THE RURAL MUNICIPALITY OF HAZELBROOK

(Incorporated under the laws of Prince Edward Island)

HAZELBROOK, PRINCE EDWARD ISLAND

FINANCIAL STATEMENTS

15 MONTH PERIOD ENDED MARCH 31, 2019

BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

15 MONTH PERIOD ENDED MARCH 31, 2019

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BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

COUNCILS' RESPONSIBILITY FOR FINANCIAL REPORTING

15 MONTH PERIOD ENDED MARCH 31, 2019

Councils' Responsibility for the Financial Statements

These financial statements have been prepared by Council in accordance with Canadian Public Sector Accounting Standards, and the integrity and objectivity of these statements are Councils' responsibility. Council 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 Councils' judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Council 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.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls, and exercises these responsibilities through Council. Council reviews internal financial statements on a monthly basis and external audited financial statements annually. Council also discusses 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 Auditors' 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

Mayor

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

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CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Residents of The Rural Municipality of Hazelbrook,

Opinion

We have audited the financial statements of The Rural Municipality of Hazelbrook, which comprise of the statement of financial position as at March 31, 2019 and the statements of operations, changes in net financial assets, and cash flow for the period then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Rural Municipality of Hazelbrook as at March 31, 2019, and the results of its operations, net financial assets, and cash flow for the period then ended 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 Auditors' Responsibility for the Audit of the Financial Statements section of our report. We are independent of the rural municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 Council for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as Council 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, Council is responsible for assessing the rural municipality'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 Council intends to liquidate the rural municipality or to cease operations, or has no realistic alternative but to do so.

Council is responsible for overseeing the rural municipality's financial reporting process.

Auditors' Responsibility 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 auditors' 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 rural municipality's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council;
- Conclude on the appropriateness of Councils' 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 rural municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the rural municipality to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

JUNE 19, 2019
STRATFORD, PEI

Bradley Handrahan

CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

	2019	December 31, 2017
FINANCIAL ASSETS		
Cash (Note 5)	$ 47,403	$ 32,215
Term deposits	26,539	26,429
Receivables (Note 6)	459	671
	74,401	**59,315**
LIABILITIES		
Payables and accruals	2,913	1,979
Deferred revenues (Note 7)	4,528	-
	7,441	**1,979**
NET FINANCIAL ASSETS	**66,960**	**57,336**
NON-FINANCIAL ASSETS		
Prepaids	2,074	2,682
ACCUMULATED OPERATING SURPLUS	**$ 69,034**	**$ 60,018**

ON BEHALF OF COUNCIL:

Mayor

Councilor

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

STATEMENT OF OPERATIONS

15 MONTH PERIOD ENDED MARCH 31, 2019

	BUDGET	2019	12 Months Ended December 31, 2017
REVENUES			
Taxation	$ 32,713	$ 32,918	$ 25,795
Municipal equalization	4,722	4,722	1,002
Municipal real property tax credit	1,200	1,308	-
Interest	250	307	268
Building and subdivision permits	250	282	190
New Deal Gas Tax funding (Note 7)	4,500	-	8,901
	43,635	39,537	36,156
EXPENDITURES			
Administrator	5,600	5,591	3,759
Advertising	950	123	-
Councilor honoraria and training	4,575	3,775	2,500
Election costs	2,000	559	-
Fire dues	9,630	10,294	7,459
Insurance	4,427	4,261	3,349
Interest and bank charges	150	-	76
Membership fees and licences	610	548	459
Official Plan review	4,528	-	9,086
Office, administration and website	2,590	1,812	1,183
Professional fees	8,375	3,558	3,127
Repairs and maintenance	200	-	-
	43,635	30,521	30,998
ANNUAL OPERATING SURPLUS	$ -	9,016	5,158
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD		60,018	54,860
ACCUMULATED OPERATING SURPLUS, END OF PERIOD		$ 69,034	$ 60,018

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
15 MONTH PERIOD ENDED MARCH 31, 2019

	2019	12 Months Ended December 31, 2017
Annual operating surplus	$ 9,016	$ 5,158
Change in prepaids	608	(110)
CHANGE IN NET FINANCIAL ASSETS	**9,624**	**5,048**
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	**57,336**	**52,288**
NET FINANCIAL ASSETS, END OF PERIOD	**$ 66,960**	**$ 57,336**

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

STATEMENT OF CASH FLOW

15 MONTH PERIOD ENDED MARCH 31, 2019

	2019	12 Months Ended December 31, 2017
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Annual operating surplus	$ 9,016	$ 5,158
Changes in non-cash working capital items		
Term deposits	(110)	(264)
Receivables	212	4
Prepaids	608	(109)
Payables and accruals	934	(8,721)
Deferred revenues	4,528	(4,579)
	15,188	**(8,511)**
CHANGE IN CASH	**15,188**	**(8,511)**
CASH, BEGINNING OF PERIOD	**32,215**	**40,726**
CASH, END OF PERIOD	**$ 47,403**	**$ 32,215**

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

1. NATURE OF OPERATIONS

The Rural Municipality of Hazelbrook is a municipality under the Province of Prince Edward Island Municipal Government Act. The Community provides 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 Chartered Professional Accountants of Canada.

REVENUES

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

The rural municipality assesses a tax rate on residential and commercial properties on an annual basis. For 2018 the approved tax rates were $0.210 per $100 of assessed value for non-commercial properties and $0.414 per $100 of assessed value for commercial property assessments (2017 - $0.211 per $100 for non-commercial properties; $0.414 per $100 for commercial properties). These amounts are recognized as revenue in the period the taxes are levied to the property owner. These taxes are collected by the Province of Prince Edward Island and remitted to the Rural Municipality of Hazelbrook on a monthly basis.

The rural municipality receives municipal equalization revenues from the Province of Prince Edward Island. These payments are recognized as revenue on a monthly basis as determined by the Province.

Interest income is recognized on the transaction date and resulting revenue is recognized in the period in which the revenue is earned. Gains or losses on the disposal of investments are determined using the weighted average cost method. Interest income is recognized in the period in which it is earned.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria is met. Transfers where its eligibility criteria is not met in the current period are shown as deferred revenues.

CASH

Cash consists of cash on hand and balances held at financial institutions.

TERM INVESTMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PREPAIDS

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

FINANCIAL INSTRUMENTS

The rural municipality initially records a financial instrument at its fair value except for a related party transaction which is recorded at the carrying or exchange amount depending on the circumstances.

The rural municipality's financial instruments subsequently measured at amortized cost include cash, receivables, payables and accruals.

USE OF ESTIMATES

The preparation of these financial statements in conformity with Canadian Public Sector Accounting Standards requires Council to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the period they become known.

The use of estimates is used in the determination of allowance for doubtful accounts which requires an estimate in regards of the collectability of receivables and, as such, bad debt expense are based on these estimates.

3. BUDGET

Budgeted figures have been provided for comparison purposes and have been derived from the original estimates approved by the residents of the rural municipality at the annual general meeting held March 21, 2018.

4. CHANGE IN FISCAL YEAR END

During the year, the rural municipality changed the fiscal year end from December 31 to March 31 as required by the Municipal Government Act of the Province of Prince Edward Island.

5. CASH

		December 31,
	2019	2017
Unrestricted cash	$ 42,875	$ 32,215
Restricted cash	4,528	-
	$ 47,403	$ 32,215

As at March 31, 2019, cash of $4,528 (2017 - $NIL) has been restricted for designated purposes as part of the New Deal Gas Tax funding agreement.

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

6. RECEIVABLES

	2019	December 31, 2017
Province of P.E.I - Taxation	$ 315	$ -
Harmonized Sales Tax	90	671
Accrued receivables	54	-
	$ 459	$ 671

7. DEFERRED REVENUES

During the period, the municipality was allocated $4,528 (2017 - $4,322) under the New Deal Gas Tax Funding for Incorporated Communities agreement. The funds must be used for eligible infrastructure and capacity building projects as outlined in the funding agreement and capital investment plan.

	2019	December 31, 2017
Balance - beginning of period	$ -	$ 4,579
Allocation received in period	4,528	4,322
Amounts expended on Official Plan review	-	(8,901)
	$ 4,528	$ -

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