

RURAL MUNICIPALITY OF BELFAST
Financial Statements
March 31, 2021

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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, 2021, 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, 2021, 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 28, 2021

RURAL MUNICIPALITY OF BELFAST
Statement of Financial Position
March 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents		
Unrestricted cash	\$ 124,021	\$ 59,653
Restricted cash	100,347	72,163
Accounts receivable	1,787	9,319
	226,155	141,135
Liabilities		
Accounts payable and accrued liabilities	38,500	8,684
Deferred revenue (Note 3)	72,979	72,211
	111,479	80,895
Net financial assets (Statement 6)	114,676	60,240
Non-financial assets		
Prepaid expense	2,234	1,427
Tangible capital assets (Schedule 1)	6,086	1,337
	8,320	2,764
Accumulated surplus and municipal position (Statement 5)	\$ 122,996	\$ 63,004

On behalf of Council

_____ Mayor

_____ CAO

Notes 1 to 10 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST

Statement of Operations

Year Ended March 31, 2021

	Budget 2021	Actual 2021	Actual 2020
Revenues			
Property tax	\$ 228,034	\$ 248,714	\$ 184,308
Government transfers (Note 6)	95,806	135,951	43,112
Recreation grant	8,500	8,500	8,500
Equalization funding	550	550	511
Miscellaneous	200	17	37
	<u>333,090</u>	<u>393,732</u>	<u>236,468</u>
Expenditures			
Advertising	450	608	214
Amortization of tangible capital assets	50	465	224
Belfast Area Watershed Group	17,743	15,460	3,840
Belfast Community Development Corporation	-	-	43,112
Belfast Days	3,000	3,000	1,000
Belfast Historical Society	5,000	5,000	4,000
Belfast Minor Hockey Association	3,000	3,000	3,000
Belfast Recreation Centre	52,498	80,185	35,000
Belfast Soccer Association	500	-	500
Conferences	1,000	-	-
Contingency	1,000	-	-
Council honorariums	9,560	8,977	-
Director's liability insurance	1,500	1,571	1,007
Dues and fees	2,683	3,103	1,774
Election	1,500	379	425
Fire protection	90,000	90,000	90,000
Insurance	4,750	5,246	4,578
Office	4,000	4,329	3,158
Pinette Raceway	24,442	26,007	2,000
Pinette/Flat River Mosquito Program	750	750	750
Point Prim & Area Development Committee	1,000	-	1,500
Point Prim Lighthouse Society	15,221	14,000	3,000
Professional fees	15,000	2,607	6,470
Rent	-	1,760	-
Safe restart program	-	11,022	-
Travel	700	700	736
Wages and wage levies	20,400	20,687	9,270
Wood Islands Area Development Corp	37,757	34,884	5,000
	<u>313,504</u>	<u>333,740</u>	<u>220,558</u>
Change in fund balance	19,586	59,992	15,910
Accumulated surplus - beginning of year	-	63,004	47,094
Accumulated surplus - end of year (Note 5)	\$ 19,586	\$ 122,996	\$ 63,004

Notes 1 to 10 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST
Statement of Changes in Net Financial Assets
Year Ended March 31, 2021

	Budget 2021	Actual 2021	Actual 2020
Change in fund balance	\$ 19,586	\$ 59,992	\$ 15,910
Amortization of tangible capital assets	50	465	224
Purchase of tangible capital assets	-	(5,214)	-
Increase in prepaid expense	-	(807)	(368)
	<u>50</u>	<u>(5,556)</u>	<u>(144)</u>
Increase in net financial assets	19,636	54,436	15,766
Net financial assets - beginning of year	60,240	60,240	44,474
Net financial assets - end of year	\$ 79,876	\$ 114,676	\$ 60,240

Notes 1 to 10 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST

Statement of Cash Flows

Year Ended March 31, 2021

	2021	2020
Cash flows from operating activities		
Change in fund balance	\$ 59,992	\$ 15,910
Item not affecting cash:		
Amortization of property and equipment	465	224
	<u>60,457</u>	<u>16,134</u>
Changes in non-cash working capital:		
Accounts receivable	7,532	(8,579)
Prepaid expense	(807)	(367)
Accounts payable and accrued liabilities	29,816	(303)
Deferred revenue	768	28,743
	<u>37,309</u>	<u>19,494</u>
	<u>97,766</u>	<u>35,628</u>
Cash flows from capital activity		
Purchase of tangible capital assets	<u>(5,214)</u>	-
Increase in cash	92,552	35,628
Cash - beginning of year	<u>131,816</u>	<u>96,188</u>
Cash - end of year	<u>\$ 224,368</u>	<u>\$ 131,816</u>
Cash consists of:		
Unrestricted cash	\$ 124,021	\$ 59,653
Restricted cash	<u>100,347</u>	<u>72,163</u>
	<u>\$ 224,368</u>	<u>\$ 131,816</u>

Notes 1 to 10 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST
Notes to Financial Statements
Year Ended March 31, 2021

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, 2021

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, 2021

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 year.

During the year, the Municipality received Gas Tax funding of \$71,855 (2020 - \$71,855) and incurred eligible expenditures of \$88,681 (2020 - \$43,112).

	<u>2021</u>		<u>2020</u>
New Deal Gas Tax	\$ 55,560	\$	72,211
Safe Restart Program	17,419		-
	<u>\$ 72,979</u>	\$	<u>72,211</u>

4. LEASE COMMITMENTS

The Municipality has entered into a lease agreement with the Wood Islands and Area Development Corporation for the lease of office space until December 31, 2026. The minimum lease payments due over the next five years are as follows:

2022	\$ 11,040
2023	11,040
2024	11,040
2025	11,040
2026	11,040

5. ACCUMULATED SURPLUS

	<u>2021</u>		<u>2020</u>
Building reserve	\$ 52,677	\$	52,677
Unrestricted surplus	64,233		8,990
Investment in tangible capital assets	6,086		1,337
	<u>\$ 122,996</u>	\$	<u>63,004</u>

6. GOVERNMENT TRANSFERS

	<u>2021</u>		<u>2020</u>
New Deal Gas Tax	\$ 88,681	\$	43,112
COVID Funding - Belfast Recreation Centre	30,000		-
Safe Restart Program	16,940		-
Municipal Capital Expenditure Grant	330		-
	<u>\$ 135,951</u>	\$	<u>43,112</u>

RURAL MUNICIPALITY OF BELFAST

Notes to Financial Statements

Year Ended March 31, 2021

7. 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, 2021.

(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.

8. 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.

9. BUDGET

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

10. 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, 2021

(Schedule 1)

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
2021									
Computer hardware	\$ 1,212	\$ -	\$ -	\$ 1,212	\$ 1,057	\$ 47	\$ -	\$ 1,104	\$ 108
Furniture and equipment	1,576	5,214	-	6,790	394	418	-	812	5,978
	<u>\$ 2,788</u>	<u>\$ 5,214</u>	<u>\$ -</u>	<u>\$ 8,002</u>	<u>\$ 1,451</u>	<u>\$ 465</u>	<u>\$ -</u>	<u>\$ 1,916</u>	<u>\$ 6,086</u>
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>

Notes 1 - 10 are an integral part of these financial statements