THE RURAL MUNICIPALITY OF HAZELBROOK

(Incorporated under the laws of Prince Edward Island)

HAZELBROOK, PRINCE EDWARD ISLAND

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

YEAR ENDED MARCH 31, 2021

CONTENTS

	PAGE
COUNCILS' RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flow	7
Notes to Financial Statements	8 - 10

BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK
COUNCILS' RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2021

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 Rural Municipality 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 Rural Municipality of Hazelbrook:

X Ruth E. Copeland
Chief Administrative Officer

X Margaret Popp
Mayor

BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

BRADLEY
HANDRAHAN
CHARTERED PROFESSIONAL
ACCOUNTANTS

info@bhcpa.ca

25 Stratford Road
Stratford, PE C1B 1T4

Tel: (902) 628-2242
Fax: (902) 367-3756

101 School St. Suite 204
Tignish, PE C0B 2B0

Tel: (902) 882-4448
Fax: (902) 367-3756

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, 2021 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.

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, 2021, and the results of its operations, net financial assets, and cash flow for the year 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 25, 2021
STRATFORD, PEI

Bradley Handrahan

CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash (Note 4)	$ 67,823	$ 61,423
Term deposits	27,049	26,722
Receivables (Note 5)	449	208
	95,321	**88,353**
LIABILITIES		
Payables and accruals	3,294	3,008
Deferred revenues (Note 6)	12,287	12,240
	15,581	**15,248**
NET FINANCIAL ASSETS	**79,740**	**73,105**
NON-FINANCIAL ASSETS		
Prepaids	2,216	2,161
ACCUMULATED OPERATING SURPLUS	**$ 81,956**	**$ 75,266**

ON BEHALF OF COUNCIL:

Margaret Pijopy DEPUTY **Mayor**

Councilor

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2021

	BUDGET	2021	2020
REVENUES			
Taxation	$ 28,170	$ 28,590	$ 28,511
Municipal equalization	5,017	5,017	4,660
Municipal real property tax credit	1,425	1,418	1,731
Building and subdivision permits	150	350	705
Interest	250	299	236
Subdivision application fee	-	950	-
New Deal Gas Tax funding (Note 6)	-	-	185
Transfer from Accumulated Operating Surplus	4,021	-	-
	39,033	**36,624**	**36,028**
EXPENDITURES			
Administrator	5,520	5,369	4,432
Advertising	750	205	205
Councilor honoraria and training	4,050	1,650	2,375
Election costs	1,000	-	705
Fire dues	13,443	13,443	11,249
Insurance	3,800	3,715	3,539
Interest and bank charges	150	49	100
Membership fees and licences	500	440	440
Office, administration and website	2,120	1,377	1,575
Professional fees	7,500	3,686	5,076
Repairs and maintenance	200	-	100
	39,033	**29,934**	**29,796**
ANNUAL OPERATING SURPLUS	**$ -**	**6,690**	**6,232**
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		**75,266**	**69,034**
ACCUMULATED OPERATING SURPLUS, END OF YEAR		**$ 81,956**	**$ 75,266**

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2021

	2021	2020
Annual operating surplus	$ 6,690	$ 6,232
Change in prepaids	(55)	(87)
CHANGE IN NET FINANCIAL ASSETS	**6,635**	**6,145**
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**73,105**	**66,960**
NET FINANCIAL ASSETS, END OF YEAR	**$ 79,740**	**$ 73,105**

BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

THE RURAL MUNICIPALITY OF HAZELBROOK

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31, 2021

	2021	2020
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Annual operating surplus	$ 6,690	$ 6,232
Changes in non-cash working capital items		
Term deposits	(327)	(183)
Receivables	(241)	251
Prepaids	(55)	(87)
Payables and accruals	286	95
Deferred revenues	47	7,712
CHANGE IN CASH	**6,400**	**14,020**
CASH, BEGINNING OF YEAR	**61,423**	**47,403**
CASH, END OF YEAR	**$ 67,823**	**$ 61,423**

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 rural municipality provides infrastructure services for the residents of Hazelbrook. The rural municipality 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 2020/2021- the approved tax rates were $0.205 per $100 of assessed value for non-commercial properties and $0.755 per $100 of assessed value for commercial property assessments (2019/2020 - $0.205 per $100 for non-commercial properties; $0.755 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.

BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

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 March 18, 2020.

4. CASH

	2021	2020
Unrestricted cash	$ 55,536	$ 49,183
Restricted cash	12,287	12,240
	$ 67,823	$ 61,423

As at March 31, 2021, cash of $12,287 (2020 - $12,240) has been restricted for designated purposes as part of the New Deal Gas Tax funding agreement.

BRADLEY HANDRAHAN
CHARTERED PROFESSIONAL ACCOUNTANTS

5. RECEIVABLES

	2021	2020
Trade receivables	$ 450	$ -
Accrued receivables	76	96
Public Services Body Rebate	(77)	112
	$ 449	**$ 208**

6. DEFERRED REVENUES

During the year, the municipality was allocated $Nil (2020 - $7,874) 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.

	2021	2020
Balance - beginning of year	$ 12,240	$ 4,528
Allocation received in year	-	7,874
Interest earned	23	23
Adjustment from prior year	24	(185)
	$ 12,287	**$ 12,240**

BRADLEY HANDRAHAN CHARTERED PROFESSIONAL ACCOUNTANTS