term debt (Note 5)		
Debentures issued		
Debentures issued to Provincial government or its agencies		
Municipal Finance Corporation	30,000	90,500
Accumulated depreciation (Note 7)	7,170,509	6,784,518
	7,277,118	6,999,067
Investment in capital assets	\$ 14,266,458	\$ 13,968,578

ON BEHALF OF THE TOWN

 MAYOR

 TOWN CLERK

**Water Commission Capital Fund
Statement of Financial Activities**

March 31	Budget		2023
	2024	2024	
Revenue			
Other			
Expenditure			
Capital expenditures	\$ 1,898,000	\$ 500,163	\$ 477,624
Net (expenditure) over revenue	(1,898,000)	(500,163)	(477,624)
Financing and transfers			
Repayment of debt	(60,500)	(60,500)	(106,500)
Issue of debt	266,700		
Grant from federal and provincial governments	733,300		
Transfers from own funds and agencies	958,500	482,507	576,233
	1,898,000	422,007	469,733
Change in fund balance	-	(78,156)	(7,891)
Fund balance, beginning of year		38,211	46,102
Fund balance, End of year		\$ (39,945)	\$ 38,211

**Town of Kentville
Water Utility Reserve Funds
Statement of Financial Position**

March 31	Operating	Capital	2024	2023
Assets				
Cash	\$ 96,010	\$ 524,880	\$ 620,890	\$ 1,009,430
Liabilities				
Due to Water operating	-	-	-	74,610
Due to Water capital	-	-	-	-
	-	-	-	74,610
Reserves	\$ 96,010	524,880	620,890	\$ 934,820

**Town of Kentville
Water Commission Reserve Funds
Statement of Financial Activities**

March 31	Operating	Capital	2024	2023
Balance, beginning of year	\$ 96,010	\$ 696,887	\$ 792,897	\$ 696,887
Deductions				
Water operating	-	-	-	-
Water capital		172,007	172,007	172,007
	\$ -	\$ 172,007	\$ 172,007	\$ 172,007
Balance, end of year	\$ 96,010	\$ 524,880	\$ 620,890	\$ 524,880

1. Basis of Presentation

The financial statements of the Town of Kentville Water Commission (Commission) are prepared by management in accordance, in all material respects, with accounting policies set by Nova Scotia Commission and Review Board's Accounting and Reporting handbook and Canadian public sector accounting standards.

2. Significant accounting policies

a) Basis of accounting

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

Revenues and expenditures are reported using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable and expenses 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.

b) Use of estimates

The preparation of KWC financial statements requires management 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. These estimates and assumptions are based on the Town's best judgement and may differ significantly from actual results.

c) Cash and cash equivalents

Cash include cash on hand and deposits held with banks, bank overdrafts, short-term deposits with original maturities of three months or less.

d) Receivable valuation allowance

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

e) Due to/from own funds

Commission costs may be incurred, recorded and transferred from other Town funds. The Commission intends to repay all due to/from balances by the date of its next year-end, March 31, 2024.

e) Capital assets – Utility plant in service

Capital assets are reported as expenditures in the Capital fund statement of financial activities in the period of acquisition. Capital assets and projects in progress are recorded at the commission’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.

The Commission adopted Section 3042 of the Nova Scotia Utility and Review Board Accounting Manual for Water Utilities- Capital Asset Useful Life Guidelines effective April 1, 2010.

Depreciation rates applied after April 1, 2010 are 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%

Depreciation rate prior to April 1, 2010 is 1.5% for all capital asset classes.

f) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for closure of operational sites has not been recognized as all criteria have not been met. An additional liability for the removal of asbestos in several of the buildings owned by the Town exists; however, it has not been recognized based on minimal estimated future expenses on closure of the site and post-closure care.

Any recognized liability is discounted using a present value calculation and adjusted yearly for accretion expense. Any recognition of a liability resulting in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the depreciation accounting policies outlined in (e).

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 Commission funds

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

i) Debenture discount

Significant debenture discounts are amortized over the term of the associated debt.

j) 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.

2. Change in accounting policies

PS 3400 – Revenue

Effective April 1, 2023, the Town adopted Public Accounting Standard PS 3400 – Revenue. The new accounting standard differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The standard was adopted with no impact on revenue recognition for the fiscal year.

No performance obligations have been entered into or recognized as at March 31, 2024.

3. Accounts receivable less allowance for doubtful accounts

	2024	2023
Rates	\$ 228,879	\$ 208,636
Less : Allowance for Doubtful Accounts	1,422	5,304
Accounts Receivable -Rates	\$ 227,457	\$ 203,332
Other	\$ 130	\$ 690
Less: Allowance for Doubtful Accounts	0	90

Town of Kentville Water Commission
Notes to the Non-Consolidated Financial Statements
March 31, 2024

Accounts Receivable - Other	\$ 691	\$ 600
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3. Trade payables and accrued liabilities

	2024	2023
Trade payables (Operating and Capital)	\$ 51,400	\$ 31,687
Accrued liabilities (Operating)		
Vacation	24,948	12,000
Sick	38,004	36,540
Other Accrued	8,484	8,345
Contractor Holdbacks (Capital)	29,076	32,476
Other payables (Operating)	23,630	-
Total accounts payable and accrued liabilities	\$ 175,542	\$ 121,048

Accrued liabilities include earned vacation and an amount for projected sick benefit payments to employees. Upon termination of employment, employees with five or more years of service are entitled to receive the value of their accumulated sick days at the rate of pay on the date of payment.

5. Capital Fund -Capital Debt Charges and Term Debt

Issue Date	Maturity Date	March 31 2023	Redeemed 2024	March 31 2024	Interest & Accrued	Interest Rate
2014	2024	60,000	30,000	30,000	1,923	3.003%

Principal repayments conclude within the next five years and are due as follows:

2025	\$30,000
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6. Capital Fund - Depreciation reserve bank account

	2024	2023
Balance, beginning of year	\$ 1,011,540	\$ 929,643
Add: depreciation transfer	385,991	357,735
interest	63,574	31,457
Less: funds used	(250,000)	307,295
Balance, end of year	\$ 1,214,183	\$ 1,011,540

7. Accumulated depreciation

	2024	2023
Balance, beginning of year	\$ 6,784,518	\$ 6,423,735
Add: current year's depreciation	385,991	360,783
Balance, end of year	\$ 7,170,509	\$ 6,784,518

Donated Asset included above:

Town of Kentville Water Commission
Notes to the Non-Consolidated Financial Statements
 March 31, 2024

<i>Balance, beginning of year</i>	\$ 235,479	\$ 206,044
<i>Add: current year's depreciation</i>	29,435	29,435
<i>Balance, end of year</i>	\$ 284,914	\$ 235,479

The Balsor/Eaglecrest water system was donated by the County of Kings in 2015 - 2016 and was capitalized as a distribution main valued at \$ 2,264,218.

8. Retirement Pension Plans

The Town of Kentville contributes to two registered pension plans on behalf of its employees.

The first plan is a defined contribution pension plan: employee membership is mandatory once eligibility criteria has been met. The contribution rate is funded equally at a rate of 9% of the employee's pensionable earnings. The contribution for the year amounts to approximately \$ 5,547 (2022 \$ 4,723) for the Commission which are spread over several expense line items in the Consolidated Statement of Operations.

The second is a **multi-sector pension plan** administered by the Canadian Union of Public Employees (CUPE) CUPE Local 4403 employee membership is mandatory. Contributions to the MSPP are required by both the employee and employer at the following rates: employees contribute 5.0% and Town contributes 5.5% of pensionable earnings. The contribution for the year amounts to approximately \$ 8,717 (2022 \$ 8659) for the Commission which are spread over several expense line items in the Consolidated Statement of Operations. The MSPP is accounted for as a defined contribution plan as the obligation to pay retirement obligations does not reside with the Commission and there is no requirement to fund deficits in the Plan. CUPE Local 4403 members contribute 3.0% and the Commission contributes 2.5% to this plan on behalf of CUPE Local 4403 members.

9. Rate of return on rate base

For the year ended March 31, 2024, the Town of Kentville Water Commission had a rate of return on rate base of 1.27 % (2023 1.44%). The rate of return is calculated using the useful lives and amortization rates approved by the Nova Scotia Commission and Review Board.

10. Comparative figures

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

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

March 31	2024	2023
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
	144,661	144,661
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	981,408
Water tank- Belcher Street- 2	859,338	859,338
Water tank- Chester Avenue	697,784	697,784
Water tank- Industrial park	343,781	343,781
	4,914,388	4,914,388
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	207,416	142,017
Generator	152,515	152,515
	1,025,157	959,758
Water treatment equipment	236,116	236,116
Mains		
Transmission	1,851,270	1,851,270
Distribution	7,529,223	7,258,392
Distribution - Donated	2,264,218	2,264,218
	11,644,711	11,373,880
Services	460,212	440,714
Meters	639,093	546,372
Software/computers	56,243	56,243
Meter conversion	381,679	381,679
Hydrants	446,787	430,102
Pumps	323,415	280,496
Other	20,268	20,268
Total	\$ 20,292,730	\$ 19,784,677