



Consolidated Financial Statements

The Town of Kensington

December 31, 2014

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The Town of Kensington

Management's Responsibility for Financial Reporting

December 31, 2014

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.


The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited consolidated financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

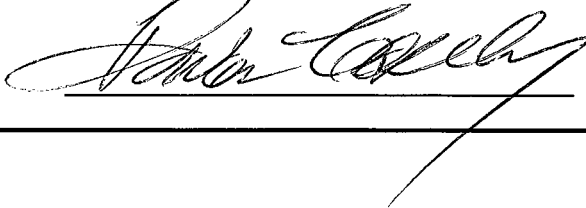
The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Town of Kensington and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Town of Kensington

CAO

Mayor





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, 2014, 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, 2014, 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

March 24, 2015

Summerside, Prince Edward Island

Chartered Accountants

The Town of Kensington

Consolidated statement of operations and surplus

Year Ended December 31	Budget	2014	2013 (restated in note 2)
Revenue			
Property taxes (Note 10)	\$ 519,885	\$ 529,905	\$ 509,320
Government transfer			
Municipal Support Grant Program	222,051	220,969	218,781
Equalization	120,000	121,930	120,723
Other	-	14,538	22,450
Fire dues	199,536	198,645	198,844
Rental	145,350	146,584	146,794
Sales of services	747,922	773,082	798,315
Police fines	48,000	35,871	72,619
Other revenue	156,463	113,046	54,843
Water & Sewer utility	530,670	473,988	468,665
	<u>2,689,877</u>	<u>2,628,558</u>	<u>2,611,354</u>
Expenses			
General government	595,806	535,664	531,377
Protective	582,586	564,612	565,477
Sales of services	186,530	198,523	242,322
Transportation & Public Works	243,635	247,878	231,195
Parks and recreation	550,650	599,537	498,315
Water & Sewer utility	530,670	581,553	546,554
	<u>2,689,877</u>	<u>2,727,767</u>	<u>2,615,241</u>
Annual deficit before other income/(expense)	\$ <u>-</u>	(99,209)	(3,886)
Other income/(expense)			
Gain/loss on disposal of capital assets		-	3,460
Government transfers - capital		-	142,438
Annual (deficit) surplus		\$ <u>(99,209)</u>	\$ <u>142,012</u>
Accumulated surplus, beginning of year, as previously reported			
		\$ 4,715,911	\$ 4,537,419
Prior period adjustment (Note 2)		<u>(36,480)</u>	-
As restated		4,679,431	4,537,419
Annual (deficit) surplus		<u>(99,209)</u>	<u>142,012</u>
Accumulated surplus, end of year		\$ <u>4,580,222</u>	\$ <u>4,679,431</u>

See accompanying notes and schedules to the consolidated financial statements.

The Town of Kensington

Consolidated statement of financial position

December 31

2014

2013

(restated in note 2)

Financial assets

Cash	\$ 66,898	\$ 391,234
Receivables	194,156	225,203
Inventory	6,416	5,931
Restricted cash – gas tax funding (Note 3)	<u>133,828</u>	<u>-</u>
	<u>401,298</u>	<u>622,368</u>

Liabilities

Bank indebtedness (Note 4)	240,548	167,107
Payables and accruals	254,760	330,444
Deferred revenue (Note 5)	35,155	98,956
Deferred revenue - gas tax (Note 3)	133,828	-
Long term debt (Note 6)	<u>3,833,097</u>	<u>4,173,189</u>
	<u>4,497,387</u>	<u>4,769,696</u>

Net debt

(4,096,089) (4,147,328)

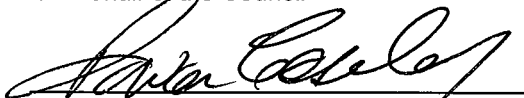
Non-financial assets

Prepaid expenses	35,332	35,332
Tangible capital assets – (Page 8)	<u>8,640,979</u>	<u>8,791,426</u>
	<u>8,676,311</u>	<u>8,826,758</u>

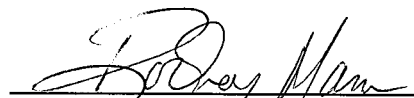
Accumulated surplus (Note 7)

\$ 4,580,222 \$ 4,679,431

On Behalf of the Council



 Mayor



 Councilor

The Town of Kensington

Consolidated statement of cash flows

Year Ended December 31

2014

2013

(restated in note 2)

Increase (decrease) in cash and cash equivalents

Operating activities		
Annual (deficit) surplus	\$ (99,208)	\$ 142,011
Items not affecting cash		
Amortization	350,235	347,662
(Gain) loss on sale of capital assets	-	(3,460)
	<u>251,027</u>	<u>486,213</u>
Change in non-cash working capital		
Receivables	31,047	763
Prepaid expenses	-	(4,229)
Trade payables, accrued interest, and deferred revenue	<u>(6,101)</u>	<u>115,527</u>
	<u>275,973</u>	<u>598,274</u>
Financing activities		
Payment of long-term debt	(470,133)	(463,005)
Proceeds from issuance of long-term debt	130,000	35,000
Increase (decrease) in bank indebtedness	73,438	(176,103)
Change in restricted cash	<u>(133,828)</u>	<u>269,425</u>
	<u>(400,523)</u>	<u>(334,683)</u>
Capital activities		
Purchase of capital assets	(199,788)	(228,533)
Proceeds on sale of capital assets	-	3,486
	<u>(199,788)</u>	<u>(225,047)</u>
Net (decrease) increase in cash and cash equivalents	<u>(324,338)</u>	<u>38,544</u>
Cash and cash equivalents,		
Beginning of year	<u>391,236</u>	<u>352,692</u>
End of year	<u>\$ 66,898</u>	<u>\$ 391,236</u>

See accompanying notes and schedules to the consolidated financial statements.

The Town of Kensington

Consolidated statement of change in net debt

Year ended December 31	Budget (Note 9)	2014	2013 <small>(restated in note 2)</small>
Annual (deficit) surplus	\$ -	\$ (99,208)	\$ 142,011
Amortization	309,428	350,234	347,666
Change in prepaid assets	-	-	(4,229)
Acquisition of tangible capital assets	(200,000)	(199,788)	(228,533)
Proceeds on sale of tangible capital assets	-	-	3,486
(Gain)/loss on sale of tangible capital assets	-	-	(3,460)
Decrease in net debt	\$ <u>109,428</u>	51,238	256,941
Net debt, beginning of year		<u>(4,147,328)</u>	<u>(4,404,269)</u>
Net debt, end of year		\$ <u>(4,096,090)</u>	\$ <u>(4,147,328)</u>

See accompanying notes and schedules to the consolidated financial statements.

The Town of Kensington Schedule of tangible capital assets

December 31, 2014

	<u>Land, Buildings and Wind Turbine</u>	<u>Streets and Sidewalks</u>	<u>Vehicles</u>	<u>Fire Vehicles</u>	<u>Signs and Equipment</u>	<u>Water & Sewer systems and Equipment</u>	<u>Total 2014</u>	<u>Total 2013</u>
Cost:								
Opening balance, as previously reported	\$ 3,979,762	\$ 1,092,353	\$ 142,211	\$ 810,421	\$ 1,003,496	\$ 6,031,461	\$ 13,059,704	\$ 12,905,068
Acquisition of tangible capital assets	25,152	36,281	3,701	-	124,131	10,523	199,788	214,893
Cost of tangible capital assets disposed	-	-	(13,609)	-	-	-	(13,609)	(60,257)
Balance, end of year	<u>4,004,914</u>	<u>1,128,634</u>	<u>132,303</u>	<u>810,421</u>	<u>1,127,627</u>	<u>6,041,984</u>	<u>13,245,883</u>	<u>13,059,704</u>
Accumulated amortization:								
Opening balance, as previously reported	(1,315,917)	(836,782)	(92,995)	(446,319)	(139,003)	(1,437,261)	(4,268,277)	(3,994,485)
Annual amortization	(60,878)	(105,029)	(21,237)	(39,420)	(20,360)	(103,313)	(350,237)	(334,049)
Accumulated amortization of tangible capital assets disposed	-	-	13,609	-	-	-	13,609	60,257
Balance, end of year	<u>(1,376,795)</u>	<u>(941,811)</u>	<u>(100,623)</u>	<u>(485,739)</u>	<u>(159,363)</u>	<u>(1,540,574)</u>	<u>(4,604,905)</u>	<u>(4,268,277)</u>
Net book value of tangible capital assets	\$ 2,628,119	\$ 186,824	\$ 31,680	\$ 324,682	\$ 968,264	\$ 4,501,410	\$ 8,640,979	\$ 8,791,426

See accompanying notes to the consolidated financial statements.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

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 Chartered Professional Accountants of Canada. 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

Cash 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.

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 consolidated 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 consolidated 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, 2014

1. Summary of significant accounting policies (continued)

Revenue recognition

- (a) Tax revenue is property tax billings which are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates established by the Town. Taxation revenue is recorded as it is received in monthly instalments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The Town's revenue is adjusted for any of these appeals using a yearly statement.
- (b) Other revenue is recorded when it is earned.

Government transfers

Revenue from governments without eligibility criteria or stipulations is recognized as revenue by the Town when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Town when the transfer is authorized and all eligibility criteria have been met, unless there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Revenue with stipulations is recognized as revenue by the Town when the transfer is authorized and all stipulations have been met.

Transfers to other organizations are recognized as an expense when they are authorized.

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.

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.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

2. Adjustment to prior period

During the year, the Town identified an error with respect to the accounting treatment of a special project. The correction of this item has been applied retrospectively with restatement of the December 31, 2013 comparative figures as follows:

	Previously reported <u>2013</u>	Adjustment <u>2013</u>	Restated <u>2013</u>
Revenue	\$ 2,644,856	\$ 22,450	\$ 2,667,306
Government transfers – capital	176,113	(33,675)	142,438
Expenses	2,645,935	25,256	2,671,191
Annual surplus	178,491	(36,480)	142,011
Capital assets	8,816,682	(25,256)	8,791,426
Deferred revenue	87,730	11,224	98,954

3. Deferred revenues – Gas Tax

During the year the Town was allocated \$133,828 under the New Deal Gas Tax Funding for Incorporated Communities agreement. The Town must use their allocation of the New Deal Gas Tax funds for eligible infrastructure and capacity building projects as outlined in the agreement.

	<u>2014</u>	<u>2013</u>
Deferred, beginning of year	\$ -	\$ -
Allocation received and interest earned during the year	133,828	142,438
Eligible expenditures incurred	<u>-</u>	<u>(142,438)</u>
Deferred, end of year	\$ 133,828	\$ -

Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities, the Town has received funds which are restricted for expenditure on eligible projects. The Town will prepare, for approval by the governmental regulating body, a Capital Investment Plan which details anticipated expenditures.

4. Bank indebtedness

Bank indebtedness consists of a bank balance of \$206,598 less outstanding transfers and cheques of \$33,950. The Town has an authorized operating line of credit of \$325,000 bearing interest at prime less .25%, all of which, \$261,000 was unused at December 31, 2014. The Town has provided a borrowing resolution, as required by the bank. At December 31, 2014, prime rate was 3%.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

5. Deferred revenue	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 98,853	\$ 21,452
Amount received during the year	-	112,334
Amount recognized as revenue during the year	<u>(63,698)</u>	<u>(34,930)</u>
Balance, end of year	<u>\$ 35,155</u>	<u>\$ 98,856</u>
Special projects	\$ 27,455	\$ 89,896
Ice rentals	<u>7,700</u>	<u>9,060</u>
	<u>\$ 35,155</u>	<u>\$ 98,956</u>

6. Long-term debt	<u>2014</u>	<u>2013</u>
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The Town of Kensington

5.05% term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2021, repayable in monthly principal installments of \$2,720 plus interest, obtained to finance a new fire hall. As security, the Town has provided a borrowing resolution.	\$ 206,758	\$ 239,403
5.05% term loan, Bank of Nova Scotia, maturing in 2014, amortized to 2027, repayable in monthly installments of \$251, including principal and interest, obtained to finance repairs to the train station. As security, the Town has provided a borrowing resolution.	28,631	30,271
5.44% term loan, Province of Prince Edward Island, maturing in and amortized to 2026, repayable in quarterly installments of \$5,869, including principal and interest, obtained to finance purchase of land. As security, the Town has provided a borrowing resolution.	205,892	217,761
Prime plus 0.25% term loan, Bank of Nova Scotia, maturing in 2017, amortized to 2034, repayable in monthly principal installments of \$796 plus interest, obtained to finance the purchase of land. As security, the Town has provided a borrowing resolution.	187,863	197,416
5.05% term loan, Bank of Nova Scotia, maturing in 2015, amortized to 2025, repayable in monthly installments of \$2,127, including principal and interest, obtained to finance a new fire truck. As security, the Town has provided a borrowing resolution.	206,882	221,557

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

6. Long-term debt (cont'd)	<u>2014</u>	<u>2013</u>
Prime term loan, Bank of Nova Scotia, maturing in 2016, amortized to 2026, repayable in monthly principal installments of \$1,167 plus interest, obtained to finance the purchase of property. As security, the Town has provided a borrowing resolution.	\$ 162,167	\$ 176,167
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2017, repayable in monthly principal installments 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.	19,811	28,607
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.	372,564	421,592
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 installments plus interest, obtained to finance street upgrades. As security, the Town has provided a borrowing resolution.	109,122	251,561
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.	19,631	41,046
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.	202,801	215,213
Prime plus 1% term loan, Credit Union, maturing in and amortized to 2027, repayable in monthly principal installments of \$1,400 plus interest. As security, the Town has provided a promissory note.	218,800	235,600
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 a dehumidifier. As security, the Town has provided a borrowing resolution.	26,824	33,832

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

6. Long-term debt (cont'd)	<u>2014</u>	<u>2013</u>
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2019, repayable in monthly principal installments of \$917 plus interest, obtained to finance storm sewer upgrades. As security, the Town has provided a borrowing resolution.	\$ 52,250	\$ -
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2019, repayable in monthly principal installments of \$417 plus interest, obtained to finance storm management upgrades. As security, the Town has provided a borrowing resolution.	21,131	-
Prime term loan, Bank of Nova Scotia, maturing in and amortized to 2019, repayable in monthly principal installments of \$833 plus interest, obtained to finance storm sewer upgrades. As security, the Town has provided a borrowing resolution.	47,500	-
Loan repaid during the year.	-	6,333
	<u>\$ 2,088,627</u>	<u>\$ 2,316,359</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.	\$ 173,032	\$ 196,362
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.	204,274	213,992
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.	132,070	139,569
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.	45,967	54,722
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.	289,052	298,039

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

6. Long-term debt (cont'd)	<u>2014</u>	<u>2013</u>
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.	\$ 92,618	\$ 103,622
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.	534,844	563,625
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.	<u>272,613</u>	<u>286,899</u>
	<u>1,744,470</u>	<u>1,856,830</u>
	<u>\$ 3,833,097</u>	<u>\$ 4,173,189</u>

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>
2015	\$ 183,796	\$ 48,094	\$ 115,017	\$ 346,907
2016	164,945	48,892	115,615	329,452
2017	159,190	49,732	116,243	325,165
2018	156,631	50,615	116,904	324,150
2019	142,625	51,544	117,599	311,768
Thereafter	<u>867,800</u>	<u>164,765</u>	<u>1,163,090</u>	<u>2,195,655</u>
	<u>\$ 1,674,987</u>	<u>\$ 413,642</u>	<u>\$ 1,744,468</u>	<u>\$ 3,833,097</u>

Bank of Nova Scotia prime rate at December 31, 2014 was 3% (2013 - 3%). Credit Union prime rate at December 31, 2014 was 3.25% (2013 - 3%).

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

7. Accumulated surplus	<u>2014</u>	<u>2013</u>
Municipal position		
Reserve funds	\$ 146,974	\$ 108,933
Operating funds	<u>4,433,248</u>	<u>4,570,497</u>
	<u>\$ 4,580,222</u>	<u>\$ 4,679,430</u>
Reserve fund – Fire department		
Balance, beginning of year	\$ 108,933	\$ 80,958
Allocations (from) to reserves (net)	<u>38,041</u>	<u>27,795</u>
Balance, end of year	<u>\$ 146,974</u>	<u>\$ 108,933</u>

8. Other employment benefits

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, 2014, the liability for unused sick leave, that is required to be paid out upon severance or retirement, amounted to \$34,632 (2013 - \$34,559) and the contingent amount for unused sick leave that is not required to be paid out upon severance or retirement amounted to \$73,306 (2013 - \$67,271). No actuarial valuation has been performed pertaining to this liability. Effective with January 1, 2014, 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 2015, unused sick leave amounting to \$17,632 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, 2014, the liability for unused vacation amounted to \$12,503 (2013 - \$11,348).

RRSP matching

The Town has matches employee's RRSP contributions to a maximum of 5% of their wages. The total expense for the Town's portion of the RRSP matching is as follows:

	<u>2014</u>	<u>2013</u>
Plans providing pension benefits	\$ <u>25,041</u>	\$ <u>21,940</u>

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

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	309,428	-	309,428
Acquisition of tangible capital	-	(200,000)	(200,000)
Decrease in net debt	<u>\$ 309,428</u>	<u>\$ (200,000)</u>	<u>\$ 109,428</u>

10. Property taxes

	<u>2014</u>	<u>2013</u>
Commercial property tax	\$ 147,412	\$ 140,472
Non-commercial property tax	<u>382,493</u>	<u>368,848</u>
	<u>\$ 529,905</u>	<u>\$ 509,320</u>

11. 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.

12. 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 \$378,856 (2013 – \$348,361) of revenue from this contract.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

The Town of Kensington

Notes to the consolidated financial statements

December 31, 2014

14. Segment disclosure

The Town is a diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes the Town's operations and activities are organized and reported by 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 activity is reported in these funds. The services provided by these departments are as follows:

General government services

This department is responsible for the overall financial and local government administration. Its tasks include accounts payable and receivables, budgets and financial statements, administration and maintenance of bylaws.

Protective services

This department is primarily responsible for police and fire protection for its residents. The Town's other protective services include costs related to building inspection and animal and pest control.

Sale of services

This department is responsible for management of a contract to provide employment security-related services for a private company.

Transportation services and public works

This department is responsible for the maintenance of specialized roads within its jurisdiction.

Parks and recreation services

This department is responsible for promoting and offering recreation opportunities and activities to the Town's residents. This department includes the Community Gardens operations.

Water and sanitation services

This department is responsible for the maintenance and operations of water and sewer services provided to residents and other customers.

Internally generated revenues and expenses are eliminated on a consolidated basis.

The Town of Kensington Schedule of segment disclosures

Year ended December 31, 2014

	General Government	Protective Services	Sale of Services	Transportation & Public Works	Parks & Recreation	Total General	Water & Sewer Utility	Elimination	Consolidated 2013
Revenues	\$ 509,320	\$ -	\$ -	\$ -	\$ -	\$ 509,320	\$ -	\$ -	\$ 509,320
Property taxes	-	-	-	-	-	-	-	-	-
Government transfer	-	-	-	-	-	-	-	-	-
Municipal Support Grant Program	-	90,000	-	128,781	-	218,781	-	-	218,781
Equalization	120,723	-	-	-	-	120,723	-	-	120,723
Other	22,450	-	-	-	-	22,450	-	-	22,450
Infrastructure	142,438	-	-	-	-	142,438	-	-	142,438
Fire Dues	-	198,844	-	-	-	198,844	-	-	198,844
Rental	146,794	-	-	-	-	146,794	-	-	146,794
Sales of services	-	-	413,353	-	399,962	813,315	-	(15,000)	798,315
Police fines	-	72,619	-	-	-	72,619	-	-	72,619
Other revenue	46,390	-	-	-	8,452	54,843	-	-	54,843
Gain on sale of equipment	3,460	-	-	-	-	3,460	-	-	3,460
Water & Sewer utility	-	-	-	-	-	-	524,615	(55,950)	468,665
	991,575	361,463	413,353	128,781	408,415	2,303,587	524,615	(70,950)	2,757,252
Expenditures									
Salaries & Benefits	187,407	316,117	237,609	66,836	214,079	1,022,048	123,008	-	1,145,056
Goods & Services	306,004	128,413	4,714	91,656	215,331	746,118	249,048	(70,950)	924,216
Amortization	51,712	99,092	-	71,108	21,003	242,915	104,747	-	347,662
Interest	57,204	21,854	-	1,596	13,775	94,429	69,751	-	164,180
Other	-	-	-	-	34,127	34,127	-	-	34,127
	602,327	565,477	242,322	231,195	498,315	2,139,637	546,554	(70,950)	2,615,241
Annual surplus (deficit)	\$ 389,248	\$ (204,014)	\$ 171,030	\$ (102,414)	\$ (89,900)	\$ 163,950	\$ (21,939)	\$ -	\$ 142,011

The Town of Kensington Schedule of segment disclosures

Year ended December 31, 2014

	General Government	Protective	Sale of Services	Transportation & Public Works	Parks & Recreation	Total General	Water & Sewer Utility	Elimination	Consolidated 2014
Revenues	\$ 529,905	\$ -	\$ -	\$ -	\$ -	\$ 529,905	\$ -	\$ -	\$ 529,905
Property taxes	-	-	-	-	-	-	-	-	-
Government transfer	-	-	-	-	-	-	-	-	-
Municipal Support Grant Program	-	90,000	-	130,969	-	220,969	-	-	220,969
Equalization	121,930	-	-	-	-	121,930	-	-	121,930
Other	14,538	-	-	-	-	14,538	-	-	14,538
Fire Dues	-	198,645	-	-	-	198,645	-	-	198,645
Rental	146,584	-	-	-	-	146,584	-	-	146,584
Sales of services	-	-	378,856	-	409,225	788,082	-	(15,000)	773,082
Police fines	-	35,871	-	-	-	35,871	-	-	35,871
Other revenue	43,096	-	-	-	69,950	113,046	-	-	113,046
Water & Sewer utility	-	-	-	-	-	-	529,938	(55,950)	473,988
	856,053	324,516	378,856	130,969	479,176	2,169,571	529,938	(70,950)	2,628,558
Expenditures									
Salaries & Benefits	204,023	324,643	189,711	70,360	227,497	1,016,234	130,317	-	1,146,552
Goods & Services	298,527	126,656	8,812	107,918	235,699	777,611	288,808	(70,950)	995,470
Amortization	56,084	94,897	-	68,664	27,278	246,923	103,312	-	350,235
Interest	47,981	18,415	-	936	12,623	79,955	59,115	-	139,071
Other	-	-	-	-	96,441	96,441	-	-	96,441
	606,615	564,612	198,523	247,878	599,537	2,217,164	581,553	(70,950)	2,727,767
Annual surplus (deficit)	\$ 249,438	\$ (240,096)	\$ 180,333	\$ (116,909)	\$ (120,362)	\$ (47,594)	\$ (51,616)	\$ -	\$ (99,209)