THE COMMUNITY OF HAZELBROOK

(Incorporated under the laws of Prince Edward Island)

HAZELBROOK, PRINCE EDWARD ISLAND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

BRADLEY HANDRAHAN
CHARTERED ACCOUNTANTS

THE COMMUNITY OF HAZELBROOK

YEAR ENDED DECEMBER 31, 2015

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BRADLEY HANDRAHAN
CHARTERED ACCOUNTANTS

THE COMMUNITY OF HAZELBROOK

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED DECEMBER 31, 2015

Management's Responsibility for the Financial Statements

The 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 financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting 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 financial statements.

The Council is responsible for ensuring that management fulfills 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 financial statements yearly. The Council also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Bradley Handrahan Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Community of Hazelbrook and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of The Community of Hazelbrook:

Ruth E. Copeland

Chief Administrative Officer

Chair

BRADLEY HANDRAHAN CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Residents of The Community of Hazelbrook,

We have audited the accompanying financial statements of The Community of Hazelbrook which is comprised of the statement of financial position as at December 31, 2015 and the statements of operations, changes in net financial assets, and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Council's Responsibility for the Financial Statements

Council is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the community's preparation and fair presentation of the 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 community's internal controls. 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 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, these financial statements present fairly, in all material respects, the financial position of The Community of Hazelbrook as at December 31, 2015, and the results of its operations and cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

MARCH 4, 2016
STRATFORD, PEI

Bradley Handrahan

CHARTERED PROFESSIONAL ACCOUNTANTS

THE COMMUNITY OF HAZELBROOK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	$ 24,219	$ 21,758
Term deposit	-	25,541
Receivables (Note 3)	360	666
Long term investments	25,866	-
	50,445	47,965
LIABILITIES		
Payables and accruals	2,173	2,470
NET FINANCIAL ASSETS	48,272	45,495
NON-FINANCIAL ASSETS		
Prepaids	2,573	2,571
ACCUMULATED OPERATING SURPLUS	$ 50,845	$ 48,066

ON BEHALF OF COUNCIL

_____ **Chair**

_____ **Councilor**

BRADLEY HANDRAHAN CHARTERED ACCOUNTANTS

THE COMMUNITY OF HAZELBROOK

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	BUDGET	2015	2014
REVENUES			
Taxation	$ 21,905	$ 21,802	$ 20,245
Municipal equalization	975	986	986
Interest	250	336	499
Subdivision application fee	250	220	250
Building and subdivision permits	250	-	672
New Deal Gas Tax funding	4,115	-	-
Transfer from Accumulated Operating Surplus	3,995	-	-
	31,740	23,344	22,652
EXPENDITURES			
Administrator	3,750	3,695	3,711
Advertising	600	320	335
Councilor honoraria and training	3,400	2,275	1,825
Election costs	-	-	507
Fire dues	7,400	7,325	7,190
Insurance	3,400	3,332	3,284
Interest and bank charges	150	64	53
Membership fees and licences	450	435	437
Official plan review	4,115	-	-
Office, administration and website	1,525	1,170	1,313
Professional fees	6,750	1,949	5,302
Repairs and maintenance	200	-	-
	31,740	20,565	23,957
ANNUAL OPERATING SURPLUS (DEFICIT)	$ -	2,779	(1,305)
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		48,066	49,371
ACCUMULATED OPERATING SURPLUS, END OF YEAR		$ 50,845	$ 48,066

BRADLEY HANDRAHAN CHARTERED ACCOUNTANTS

THE COMMUNITY OF HAZELBROOK
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2015

	2015	2014
Annual operating surplus (deficit)	$ 2,779	$ (1,305)
Change in prepaids	(2)	126
CHANGE IN NET FINANCIAL ASSETS	**2,777**	**(1,179)**
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**45,495**	**46,674**
NET FINANCIAL ASSETS, END OF YEAR	**$ 48,272**	**$ 45,495**

THE COMMUNITY OF HAZELBROOK

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 2015

	2015	2014
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Annual operating surplus (deficit)	$ 2,779	$ (1,305)
Changes in non-cash working capital items		
Term deposits	25,541	(489)
Receivables	306	(202)
Prepaids	(2)	126
Payables and accruals	(297)	259
INVESTING ACTIVITIES		
Purchase of long term investments	(25,866)	-
CHANGE IN CASH	**2,461**	**(1,611)**
CASH, BEGINNING OF YEAR	**21,758**	**23,369**
CASH, END OF YEAR	**$ 24,219**	**$ 21,758**

1. NATURE OF OPERATIONS

The Community of Hazelbrook is a municipality under the Province of Prince Edward Island Municipality Act. The Community provided infrastructure services for the residents of Hazelbrook. The Community is exempt from income taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

REVENUES

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Expenditures are recognized as they are incurred and measurable as a result of a legal obligation to pay.

The Community assesses a tax rate on residential and commercial properties on an annual basis. These amounts are recognized as revenue in the period the taxes are levied to the property owner.

The Community receives equalization revenues from the Province of Prince Edward Island. These payments are recognized as revenue in the period the province determines the amount from their calculation.

Interest revenues are recognized on the accrual basis.

CASH

Cash include bank balances and cash on hand.

TERM INVESTMENTS

Term investments include Guaranteed Investment Certificates (GICs) that have a maturity date of less than one year.

LONG TERM INVESTMENTS

Long term investments include Guaranteed Investment Certificates (GICs) that have a maturity date of one year or more, and are accounted for using the cost basis.

PREPAIDS

Prepaids includes prepaid insurance and membership dues and are charged to expense over the periods expected to benefit from it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

The Community initially records a financial instrument at its fair value. Subsequently, the Community measures financial instruments at amortized cost.

The Community recognizes its transaction costs in annual operating surplus.

MEASUREMENT UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period they become known.

3. RECEIVABLES

	2015	2014
Province of P.E.I - Property taxes	$ -	$ 271
Harmonized Sales Tax	360	395
	$ 360	$ 666

4. BUDGET

Budgeted figures have been provided for comparison purposes and have been derived from the original estimates approved by the residents of the community.

BRADLEY HANDRAHAN
CHARTERED ACCOUNTANTS