

HANWELL RURAL COMMUNITY
Consolidated Financial Statements
December 31, 2014



DAYE KELLY & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS

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CONTENTS

Auditors' Report	1 - 2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Change in Net Debt	4
Consolidated Statement of Operations	5
Consolidated Statement of Cash Flow	6
Notes to Financial Statements	7 - 9
Schedule A - Comparison of Revenue and Expenditure to Budget and Previous Year	10
Schedule B - Revenue and Expense Support	11
Schedule C - Tangible Capital Assets	12
Schedule D - Schedule of Segment Disclosure	13
Schedule E - Reconciliation of Annual Surplus	14
Schedule F - Statement of Reserves	15





DAYE KELLY & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS

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AUDITORS' REPORT

TO HER WORSHIP THE MAYOR AND MEMBERS OF THE COUNCIL

We have audited the accompanying consolidated financial statements of the HANWELL RURAL COMMUNITY, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HANWELL RURAL COMMUNITY as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

EPK Daye Kelly & Associates

CHARTERED PROFESSIONAL ACCOUNTANTS

Fredericton, New Brunswick
February 11, 2015



DAYE KELLY & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS

HANWELL RURAL COMMUNITY
Consolidated Statement of Financial Position

December 31

2014

FINANCIAL ASSETS

Cash (Note 3)	\$ 13,922
Receivables (Note 4)	<u>12,461</u>
	<u>26,383</u>

LIABILITIES

Payables and accruals	5,216
Payroll liabilities	<u>1,056</u>
	<u>6,272</u>

NET ASSETS (DEBT)

20,111


NON-FINANCIAL ASSETS

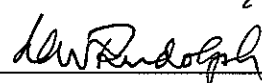
Tangible capital assets (Schedule C)	<u>30,588</u>
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ACCUMULATED SURPLUS

\$ 50,699

APPROVED BY

 Mayor

 Clerk



DAYE KELLY & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS

HANWELL RURAL COMMUNITY

Consolidated Statement of Change in Net Assets (Debt)

For the Year Ended December 31	2014
Annual Surplus	\$ 50,699
Acquisition of tangible capital assets	(34,970)
Amortization of tangible capital assets	<u>4,382</u>
	20,111
Net Assets (Debt) - beginning of year	<u>-</u>
Net Assets (Debt) - end of year	\$ 20,111



HANWELL RURAL COMMUNITY**Consolidated Statement of Operations**

For the Year Ended December 31	2014	2014
	Budget	Actual
REVENUE		
Warrant of assessment	\$ 122,630	\$ 122,630
Revenue from own sources	-	<u>19,369</u>
	<u>122,630</u>	<u>141,999</u>
EXPENDITURES		
General government services	122,630	91,284
Fiscal services	-	<u>16</u>
	<u>122,630</u>	<u>91,300</u>
ANNUAL SURPLUS FOR THE YEAR	<u>\$ -</u>	50,699
ACCUMULATED SURPLUS - BEGINNING OF YEAR		<u>-</u>
ACCUMULATED SURPLUS - END OF YEAR		<u>\$ 50,699</u>



HANWELL RURAL COMMUNITY

Consolidated Statement of Cash Flow

For the Year Ended December 31

2014

OPERATING TRANSACTIONS

Annual surplus	\$ 50,699
Amortization of tangible capital assets	4,382
Receivables	(12,460)
Payables and accruals	<u>6,271</u>
	<u>48,892</u>

CAPITAL TRANSACTIONS

Acquisition of tangible capital assets	<u>(34,970)</u>
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INCREASE IN CASH

13,922

CASH - BEGINNING OF YEAR

-

CASH - END OF YEAR

\$ 13,922

REPRESENTED BY:

Cash for operating	\$ 3,922
Cash held in reserve	<u>10,000</u>
	\$ <u>13,922</u>



DAYE KELLY & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS

Notes to Consolidated Financial Statements

December 31, 2014

1. PURPOSE OF THE ORGANIZATION

The Municipality was incorporated as a rural community by the Province of New Brunswick Municipalities Act on May 23, 2014. As a municipality, the Municipality is exempt from income tax under section 146(1)(c) of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSA financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position includes all of the assets and liabilities of the Municipality.

The entities included in the financial statements are as follows: General Government Services and Fiscal Services.

Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net debt and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these financial statements were approved by Council on May 27, 2014 and the Minister of Local Government on May 23, 2014 as a start-up funding agreement.

Revenue recognition

(a) Unrestricted revenue is recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(b) Other revenue is recorded when it is earned.



Notes to Consolidated Financial Statements

December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Use of estimates**

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results may differ from those estimates.

Financial Instruments

The Municipality's financial instruments consist of cash, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the instruments approximate their carrying value, unless otherwise noted.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with a chartered bank.

Tangible capital assets

The Municipality has adopted the provisions of PSA section 3150 Tangible Capital Assets. Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital asset is amortized on a straight line basis over the estimated useful life as follows:

Asset type	Years
Leasehold improvements	3 years
Signs	10-15 years
Furniture and fixtures	5-10 years
Computer equipment	3-5 years

Segmented information

The Municipality is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Municipality's operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments as follows:

General government services

This department is responsible for the overall governance and financial administration of the Municipality. This includes council functions, general and financial management, legal matters and compliance with legislation as well as civic relations.



Notes to Consolidated Financial Statements

December 31, 2014

3. CASH

Restricted cash	\$ 10,000
Unrestricted cash	<u>3,922</u>
	<u>\$ 13,922</u>

Restricted cash consists of a chequing account held as an operating reserve.

4. ACCOUNTS RECEIVABLE

Province of New Brunswick	\$ 7,790
HST receivable	<u>4,671</u>
	<u>\$ 12,461</u>

5. COMMITMENT

The Municipality entered into a lease agreement with Combined Holdings Ltd. on July 29, 2014 for a period of 3 years. The lease is for office space for the Municipality. The Municipality also entered into a lease agreement with Ricoh Canada on October 27, 2014 for a period of 5 years. The lease is for office equipment for the Municipality. Lease commitments for the next three years are estimated at \$2,086 per month.

6. SHORT-TERM BORROWINGS COMPLIANCE

Operating borrowing

The Municipalities Act prescribes a limit to bank indebtedness of 4% of the current year's budget for the General Operating Fund. The Municipality is within this limit.

Interfund borrowing

All interfund accounts at December 31, 2014 represent current year transactions and are in compliance with the policy established by the Department of Local Government.

7. RESERVE FUNDS

All transfers of funds into and disbursed from Reserve Funds require a resolution of Council and the amount held in the Operating Reserve Funds shall not exceed 5% of the total expenditures that were budgeted for the previous fiscal year. The Municipality is in compliance with these requirements.

HANWELL RURAL COMMUNITY

General Operating Fund

Comparison of Revenue and Expenditure to Budget and Previous Year

For the Year Ended December 31	2014	2014
	Budget	Actual
REVENUE		
Warrant of assessment	\$ 122,630	\$ 122,630
Revenue from own sources	-	19,369
	<u>122,630</u>	<u>141,999</u>
EXPENDITURE		
General government services	122,630	86,918
Transfer to General Capital Fund	-	34,970
Transfer to General Operating Reserve	-	10,000
	<u>122,630</u>	<u>131,888</u>
SURPLUS FOR THE YEAR	<u>\$ -</u>	<u>\$ 10,111</u>



Schedule B

HANWELL RURAL COMMUNITY

Revenue and Expense Support

For the Year Ended December 31	2014 Budget	2014 Actual
OTHER REVENUE FROM OWN SOURCES		
Building licenses and permits	\$ -	\$ 19,268
Other	<u>-</u>	<u>101</u>
	<u>\$ -</u>	<u>\$ 19,369</u>
EXPENSES		
GENERAL GOVERNMENT SERVICES		
Legislative		
Mayor	\$ 9,333	\$ 8,358
Deputy Mayor	6,667	5,970
Councillors	<u>28,887</u>	<u>20,696</u>
	<u>44,887</u>	<u>35,024</u>
Administrative		
Clerk and treasurer	33,343	18,101
Travel, training, meetings, and per diems	8,233	3,041
Advertising, communication, and promotion	2,000	1,726
Bond and liability insurance	10,000	8,734
Occupancy costs	7,200	12,346
Legal	<u>5,000</u>	<u>-</u>
	<u>65,776</u>	<u>43,948</u>
Financial management		
External audit	5,000	4,500
Bank charges	<u>-</u>	<u>16</u>
	<u>5,000</u>	<u>4,516</u>
Other general government services		
Office supplies	4,000	851
Telephone and internet	1,800	493
Unrecoverable HST	-	1,673
Grants, dues and fees	<u>1,167</u>	<u>411</u>
	<u>6,967</u>	<u>3,428</u>
	<u>\$ 122,630</u>	<u>\$ 86,916</u>



Tangible Capital Assets

For the Year Ended December 31

2014

	Leasehold Improvements	Signs	Furniture, and Fixtures	Computer Equipment	Total
COST					
Balance - beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -
Add: Net additions during the year	<u>10,990</u>	<u>16,500</u>	<u>4,447</u>	<u>3,033</u>	<u>34,970</u>
BALANCE - END OF YEAR	<u>10,990</u>	<u>16,500</u>	<u>4,447</u>	<u>4,447</u>	<u>34,970</u>
ACCUMULATED AMORTIZATION					
Balance - beginning of year	-	-	-	-	-
Add: Amortization during the year	<u>1,832</u>	<u>1,650</u>	<u>445</u>	<u>455</u>	<u>4,382</u>
BALANCE - END OF YEAR	<u>1,832</u>	<u>1,650</u>	<u>445</u>	<u>445</u>	<u>4,382</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,158	\$ 14,850	\$ 4,002	\$ 4,002	\$ 30,588



Schedule D

HANWELL RURAL COMMUNITY

Schedule of Segment Disclosure

For the Year Ended December 31

2014 2013

	General Government Services	Protective Services	Environmental Health	Environmental Development	Recreation and Culture	Consolidated
REVENUES						
Property tax warrant	\$ 122,630	\$ -	\$ -	\$ -	\$ -	\$ 122,630
Sale of service, fines and other fees	19,369	-	-	-	-	19,369
	<u>141,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,999</u>
EXPENSES						
Salaries and benefits	53,126	-	-	-	-	53,126
Goods and services	33,776	-	-	-	-	33,776
Amortization	4,382	-	-	-	-	4,382
Interest	16	-	-	-	-	16
Cost of assessment	-	-	-	-	-	-
	<u>91,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,300</u>
SURPLUS FOR THE YEAR	\$ 50,699	\$ -	\$ -	\$ -	\$ -	\$ 50,699

Reconciliation of Annual Surplus

December 31, 2014

	General Operating Fund	General Capital Fund	General Operating Reserve Fund	Total
2014 Annual surplus (deficit)	\$ 55,081	\$ (4,382)	\$ -	\$ 50,699
Adjustments to annual surplus (deficit) for funding requirements				
Contributions from external sources	-	-	-	-
Transfer from general operating fund to the general capital fund	(34,970)	34,970	-	-
Transfer from general operating fund to the general operating reserve fund	(10,000)	-	10,000	-
Amortization expense	-	4,382	-	4,382
Total adjustments to 2014 annual surplus (deficit)	(44,970)	39,352	10,000	4,382
2014 Annual fund surplus (deficit)	\$ 10,111	\$ 34,970	\$ 10,000	\$ 55,081



HANWELL RURAL COMMUNITY

Statement of Reserves

For the Year Ended December 31

2014

	General Operating Reserve
ASSETS	
Cash	\$ 10,000
ACCUMULATED SURPLUS (DEFICIT)	\$ 10,000
REVENUE	
Transfer from General Operating Fund	\$ 10,000
SURPLUS (DEFICIT)	\$ 10,000

