

RURAL MUNICIPALITY OF BELFAST
Financial Statements
March 31, 2022

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Index to Financial Statements
March 31, 2022

	Page
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations	5 - 6
Statement of Changes in Net Financial Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 14
Schedule to Financial Statements	15

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:

Signed and Sealed on File

Mayor

Garth Gillis

Approved by Council on: **August 17, 2022**



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors 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, 2022, 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, 2022, 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

July 27, 2022

RURAL MUNICIPALITY OF BELFAST
Statement of Financial Position
March 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents		
Unrestricted cash	\$ 143,826	\$ 169,038
Restricted cash	87,873	55,331
Accounts receivable (Note 3)	2,412	1,787
	<u>234,111</u>	<u>226,156</u>
Liabilities		
Accounts payable and accrued liabilities	35,633	38,501
Deferred revenue (Note 4)	82,942	72,979
	<u>118,575</u>	<u>111,480</u>
Lease commitments (Note 5)		
Net financial assets (Statement 7)	<u>115,536</u>	<u>114,676</u>
Non-financial assets		
Prepaid expense	1,717	2,234
Tangible capital assets (Schedule 1)	6,568	6,086
Intangible assets	12,965	-
	<u>21,250</u>	<u>8,320</u>
Accumulated surplus (Statement 6)	<u>\$ 136,786</u>	<u>\$ 122,996</u>

Approved by Council on: **August 17, 2022**

On behalf of Council

Signed and Sealed on File

Mayor

Garth Gillis

Signed and Sealed on File

CAO

Bob Brooks

Notes 1 to 12 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST

Statement of Operations

Year Ended March 31, 2022

	Budget 2022	Actual 2022	Actual 2021
Revenues			
Property tax	\$ 234,516	\$ 236,061	\$ 248,714
Government transfers for operations (Note 7)	149,000	54,183	135,621
Recreation grant	8,500	8,500	8,500
Equalization funding	576	576	550
Miscellaneous	2,000	184	17
	<u>394,592</u>	<u>299,504</u>	<u>393,402</u>
Expenditures			
Administration			
Advertising	600	377	610
Amortization of tangible capital assets	50	922	465
Audit, financial, and bank fees	3,000	2,831	2,746
Council honorariums	10,000	9,560	8,977
Election	400	-	379
Events	1,500	1,871	-
Insurance	7,500	7,084	6,816
Membership fees	3,500	2,909	2,515
Miscellaneous	500	341	114
Community planning	-	371	-
Office	17,240	14,342	5,835
Professional dues	1,200	586	589
Training, conferences and travel	2,000	-	-
Travel	1,000	1,079	700
Wages and wage levies	27,820	33,446	20,687
Community Grants			
Belfast Area Watershed Group	3,900	3,900	3,855
Belfast Days	3,000	3,000	3,000
Belfast Historical Society	7,000	7,000	5,000
Belfast Minor Hockey Association	3,000	3,000	3,000
Belfast Recreation Centre	48,000	48,000	56,500
Belfast Soccer Association	500	-	-
Pinette/Flat River Mosquito Program	1,000	1,000	750
Point Prim Environmental Committee	1,500	1,500	-
Point Prim Lighthouse Society	3,000	3,000	3,000
Wood Islands Area Development Corporation	8,000	8,000	10,000
Wood Islands Area Development Corporation (lighthouse)	3,000	3,000	-
Other			
Belfast Rink	8,500	8,500	8,500
Canada Community Building Fund projects	139,000	38,167	88,680
Contingency and safe restart	8,000	5,824	11,022
Fire protection	90,000	90,000	90,000
	<u>403,710</u>	<u>299,610</u>	<u>333,740</u>
Operating surplus (deficit)	(9,118)	(106)	59,662

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Notes 1 to 12 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST
Statement of Operations *(continued)*
Year Ended March 31, 2022

	Budget 2022	Actual 2022	Actual 2021
Other revenues			
Government transfers for capital (Note 8)	-	13,896	330
Annual surplus (deficit)	(9,118)	13,790	59,992
Accumulated surplus - beginning of year	122,996	122,996	63,004
Accumulated surplus - end of year (Note 6)	\$ 113,878	\$ 136,786	\$ 122,996

Notes 1 to 12 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST
Statement of Changes in Net Financial Assets
Year Ended March 31, 2022

	Budget 2022	Actual 2022	Actual 2021
Annual surplus	\$ (9,118)	\$ 13,790	\$ 59,992
Amortization of tangible capital assets	50	922	465
Purchase of tangible capital assets	-	(1,404)	(5,214)
Purchase of intangible assets	(10,000)	(12,965)	-
Decrease (increase) in prepaid expense	-	517	(807)
	<u>(9,950)</u>	<u>(12,930)</u>	<u>(5,556)</u>
Increase in net financial assets	(19,068)	860	54,436
Net financial assets - beginning of year	114,676	114,676	60,240
Net financial assets - end of year	\$ 95,608	\$ 115,536	\$ 114,676

Notes 1 to 12 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST
Statement of Cash Flows
Year Ended March 31, 2022

	2022	2021
Cash flows from operating activities		
Annual surplus	\$ 13,790	\$ 59,992
Item not affecting cash:		
Amortization of property and equipment	922	465
	<u>14,712</u>	<u>60,457</u>
 Changes in non-cash working capital:		
Accounts receivable	(625)	7,532
Prepaid expense	517	(807)
Accounts payable and accrued liabilities	(2,868)	29,816
Deferred revenue	9,963	768
	<u>6,987</u>	<u>37,309</u>
	<u>21,699</u>	<u>97,766</u>
 Cash flows from capital activity		
Purchase of tangible capital assets	(1,404)	(5,214)
Purchase of intangible assets	(12,965)	-
	<u>(14,369)</u>	<u>(5,214)</u>
 Increase in cash	7,330	92,552
 Cash - beginning of year	224,369	131,817
 Cash - end of year	\$ 231,699	\$ 224,369
Cash consists of:		
Unrestricted cash	\$ 143,826	\$ 169,038
Restricted cash	87,873	55,331
	<u>\$ 231,699</u>	<u>\$ 224,369</u>

Notes 1 to 12 are an integral part of these financial statements

RURAL MUNICIPALITY OF BELFAST
Notes to Financial Statements
Year Ended March 31, 2022

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 year 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, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

The official plan is stated at cost and amortization will commence once completed.

Impairment of long lived assets

The Municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

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 financial 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 based on the assessed 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.

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RURAL MUNICIPALITY OF BELFAST

Notes to Financial Statements

Year Ended March 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
HST receivable	\$ 2,392	\$ 1,293
Miscellaneous receivables	20	20
Municipal Capital Expenditure Grant	-	474
	<u>\$ 2,412</u>	<u>\$ 1,787</u>

4. DEFERRED REVENUE

The Rural Municipality has approved funding under the Canada Community Building Fund. 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 Canada Community Building Funding of \$78,271 (2021 - \$71,855), and incurred eligible expenditures of \$45,716 (2021 - \$88,681) and earned interest of \$243.

	<u>2022</u>	<u>2021</u>
Canada Community Building Fund	\$ 82,942	\$ 55,560
Safe Restart Program	-	17,419
	<u>\$ 82,942</u>	<u>\$ 72,979</u>

RURAL MUNICIPALITY OF BELFAST
Notes to Financial Statements
Year Ended March 31, 2022

5. 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:

2023	\$ 11,040
2024	11,040
2025	11,040
2026	11,040
2027	8,280

6. ACCUMULATED SURPLUS

	2022	2021
Building reserve	\$ 52,677	\$ 52,677
Unrestricted surplus	77,541	64,233
Investment in tangible capital assets (schedule 1)	6,568	6,086
	\$ 136,786	\$ 122,996

7. GOVERNMENT TRANSFERS FOR OPERATIONS

	2022	2021
Canada Community Building Fund	\$ 38,168	\$ 88,681
Safe Restart Program	16,015	16,940
COVID Funding - Belfast Recreation Centre	-	30,000
	\$ 54,183	\$ 135,621

8. GOVERNMENT TRANSFERS FOR CAPITAL

	2022	2021
Canada Community Building Fund	\$ 12,965	\$ -
Safe Restart program	1,404	-
Municipal Capital Expenditure Grant	(473)	330
	\$ 13,896	\$ 330

9. FINANCIAL INSTRUMENTS

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

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RURAL MUNICIPALITY OF BELFAST

Notes to Financial Statements

Year Ended March 31, 2022

9. FINANCIAL INSTRUMENTS (continued)

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, 2022.

(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.

10. 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.

11. BUDGET

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

A reconciliation of the 2022 fiscal operating budget prepared by Council to the budget figures disclosed in the consolidated financial statements is as follows:

	<u>2022</u>
Annual surplus (deficit)	\$ (9,118)
Less: Capital Expenditures	
Official plan	<u>(10,000)</u>
	<u>\$ (19,118)</u>

RURAL MUNICIPALITY OF BELFAST

Notes to Financial Statements

Year Ended March 31, 2022

12. 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, 2022

(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
2022									
Computer hardware	\$ 1,212	\$ 1,404	\$ -	\$ 2,616	\$ 1,104	\$ 243	\$ -	\$ 1,347	\$ 1,269
Furniture and equipment	6,790	-	-	6,790	812	679	-	1,491	5,299
	<u>\$ 8,002</u>	<u>\$ 1,404</u>	<u>\$ -</u>	<u>\$ 9,406</u>	<u>\$ 1,916</u>	<u>\$ 922</u>	<u>\$ -</u>	<u>\$ 2,838</u>	<u>\$ 6,568</u>
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>

Notes 1 - 12 are an integral part of these financial statements