



Consolidated Financial Statements

The Town of Kensington

December 31, 2013

Contents

	Page
Independent auditors' report	1
Consolidated statement of operations and surplus	3
Consolidated statement of financial position	4
Consolidated statement of cash flows	5
Consolidated statement of change in net debt	6
Schedule of tangible capital assets - General	7
Schedule of tangible capital assets - Water and Sewer	8
Notes to the consolidated financial statements	9
Schedule of financial activities - General account	19
Schedule of sales of services	20
Schedule of financial activities - Community Gardens	21
Schedule of expenses - General account	22
Schedule of financial activities - Water and sewerage	26

Independent auditors' report

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To the Council of

The Town of Kensington

We have audited the accompanying consolidated financial statements of The Town of Kensington, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of operations and changes in fund balances, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Town of Kensington as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Grant Thornton LLP

April 2, 2013

Summerside, Prince Edward Island

Chartered Accountants

The Town of Kensington

Consolidated statement of operations and surplus

Year Ended December 31

Budget **2013** **2012**
(restated in note 2)

Revenue			
Fire dues	\$ 196,800	\$ 198,844	\$ 196,568
Government transfers - equalization	345,000	339,504	344,965
Property taxes	491,472	509,320	486,302
Rental	201,836	146,794	151,980
Other	73,190	127,462	159,969
Sales of services	422,100	413,353	429,799
Community Gardens	374,400	384,963	323,834
<hr/>			
General (Page 19)	2,104,798	2,120,240	2,093,417
Water (Page 26)	245,670	248,508	250,827
Sewerage (Page 26)	277,440	276,108	274,057
<hr/>			
	2,627,908	2,644,856	2,618,301
<hr/>			
Expenses (Note 8)			
Sales of services (Page 20)	243,844	242,323	225,993
Community Gardens (Page 21)	374,400	399,578	337,296
General government (Page 22)	466,803	459,351	437,099
Fire protection (Page 23)	196,800	176,112	204,817
Police protection (Page 23)	369,122	388,285	384,406
Public works (Page 24)	209,024	231,196	214,286
Town Centre (Page 24)	160,280	102,719	108,956
Parks and recreation (Page 25)	84,525	99,818	80,288
Water and sewerage (Page 26)	523,110	546,553	561,546
<hr/>			
	2,627,908	2,645,935	2,554,687
<hr/>			
Annual (deficit) surplus before other income/(expense)	\$ <u> -</u>	(1,079)	63,614
<hr/>			
Other income/(expense)			
Gain/loss on disposal of capital assets		3,460	(5,878)
Government transfers - capital		176,113	252,162
<hr/>			
Annual surplus		\$ 178,494	\$ 309,898
<hr/>			
Accumulated surplus, beginning of year, as previously reported		\$ 1,288,528	\$ 1,142,166
Prior period adjustment (Note 2)		3,248,889	3,085,353
As restated		4,537,417	4,227,519
Annual surplus		178,494	309,898
<hr/>			
Accumulated surplus, end of year		\$ 4,715,911	\$ 4,537,417

The Town of Kensington

Consolidated statement of financial position

December 31

2013

2012
(restated in note 2)

Financial assets

Cash and cash equivalents		
Unrestricted	\$ 129,423	\$ 256,734
Designated	108,933	95,958
Receivables	225,203	225,966
Inventory	5,931	5,931
Restricted cash – gas tax funding	152,880	269,425
	<u>622,370</u>	<u>854,014</u>

Liabilities

Bank indebtedness (Note 3)	167,110	343,213
Payables and accruals	330,444	292,423
Deferred revenue (Note 4)	87,730	21,453
Long term debt (Note 5)	4,173,189	4,601,194
	<u>4,758,473</u>	<u>5,258,283</u>

Net debt

(4,136,103) (4,404,269)

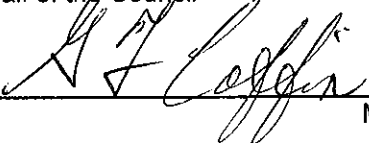
Non-financial assets

Prepaid expenses	35,332	31,103
Tangible capital assets – general (Page 7)	4,218,854	4,234,284
Tangible capital assets – water and sewer (Page 8)	4,597,828	4,676,299
	<u>8,852,014</u>	<u>8,941,686</u>

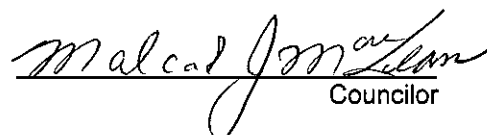
Accumulated surplus (Note 6)

\$ 4,715,911 \$ 4,537,417

On Behalf of the Council



Mayor



Councilor

The Town of Kensington

Consolidated statement of cash flows

Year Ended December 31

2013

2012
(restated in note 2)

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$ 178,494	\$ 309,898
Items not affecting cash		
Amortization	356,105	329,053
(Gain) loss on sale of capital assets	(3,486)	5,878
	<u>531,113</u>	<u>644,829</u>
Change in non-cash working capital		
Receivables	763	(20,698)
Prepaid expenses	(4,229)	4,990
Inventory	-	(5,931)
Trade payables, accrued interest, and deferred revenue	104,302	(27,680)
	<u>631,949</u>	<u>595,510</u>

Financing activities

Payment of long term debt	(463,005)	(2,141,885)
Proceeds from issuance of long term debt	35,000	2,768,849
(Decrease) increase in bank indebtedness	(176,103)	60,313
Change in restricted cash	116,545	(113,774)
	<u>(487,563)</u>	<u>573,503</u>

Capital activities

Purchase of capital assets	(262,208)	(1,068,225)
Proceeds on sale of capital assets	3,486	60,000
	<u>(258,722)</u>	<u>(1,008,225)</u>

Net (decrease) increase in cash and cash equivalents (114,336) 160,788

Cash and cash equivalents,

Beginning of year	<u>352,692</u>	<u>191,904</u>
End of year	\$ <u>238,356</u>	\$ <u>352,692</u>

Components of cash and cash equivalents:

Unrestricted cash	\$ 129,423	\$ 256,734
Designated – fire reserve	108,933	95,958
	<u>\$ 238,356</u>	<u>\$ 352,692</u>

The Town of Kensington

Consolidated statement of change in net debt

Year ended December 31	Budget (Note 9)	2013	2012 (restated in note 2)
Annual surplus	\$ -	\$ 178,494	\$ 309,898
Amortization	307,353	356,109	329,050
Change in prepaid expenses	(4,229)	(4,229)	4,990
Acquisition of tangible capital assets	(262,208)	(262,208)	(1,068,225)
Cost of assets sold	-	-	65,879
Increase in net debt	40,916	268,166	(358,408)
Net debt, beginning of year	<u>(4,404,269)</u>	<u>(4,404,269)</u>	<u>(4,045,861)</u>
Net debt, end of year	\$ <u>(4,363,353)</u>	\$ <u>(4,136,103)</u>	\$ <u>(4,404,269)</u>

The Town of Kensington Schedule of tangible capital assets - General

December 31, 2013

	Land, Buildings and Wind Turbine	Streets and Sidewalks	Vehicles	Fire Vehicles	Signs and Equipment	Electronic Equipment	Total 2013	Total 2012
Cost:								
Opening balance	\$ 3,901,117	\$ 1,091,244	\$ 199,330	\$ 810,421	\$ 746,974	\$ 133,560	\$ 6,882,646	\$ 5,933,013
Acquisition of tangible capital assets	75,016	1,110	3,137	-	100,965	55,699	235,927	1,015,511
Cost of tangible capital assets disposed	-	-	(60,257)	-	-	-	(60,257)	(65,878)
Balance, end of year	<u>3,976,133</u>	<u>1,092,354</u>	<u>142,210</u>	<u>810,421</u>	<u>847,939</u>	<u>189,259</u>	<u>7,058,316</u>	<u>6,882,646</u>
Accumulated amortization:								
Opening balance	1,257,087	321,623	132,755	406,900	409,271	120,726	2,648,362	2,420,119
Annual amortization	60,378	42,581	20,497	39,420	61,010	27,471	251,357	228,243
Accumulated amortization of tangible capital assets disposed	-	-	(60,257)	-	-	-	(60,257)	-
Balance, end of year	<u>1,317,465</u>	<u>364,204</u>	<u>92,995</u>	<u>446,320</u>	<u>470,281</u>	<u>148,197</u>	<u>2,839,462</u>	<u>2,648,362</u>
Net book value of tangible capital assets	<u>\$ 2,658,668</u>	<u>\$ 728,150</u>	<u>\$ 49,215</u>	<u>\$ 364,101</u>	<u>\$ 377,658</u>	<u>\$ 41,062</u>	<u>\$ 4,218,854</u>	<u>\$ 4,234,284</u>

See accompanying notes to the consolidated financial statements.

The Town of Kensington Schedule of tangible capital assets - Water and Sewer

December 31, 2013

	Land	Sewer system and lagoon	Sewer Equipment	Water System	Vehicles	Water Equipment	Total 2013	Total 2012
Cost:								
Opening balance	\$ 3,630	\$ 2,674,206	\$ 35,286	\$ 3,280,182	\$ 13,609	\$ 15,509	\$ 6,022,422	\$ 5,969,708
Acquisition of tangible capital assets	-	13,421	-	9,863	-	2,993	26,277	52,714
Balance, end of year	3,630	2,687,627	35,286	3,290,045	13,609	18,502	6,048,699	6,022,422
Accumulated amortization:								
Opening balance,	-	725,155	6,943	587,973	13,609	12,443	1,346,123	1,245,316
Annual amortization	-	61,020	349	40,618	-	2,761	104,748	100,807
Balance, end of year	-	786,175	7,292	628,591	13,609	15,204	1,450,871	1,346,123
Net book value of tangible capital assets	\$ 3,630	\$ 1,901,452	\$ 27,994	\$ 2,661,454	\$ -	\$ 3,298	\$ 4,597,828	\$ 4,676,299

See accompanying notes to the consolidated financial statements.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

1. Summary of significant accounting policies

The consolidated financial statements of The Town of Kensington are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and surplus/deficit of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the Town for administration of their financial affairs and resources, and which are owned or controlled by the Town. Interdepartmental and organizational transactions and balances are eliminated.

Consolidated entities

The organizations included in the consolidated financial statements are as follows:

- Town of Kensington
- Water and Sewerage Corporation
- Kensington Area Industrial Commission

Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks. Bank indebtedness is considered to be a financing activity.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated change in net financial assets (net debt) for the year.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

1. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost is amortized on a straight-line basis over the estimated useful life as follows:

Sewer system and lagoon	1.2%
Water system	1.2%
Utility Vehicle	20.0%
Sewer Equipment	20.0%
Water Equipment	20.0%
Buildings	2.5%
Fire Vehicles	6.67%
Vehicles	20.0%
Electronic equipment	25.0%
Equipment	10.0%
Streets and sidewalks	4.0%
Wind turbine	5.0%

Full amount of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

Equipment, furniture, software, buildings, and improvements with a cost in excess of \$500 and an estimated useful life of two years or more are capitalized at cost.

All costs associated with placing an asset in service, including freight, installation costs, site preparation costs, alterations, and professional fees are included in the capitalized value.

Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are not the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Use of estimates

The presentation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those reported. Significant estimates include amortization of tangible capital assets.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

1. Summary of significant accounting policies (continued)

Accumulated sick leave

Full time employees accumulate sick leave at the rate of 1.25 days per month. For service prior to January 1, 2013 employees are entitled to carry forward any unused portion of earned sick leave. At December 31, 2013, the liability for unused sick leave, that is required to be paid out upon severance or retirement, amounted to \$34,559 (2012 - \$34,791) and the contingent amount for unused sick leave that is not required to be paid out upon severance or retirement amounted to \$67,271 (2012 - \$89,954). No actual valuation has been performed pertaining to this liability. Effective with January 1, 2013, the policy changed to provide for an annual payout of the sick leave earned less any sick days taken in January of the following year. In January 2014, unused sick leave amounting to \$25,133 was paid to employees.

Accumulated vacation

Full time employees accumulate vacation at the following rates: 0.83 days per month for 1-3 years of service; 1.25 days per month for 3-5 years of service; and 1.67 days per month for greater than 5 years of service. In the event the employee does not use all earned vacation in a given year, the unused portion can be carried forward to a maximum of 10 days. As of December 31, 2013, the liability for unused vacation amounted to \$11,348 (2012 - \$13,990).

2. Changes in accounting policy

Effective January 1, 2013 the Town has restated its consolidated financial statements to comply with the provisions of the new PSA Handbook Section PS 3410 "Government Transfers", which replaced the existing standard of the same name. Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are not the result of a direct financial return. The standard requires that government transfers be recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. The standard can be applied on a prospective or retrospective basis. The Town chose to record government transfers on a retrospective basis, with restatement of prior years. Under previous standards, the Town had the option to defer and amortize government contributions received for capital over the useful life of the related assets. This is no longer an option under PS 3410. This accounting change had the following impact on the Town's consolidated financial statements:

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

2. Changes in accounting policy (continued)

	Previously reported <u>2012</u>	Adjustment <u>2012</u>	Restated <u>2012</u>
Other income			
Government transfers – capital	\$ -	\$ 252,162	\$ 252,162
Expenses	2,466,062	88,625	2,554,687
Surplus	146,362	163,536	309,898
Accumulated surplus, beginning of year	1,142,166	3,085,353	4,227,519
Accumulated surplus, end of year	1,288,528	3,248,889	4,537,417
Contributions in aid of construction	(3,248,889)	3,248,889	-

3. Bank indebtedness

Bank indebtedness consists of a bank balance \$82,072 less outstanding transfers and cheques of \$140,249, less cash restricted for the fire reserve of \$108,933. The Town has an authorized operating line of credit of \$325,000 bearing interest at prime less .25%, all of which, was unused at December 31, 2013. The Town has provided a borrowing resolution, as required by the bank. At December 31, 2013, prime rate was 3%.

4. Deferred revenue	<u>2013</u>	<u>2012</u>
Special projects	\$ 78,670	\$ 5,487
Ice rentals	9,060	15,966
	<u>\$ 87,730</u>	<u>\$ 21,453</u>

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

5. Long-term debt	<u>2013</u>	<u>2012</u>
The Town of Kensington		
5.95% term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2021, repayable in monthly principal instalments of \$2,720 plus interest, obtained to finance a new fire hall. As security, the Town has provided a borrowing resolution.	\$ 239,403	\$ 274,769
5.05% term loan, Bank of Nova Scotia, maturing in 2014, amortized to 2027, repayable in monthly instalments of \$251, including principal and interest, obtained to finance repairs to the train station. As security, the Town has provided a borrowing resolution.	30,271	31,291
5.44% term loan, Province of Prince Edward Island, maturing in and amortized to 2026 repayable in quarterly instalments of \$5,869, including principal and interest, obtained to finance purchase of land. As security, the Town has provided a borrowing resolution.	217,761	229,005
Prime plus 0.25% term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2034, repayable in monthly principal instalments of \$796 plus interest, obtained to finance the purchase of land. As security, the Town has provided a borrowing resolution.	197,416	206,968
5.05% term loan, Bank of Nova Scotia, maturing in 2015, amortized to 2025, repayable in monthly instalments of \$2,127, including principal and interest, obtained to finance a new fire truck. As security, the Town has provided a borrowing resolution.	221,557	235,252
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2015, monthly principal payments of \$528 plus interest, obtained to finance a police vehicle. As security, the Town has pledged a vehicle with replacement cost insurance and provided a borrowing resolution.	6,333	12,667
Prime term loan, Bank of Nova Scotia, maturing in 2016 and amortized to 2026, repayable in monthly principal instalments of \$1,167 plus interest, obtained to finance the purchase of property. As security, the Town has provided a borrowing resolution.	176,167	190,167
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2017, repayable in monthly principal instalments of \$733 plus interest, obtained to finance a police vehicle. As security, the Town has pledged a vehicle with replacement cost insurance and provided a borrowing resolution.	28,607	37,403

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

5. Long-term debt (continued)	<u>2013</u>	<u>2012</u>
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2022, repayable in monthly principal installments of \$4,086 plus interest, obtained to finance purchase of property. As security, the Town has provided a borrowing resolution.	\$ 421,592	\$ 470,620
Prime term loan, Bank of Nova Scotia, repayable in annual principal installments of \$142,439 plus interest in 2014, with remaining principal maturing in 2015, amortized to 2022, repayable in equal monthly principal plus interest, obtained to finance street upgrades. As security, the Town has provided a borrowing resolution.	251,561	394,000
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2015, repayable in monthly principal installments of \$1,785 plus interest, obtained to finance equipment. As security, the Town has pledged equipment with replacement cost insurance and provided a borrowing resolution.	\$ 41,046	\$ 62,461
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2031, repayable in monthly principal installments of \$1,034 plus interest, obtained to finance the purchase of property. As security, the Town has provided a borrowing resolution.	215,213	227,556
Prime plus 1% term loan, Credit Union, maturing in and amortized to 2027, repayable in monthly principal installments of \$1,400 plus interest, assumed as part of purchase of Community Gardens Complex. As security, the Town has provided a promissory note.	235,600	252,400
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2018, repayable in monthly principal installments of \$584 plus interest, obtained to assist in the financing of dehumidifier. As security, the Town has provided a borrowing resolution.	<u>33,832</u>	<u>-</u>
	<u>2,316,359</u>	<u>2,624,559</u>

The Town of Kensington Water and Pollution Control Corporation

5.05% term loan, Bank of Nova Scotia, maturing in 2015, amortized to 2030, repayable in monthly installments of \$1,696 including interest, obtained to finance a wind turbine. As security, the Town has provided a borrowing resolution.	196,362	219,692
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The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

5. Long-term debt (continued)	<u>2013</u>	<u>2012</u>
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2022, repayable in monthly principal installments of \$1,944 plus interest, obtained to finance lagoon upgrades. As security, the Town has provided a borrowing resolution.	\$ 213,992	\$ 223,287
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2037, repayable in monthly principal installments of \$625 plus interest, obtained to finance water and sewer extensions. As security, the Town has provided a borrowing resolution.	139,569	147,069
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2020, repayable in monthly principal installments of \$730 plus interest, obtained to purchase generators. As security, the Town has pledged generators with replacement cost insurance and provided a borrowing resolution.	54,722	63,478
5.05% term loan, Bank of Nova Scotia, maturing in 2016, amortized to 2036, repayable in monthly principal installments of \$817 plus interest, obtained to finance water and sewer extensions. As security, the Town has provided a borrowing resolution.	298,039	307,843
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2023, repayable in monthly principal installments of \$917 plus interest, obtained to finance water and sewer upgrades. As security, the Town has provided a borrowing resolution.	103,622	114,626
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2033, repayable in monthly principal installments of \$2,398 plus interest, obtained to finance water and sewer upgrades. As security, the Town has provided a borrowing resolution.	563,625	592,406
Prime term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2033, repayable in monthly principal installments of \$1,190 plus interest, obtained to finance water and sewer upgrades. As security, the Town has provided a borrowing resolution.	286,899	301,184
Loan repaid during the year	-	7,050
	<u>1,856,830</u>	<u>1,976,635</u>
	<u>\$ 4,173,189</u>	<u>\$ 4,601,194</u>

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

5. Long-term debt (continued)

All Bank of Nova Scotia loans are considered due on demand as the loans are secured by demand promissory notes. For these loans, the Town has assumed the bank will not demand payment in the current year. Therefore, based on current repayment amounts, principal repayments in each of the next five years are due as follows:

	<u>General</u>	<u>Fire Department</u>	<u>Water & Sewerage</u>	<u>Total</u>
2014	\$ 301,135	\$ 47,334	\$ 114,450	\$ 462,919
2015	157,796	48,094	115,017	320,907
2016	138,945	48,892	115,615	303,452
2017	133,190	49,732	116,243	299,165
2018	130,631	50,614	116,904	298,149
Thereafter	993,702	216,294	1,278,642	2,488,638
	<u>\$ 1,855,399</u>	<u>\$ 460,960</u>	<u>\$ 1,856,871</u>	<u>\$ 4,173,230</u>

Bank of Nova Scotia prime rate at December 31, 2013 was 3% (2012 - 3%). Credit Union prime rate at December 31, 2013 was 3.25% (2012 - 3%).

6. Accumulated surplus

	<u>2013</u>	<u>2012</u>
Operating fund	\$ <u>4,606,978</u>	\$ <u>4,456,459</u>
Reserve fund – Fire department		
Balance, beginning of year	80,958	83,924
Allocation to reserve	97,709	66,252
Spent during the year	<u>(69,734)</u>	<u>(69,218)</u>
Balance, end of year	<u>108,933</u>	<u>80,958</u>
	<u>\$ 4,715,911</u>	<u>\$ 4,537,417</u>

7. Town pension plan

	<u>2013</u>	<u>2012</u>
Plans providing pension benefits	\$ <u>21,940</u>	\$ <u>24,786</u>

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

8. Expense by object

Salaries and benefits	\$	1,172,686	\$	1,120,218
Goods and services		952,324		907,125
Amortization of tangible capital assets		356,079		329,050
Interest on long-term debt		164,846		198,294
		<u>\$ 2,645,935</u>		<u>\$ 2,554,687</u>

9. Budget

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that is used for actual results. The fiscal plan in the statement of changes in net debt has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the consolidated financial statements:

	Approved fiscal plan	Adjustments	Adjusted fiscal plan
Annual surplus	\$ -	\$ -	\$ -
Amortization of tangible capital assets	307,353	-	307,353
Change in prepaid expenses	-	(4,229)	(4,229)
Acquisition of tangible capital	-	(262,208)	(262,208)
Increase in net debt	<u>\$ 307,353</u>	<u>\$ (266,437)</u>	<u>\$ (40,916)</u>

10. Rate regulation

The Town is subject to rate regulation on the sewerage and water utility provided to residents in Prince Edward Island under the *Island Regulatory Appeals Commission Act*. The purpose of this Act, which is administered by the Island Regulatory and Appeal Commission (IRAC), is to regulate the rate municipalities may charge for sewerage and water utility provided to residents within Prince Edward Island and to ensure at all times a just and reasonable price for sewerage and water services. Changes in sewerage and water utility rates can only be implemented with the approval from IRAC.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2013

11. Contractual agreement

The Town has entered into an agreement to provide employment security-related services for a private company until 2016. During the year the Town earned \$337,817 (2012 – \$336,518) of revenue from this contract.

The Town of Kensington

Schedule of financial activities - General account

Year Ended December 31	Budget	2013	2012 (restated in note 2)
Revenue			
Property taxes	\$ 491,472	\$ 509,320	\$ 486,302
Sales of services (Page 20)	422,100	413,353	429,799
Community Gardens (Page 21)	374,400	384,963	323,834
Equalization	345,000	339,504	344,965
Rental	201,836	146,794	151,980
Fire dues	196,800	198,844	196,568
Fines	48,000	72,619	90,245
Job Creation	12,000	13,695	13,107
Donations	4,000	4,200	4,254
Project grant	3,736	3,736	3,620
Recreation and aqua program	2,500	4,201	2,500
Canada Day	1,400	1,500	1,400
Building permits	1,170	1,040	1,120
Animal control	384	200	352
Miscellaneous	-	23,520	43,371
Kensington 2014 celebration	-	2,751	-
	<u>2,104,798</u>	<u>2,120,240</u>	<u>2,093,417</u>
Expenses			
	<u>Page</u>		
Sales of services	20	243,844	225,993
Community Gardens	21	374,400	337,296
General government	22	466,803	437,099
Fire protection	23	196,800	201,851
Police protection	23	369,122	384,406
Public works	24	209,024	214,286
Town Centre	24	160,280	108,956
Parks and recreation	25	84,525	80,288
		<u>2,104,798</u>	<u>1,990,175</u>
Surplus before other revenue (expense)		(7,117)	103,242
Other revenue (expense)			
Gain (loss) on the sale of capital assets		-	(5,878)
Government transfers		176,113	252,162
Annual surplus		<u>\$ 172,456</u>	<u>\$ 349,526</u>

The Town of Kensington

Schedule of sales of services

Year Ended December 31

Budget

2013

2012
(restated in note 2)

Revenues

Contract	\$ 342,000	\$ 337,817	\$ 336,518
Criminal record checks	8,400	12,950	7,660
Police Chief Services	-	-	16,000
Secondment	71,700	62,586	69,621
	<u>422,100</u>	<u>413,353</u>	<u>429,799</u>

Expenses

Dues and fees	2,264	2,264	2,264
Office supplies	4,800	2,450	4,526
Police Chief wages	24,000	24,000	12,996
Professional development	480	-	53
Wages - contract revenue	137,600	143,387	133,624
Wages - secondment	74,700	70,222	72,530
	<u>243,844</u>	<u>242,323</u>	<u>225,993</u>
	<u>\$ 178,256</u>	<u>\$ 171,030</u>	<u>\$ 203,806</u>

The Town of Kensington

Schedule of financial activities - Community Gardens

Year Ended December 31

2013

2012

(restated in note 2)

	2013	2012
Revenues		
Rental and gate	\$ 153,262	\$ 140,571
Signs	14,828	11,986
Canteen	60,078	44,194
Harvest Festival	29,274	30,582
FitPlex dues	27,417	28,375
Fundraising	27,127	21,112
Grants	72,977	47,014
	<u>384,963</u>	<u>323,834</u>
Expenses		
Advertising	2,104	1,402
Amortization	13,656	7,945
Fuel	21,537	13,708
Insurance	7,381	6,876
Interest and bank charges	1,517	1,548
Interest on long term debt	10,232	12,519
Office supplies	1,030	909
Professional fees	8,354	-
Property taxes	-	3,790
Purchases	47,776	40,509
Repairs and maintenance	28,687	33,027
Wages and benefits	196,386	171,458
Travel	1,859	373
Telephone	5,252	4,283
Utilities	53,807	38,949
	<u>399,578</u>	<u>337,296</u>
	<u>\$ (14,615)</u>	<u>\$ (13,462)</u>

The Town of Kensington

Schedule of expenses - General account

Year Ended December 31

2013

2012

(restated in note 2)

General government

ADP payroll fees	\$ 2,689	\$ 1,828
Advertising	7,228	11,034
Amortization	60,131	48,182
Animal control	-	115
Bank charges and interest	9,125	10,129
Conferences and travel	9,093	6,788
Development	-	5,321
Donations and grants	11,788	48,651
Dues, memberships and professional development	8,362	4,446
Fun Times Kindergarten	23,811	23,963
Interest on long term debt	45,203	34,432
Liability insurance	38,396	40,607
Library	19,200	12,903
Mayor's and councilors' honorariums	21,037	20,583
Office supplies and printing	20,484	23,330
Planning	-	4,689
Professional fees	42,809	42,478
Property taxes	4,627	3,931
Salaries and benefits	220,299	216,543
Telephone	8,355	7,053
Town pins, flags and promotion	1,964	1,001
Vehicle maintenance and repair	-	2,938
Water charge	55,950	55,950
	<u>610,551</u>	<u>626,895</u>

Transfers

Portion allocated to water and sewerage	(151,200)	(159,297)
Portion allocated to Fire Department	-	(30,499)
	<u>\$ 459,351</u>	<u>\$ 437,099</u>

The Town of Kensington

Schedule of expenses - General account

Year Ended December 31

2013

2012
(restated in note 2)

Fire protection

Amortization	\$ 74,976	\$ 74,501
Building repairs and maintenance	3,488	2,813
Convention and training courses	3,126	4,792
Electricity	4,780	4,103
Fire hose, supplies and repairs	6,121	5,165
Firemen's honorarium	22,100	21,500
Gas and truck maintenance	13,256	12,989
Heat	11,624	9,588
Insurance	1,470	1,470
Interest on long term debt	20,558	28,729
Property tax	4,170	231
Snow and ice control	1,826	1,065
Telephone and answering service	7,018	5,904
Water and sewerage charge	1,599	1,468
	<u>176,112</u>	<u>174,318</u>
Transfers from other departments		
Allocation from general government	-	30,499
	<u>176,112</u>	<u>204,817</u>
Transfers from (to) fire reserve		
Allocation to fire reserve	27,975	(2,966)
	<u>\$ 204,087</u>	<u>\$ 201,851</u>

Police protection

Amortization	\$ 24,116	\$ 15,710
Courses, dues, travel and professional development	3,884	5,824
Crime prevention	-	135
Information systems (PROS/PIRS)	-	2,264
Interest on long term debt	1,297	1,282
Office	8,859	6,358
Telecommunications	24,279	23,884
Uniforms and supplies	7,023	5,251
Vehicles	19,546	24,715
Wages and benefits		
Full time employees	196,062	207,545
Casual employees	97,955	86,465
Workers compensation insurance	5,264	4,973
	<u>\$ 388,285</u>	<u>\$ 384,406</u>

The Town of Kensington

Schedule of expenses - General account

Year Ended December 31

2013

2012
(restated in note 2)

Public Works

Amortization	\$ 71,108	\$ 67,385
Interest on long term debt	1,596	2,157
Lighting	30,866	27,605
Maintenance salaries	122,500	119,822
Maintenance shop expenses	11,225	10,359
Paving, patching and maintenance	26,256	27,347
Repairs, maintenance and supplies	24,217	12,464
Snow and ice control	60,643	57,086
Truck and machinery gas and oil	14,785	11,654
	<u>363,196</u>	<u>335,879</u>
Transfers		
Allocation to water and sewerage	<u>(132,000)</u>	<u>(121,593)</u>
	<u>\$ 231,196</u>	<u>\$ 214,286</u>

Town Centre

Custodian	\$ 28,668	\$ 30,027
Heat	15,495	17,363
Interest on long term debt	14,185	21,632
Janitorial supplies	2,329	3,088
Power	16,245	16,648
Repairs and maintenance	15,930	9,734
Property taxes	9,867	10,464
	<u>\$ 102,719</u>	<u>\$ 108,956</u>

The Town of Kensington

Schedule of expenses - General account

Year Ended December 31

2013

2012
(restated in note 2)

Parks and recreation

Recreation, parks and beautification

Park improvements	\$ 4,185	\$ 3,864
Special town events	<u>34,127</u>	<u>12,087</u>
	<u>38,312</u>	<u>15,951</u>

EVK swimming pool

Chemicals	2,659	2,772
Amortization	4,738	5,223
Electricity	2,913	3,169
Repairs, maintenance and taxes	2,970	2,612
Salaries and benefits for summer operations	<u>19,023</u>	<u>17,753</u>
	<u>32,303</u>	<u>31,529</u>

Train Station complex

Amortization	2,609	9,296
Electricity	8,000	6,888
Repairs and maintenance	3,517	2,721
Water and sewerage charges	891	915
Property taxes	1,946	1,944
Rail yard lighting	2,790	2,739
Heat	7,425	6,669
Interest on long term debt	<u>2,025</u>	<u>1,636</u>
	<u>29,203</u>	<u>32,808</u>
	<u>\$ 99,818</u>	<u>\$ 80,288</u>

The Town of Kensington

Schedule of financial activities - Water and sewerage

Year Ended December 31	Budget	2013	2012 (restated in note 2)
Revenue			
Water			
Metered and unmetered sales	\$ 187,200	\$ 190,393	\$ 192,429
Public fire protection service	55,950	55,950	55,950
Other	2,520	2,165	2,448
	<u>245,670</u>	<u>248,508</u>	<u>250,827</u>
Sewarage			
Metered and unmetered sales	277,200	275,408	273,857
Other	240	700	200
	<u>277,440</u>	<u>276,108</u>	<u>274,057</u>
Expenses			
Operating			
Repairs and maintenance	25,800	28,105	25,020
Power	30,600	38,400	31,730
Water chlorination	4,440	1,272	1,524
	<u>60,840</u>	<u>67,777</u>	<u>58,274</u>
General			
Office supplies	3,780	1,502	2,367
Honorariums	3,894	5,783	4,399
Interest and bank service charges	9,000	4,597	9,074
Property taxes	3,480	1,623	3,387
Professional fees	7,200	7,576	6,510
	<u>27,354</u>	<u>21,081</u>	<u>25,737</u>
Other			
Amortization	42,000	104,745	100,862
Interest on long term debt	69,660	69,750	95,907
	<u>111,660</u>	<u>174,495</u>	<u>196,769</u>
Other			
Reserve	34,056	-	-
Allocation from General Government	157,200	151,200	159,297
Allocation from Public Works	132,000	132,000	121,593
Government transfers – capital	-	-	(124)
	<u>323,256</u>	<u>283,200</u>	<u>280,766</u>
Total expenses	<u>523,110</u>	<u>546,553</u>	<u>561,546</u>
Annual (deficit) surplus	\$ <u>-</u>	\$ <u>(21,937)</u>	\$ <u>(36,662)</u>