

RURAL MUNICIPALITY OF BELFAST
Financial Statements
March 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Rural Municipality of Belfast are the responsibility of management and have been prepared in accordance with Canadian accounting standards for the public sector. A summary of the significant accounting policies are described in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management judgement, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls 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. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MRSB Chartered Professional Accountants Inc., independent external auditors appointed by the Rural Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Rural Municipality of Belfast:

Mayor

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councilors of Rural Municipality of Belfast

Opinion

We have audited the financial statements of Rural Municipality of Belfast (the Municipality), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for the public sector.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for the public sector, and for such internal control as management 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, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

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Auditor's Responsibilities 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 auditor's 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 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 auditor's 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 auditor's report. However, future events or conditions may cause the 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.

MRSB Chartered Professional Accountants Inc.

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

June 10, 2020

RURAL MUNICIPALITY OF BELFAST
Statement of Financial Position
March 31, 2020

	2020	2019 (15 months)
Financial assets		
Cash and cash equivalents		
Unrestricted cash	\$ 59,653	\$ 52,789
Restricted cash	72,163	43,399
Accounts receivable	9,319	740
	141,135	96,928
Liabilities		
Accounts payable and accrued liabilities	8,684	8,986
Deferred revenue (Note 3)	72,211	43,468
	80,895	52,454
Net financial assets (Statement 6)	60,240	44,474
Non-financial assets		
Prepaid expense	1,427	1,060
Tangible capital assets (Schedule 1)	1,337	1,560
	2,764	2,620
Accumulated surplus and municipal position (Statement 5)	\$ 63,004	\$ 47,094

On behalf of Council

_____ *Mayor*

_____ *CAO*

Notes 1 to 9 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST

Statement of Operations Year Ended March 31, 2020

	Budget 2020	Actual 2020	Actual 2019 (15 months)
Revenues			
Property tax	\$ 179,920	\$ 184,308	\$ 204,777
Government transfers - Gas Tax funding	45,000	43,112	28,746
Recreation grant	8,500	8,500	8,500
Equalization funding	500	511	490
Miscellaneous	50	36	186
	233,970	236,467	242,699
Expenditures			
Advertising	500	215	709
Amortization of tangible capital assets	50	224	369
Belfast Area Watershed Group	3,840	3,840	3,000
Belfast Community Development Corporation	45,000	43,112	28,746
Belfast Days	1,000	1,000	-
Belfast Historical Society	4,000	4,000	3,000
Belfast Minor Hockey Association	3,000	3,000	3,000
Belfast Recreation Centre	35,000	35,000	41,625
Belfast Soccer Association	500	500	500
Contingency	1,000	-	-
Director's liability insurance	4,500	1,007	-
Dues and fees	1,766	1,774	-
Election	2,000	425	2,050
Fire protection	90,000	90,000	107,000
Insurance	4,500	4,578	3,348
Interest and bank charges	-	43	68
Legal fees	1,000	-	-
Miscellaneous	500	-	-
Office	2,600	3,113	4,149
Pinette Raceway	2,000	2,000	2,000
Pinette/Flat River Mosquito Program	750	750	-
Point Prim & Area Development Committee	1,500	1,500	-
Point Prim Lighthouse Society	3,000	3,000	3,000
Professional fees	4,250	6,470	2,250
Travel	1,000	736	-
Wages and wage levies	5,300	9,270	6,868
Wood Islands Area Development Corp	5,000	5,000	4,000
	223,556	220,557	215,682
Change in fund balance	10,414	15,910	27,017
Accumulated surplus - beginning of period	47,094	47,094	20,077
Accumulated surplus - end of period (Note 4)	\$ 57,508	\$ 63,004	\$ 47,094

Notes 1 to 9 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST
Statement of Changes in Net Financial Assets
Year Ended March 31, 2020

	Budget 2020	Actual 2020	Actual 2019 (15 months)
Change in fund balance	\$ 10,414	\$ 15,910	\$ 27,017
Amortization of tangible capital assets	50	224	369
Purchase of tangible capital assets	-	-	(1,576)
Increase in prepaid expense	-	(368)	(1,060)
	50	(144)	(2,267)
Increase in net financial assets	10,464	15,766	24,750
Net financial assets - beginning of period	44,474	44,474	19,724
Net financial assets - end of period	\$ 54,938	\$ 60,240	\$ 44,474

Notes 1 to 9 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST

Statement of Cash Flows

Year Ended March 31, 2020

	2020	2019 (15 months)
Cash flows from operating activities		
Change in fund balance	\$ 15,910	\$ 27,017
Item not affecting cash:		
Amortization of property and equipment	224	369
	16,134	27,386
Changes in non-cash working capital:		
Accounts receivable	(8,579)	8,096
Prepaid expense	(367)	(1,060)
Accounts payable and accrued liabilities	(303)	(11,206)
Deferred revenue	28,743	14,377
	19,494	10,207
	35,628	37,593
Cash flows from capital activity		
Purchase of tangible capital assets	-	(1,576)
Increase in cash	35,628	36,017
Cash - beginning of period	96,188	60,171
Cash - end of period	\$ 131,816	\$ 96,188
Cash consists of:		
Unrestricted cash	\$ 59,653	\$ 52,789
Restricted cash	72,163	43,399
	\$ 131,816	\$ 96,188

Notes 1 to 9 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST

Notes to Financial Statements

Year Ended March 31, 2020

1. DESCRIPTION OF BUSINESS

The Rural Municipality of Belfast was incorporated under the the Municipalities Act of Prince Edward Island. The Rural Municipality is a non-profit organization under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Rural Municipality of Belfast are the representations of management prepared in accordance with Canadian accounting standards for the public sector.

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs and in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services are performed or the tangible capital assets are acquired.

Cash

Cash is comprised of unrestricted and restricted balances on deposits with banks.

Accounts receivable

Accounts receivable arise from grants receivable and Harmonized Sales Tax receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Computer hardware	30% declining balance method
Furniture and equipment	10% straight-line method

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

All tangible capital assets that have a useful life greater than one year and are in excess of \$1,000 are capitalized.

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RURAL MUNICIPALITY OF BELFAST

Notes to Financial Statements

Year Ended March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 annual surplus, provides the change in net assets for the year.

Government transfers

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

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

Revenue recognition

Property tax billings are assessed based on the market value of real property in the Municipality and are payable in each calendar year. Tax rates are reviewed, established, and approved annually by Council. These revenues are recognized when monthly billings come due.

The Rural Municipality follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

Use of estimates

The presentation of the financial statements in conformity with Canadian accounting standards for the public sector requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. The following are areas in which management makes significant accounting estimates:

- The amounts recorded for amortization of tangible capital assets on the statement of operations is subject to management's assessment of the estimated useful life of the Rural Municipality's tangible capital assets; and
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

RURAL MUNICIPALITY OF BELFAST
Notes to Financial Statements
Year Ended March 31, 2020

3. DEFERRED REVENUE

The Rural Municipality has approved funding under the New Deal Gas Tax Funding for Cities & Communities. These funds, along with interest earned, must be used for eligible infrastructure and capacity building projects. Any funds received under this program, including interest earned, but not yet spent are recognized as deferred revenue at the end of the period.

During the period, the Municipality received Gas Tax funding of \$71,855 (2019 - \$43,094) and incurred eligible expenditures of \$43,112 (2019 - \$28,746).

4. ACCUMULATED SURPLUS

	2020	2019
Building reserve	\$ 52,677	\$ 42,263
Unrestricted surplus	10,327	4,831
	\$ 63,004	\$ 47,094

5. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

The Municipality is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Municipality's risk exposure and concentration as of March 31, 2020.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Rural Municipality is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Rural Municipality has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Municipality is exposed to this risk mainly in respect of its receipt of government funding and accounts payable and accruals.

RURAL MUNICIPALITY OF BELFAST
Notes to Financial Statements
Year Ended March 31, 2020

6. SEGMENT DISCLOSURE

The Municipality is a diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes the Municipality's operations and activities are organized and reported by segment. The major segment is as follows:

General Government

This segment is responsible for the overall financial and local government administration. Its tasks include, but are not limited to, daily accounting functions, preparation and coordination of annual financial statements, development of the annual budget, maintenance of bylaws and policies, and administration of Municipal services.

7. BUDGET

Budget figures were not subject to review or audit by an external accountant, and are presented for information purposes only.

8. COMPARATIVE FIGURES

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

9. SUBSEQUENT EVENT

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Municipality or its clients, employees, contractors, suppliers and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Municipality's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Municipality's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the Municipality's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

RURAL MUNICIPALITY OF BELFAST
Schedule to Financial Statements
Tangible Capital Assets
Year Ended March 31, 2020

(Schedule 1)

	Cost beginning of period	Additions	Disposals and write downs	Cost end of period	Accum amort beginning of period	Amort in the period	Disposals and write downs	Accum amort end of period	Net book value
2020									
Computer hardware	\$ 1,212	\$ -	\$ -	\$ 1,212	\$ 991	\$ 66	\$ -	\$ 1,057	\$ 155
Furniture and equipment	1,576	-	-	1,576	236	158	-	394	1,182
	<u>\$ 2,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,788</u>	<u>\$ 1,227</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 1,451</u>	<u>\$ 1,337</u>
2019 (15 months)									
Computer hardware	\$ 1,212	\$ -	\$ -	\$ 1,212	\$ 858	\$ 134	\$ -	\$ 992	\$ 220
Furniture and equipment	-	1,576	-	1,576	-	236	-	236	1,340
	<u>\$ 1,212</u>	<u>\$ 1,576</u>	<u>\$ -</u>	<u>\$ 2,788</u>	<u>\$ 858</u>	<u>\$ 370</u>	<u>\$ -</u>	<u>\$ 1,228</u>	<u>\$ 1,560</u>

Notes 1 - 9 are an integral part of these financial statements