

**HANWELL RURAL COMMUNITY**  
**Consolidated Financial Statements**  
**December 31, 2015**



**DAYE KELLY & ASSOCIATES**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

**HANWELL RURAL COMMUNITY**  
**Consolidated Financial Statements**  
**December 31, 2015**

**CONTENTS**

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<b>Auditors' Report</b>	1 - 2
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Change in Net Assets	4
Consolidated Statement of Operations	5
Consolidated Statement of Cash Flow	6
Notes to Consolidated Financial Statements	7 - 10
Schedule A - Comparison of Revenue and Expenditure to Budget and Previous Year	11
Schedule B - Revenue and Expense Support	12 - 13
Schedule C - Tangible Capital Assets	14
Schedule D - Schedule of Segment Disclosure	15
Schedule E - Reconciliation of Annual Surplus	16
Schedule F - Statement of Reserves	17





**DAYE KELLY & ASSOCIATES**  
CHARTERED PROFESSIONAL ACCOUNTANTS

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## AUDITORS' REPORT

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### **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, 2015 and 2014 and the consolidated statements of operations and accumulated surplus, changes in net assets, and cash flows for the years 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, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*EPK Daye Kelly & Associates*  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

Fredericton, New Brunswick  
February 25, 2016



**DAYE KELLY & ASSOCIATES**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

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**HANWELL RURAL COMMUNITY**  
**Consolidated Statement of Financial Position**

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<b>December 31</b>	<b>2015</b>	<b>2014</b>
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	\$ 741,191	\$ 13,922
Receivables (Note 4)	<u>30,825</u>	<u>12,461</u>
	<u>772,016</u>	<u>26,383</u>
<b>LIABILITIES</b>		
Payables and accruals	40,912	5,216
Payroll liabilities	<u>-</u>	<u>1,056</u>
	<u>40,912</u>	<u>6,272</u>
<b>NET ASSETS</b>	<b>731,104</b>	<b>20,111</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule C)	<u>96,367</u>	<u>30,588</u>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 827,471</b>	<b>\$ 50,699</b>

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APPROVED BY

S Cassidy Mayor

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Clerk



**DAYE KELLY & ASSOCIATES**  
CHARTERED PROFESSIONAL ACCOUNTANTS

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**HANWELL RURAL COMMUNITY****Consolidated Statement of Change in Net Assets**

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<b>For the Years Ended December 31</b>	<b>2015</b>	<b>2014</b>
Annual Surplus	\$ 776,772	\$ 50,699
Acquisition of tangible capital assets	(76,100)	(34,970)
Amortization of tangible capital assets	<u>10,321</u>	<u>4,382</u>
	<b>710,993</b>	<b>20,111</b>
Net Assets - beginning of year	<u>20,111</u>	<u>-</u>
Net Assets - end of year	<b>\$ 731,104</b>	<b>\$ 20,111</b>

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**HANWELL RURAL COMMUNITY**

**Consolidated Statement of Operations**

<b>For the Years Ended December 31</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	Budget	Actual	Actual
<b>REVENUE</b>			
Warrant of assessment	\$ 1,071,085	<b>\$ 1,071,085</b>	\$ 122,630
Revenue from own sources	20,000	<b>18,564</b>	19,369
Gas Tax Fund contributions	-	<b>571,972</b>	-
Unconditional transfer	<u>20,690</u>	<u><b>20,690</b></u>	<u>-</u>
	<u><b>1,111,775</b></u>	<u><b>1,682,311</b></u>	<u><b>141,999</b></u>
<b>EXPENDITURES</b>			
General government services	359,821	<b>360,293</b>	91,284
Protective services	15,000	<b>13,350</b>	-
Transportation services	44,000	<b>44,202</b>	-
Environmental health services	384,500	<b>211,959</b>	-
Environmental development services	125,454	<b>125,454</b>	-
Recreation and community development	167,000	<b>150,281</b>	-
Fiscal services	-	-	16
	<u><b>1,095,775</b></u>	<u><b>905,539</b></u>	<u><b>91,300</b></u>
<b>ANNUAL SURPLUS</b>	<u><b>\$ 16,000</b></u>	<b>776,772</b>	50,699
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>		<u><b>50,699</b></u>	<u>-</u>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>		<b>\$ 827,471</b>	<b>\$ 50,699</b>



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**HANWELL RURAL COMMUNITY****Consolidated Statement of Cash Flow**

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<b>For the Years Ended December 31</b>	<b>2015</b>	<b>2014</b>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 776,772	\$ 50,699
Amortization of tangible capital assets	10,321	4,382
Change in receivables	(18,364)	(12,461)
Change in payables and accruals	<u>34,640</u>	<u>6,272</u>
	<b>803,369</b>	<b>48,892</b>
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets	<u>(76,100)</u>	<u>(34,970)</u>
<b>INCREASE IN CASH</b>	<b>727,269</b>	<b>13,922</b>
<b>CASH - BEGINNING OF PERIOD</b>	<u><b>13,922</b></u>	<u><b>-</b></u>
<b>CASH - END OF PERIOD</b>	<b>\$ 741,191</b>	<b>\$ 13,922</b>
<b>REPRESENTED BY:</b>		
Cash for operating	\$ 21,679	\$ 3,922
Cash held in reserve	<u>719,512</u>	<u>10,000</u>
	<b>\$ 741,191</b>	<b>\$ 13,922</b>

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**Notes to Consolidated Financial Statements**

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**December 31, 2015**

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**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, Transportation Services, Environmental Health Services, Environmental Development Services, Recreation and Cultural Services, Protective 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 December 16, 2015 and the Minister of Local Government.

**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**

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**December 31, 2015**

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**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:

<b>Asset type</b>	<b>Years</b>
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, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Protective services

This department is responsible for the provision fire protection, emergency measures, animal control and other protective measures.

Transportation services

This department is responsible for common services, street lighting, traffic services, parking and other transportation related functions.

Environmental health services

This department is responsible for the provision of waste collection and disposal.

Environmental development services

This Department is responsible for planning and zoning, community development, tourism and other municipal development and promotion services.

Recreation and cultural services

This department is responsible for the maintenance and operation of recreational and cultural facilities, including the parks and playgrounds and other recreational and cultural facilities.

**3. CASH**

	2015	2014
Restricted cash	\$ 719,512	\$ 10,000
Unrestricted cash	21,679	3,922
	\$ 741,191	\$ 13,922

Restricted cash consists of bank accounts held in reserve funds and the Gas Tax Fund.

**4. ACCOUNTS RECEIVABLE**

	2015	2014
Province of New Brunswick	\$ 3,790	\$ 7,790
HST receivable	27,035	4,671
	\$ 30,825	\$ 12,461

**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.

Notes to Consolidated Financial Statements

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December 31, 2015

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**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, 2015 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.

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## HANWELL RURAL COMMUNITY

## General Operating Fund

## Comparison of Revenue and Expenditure to Budget and Previous Year

For the Years Ended December 31	2015	2015	2014
	Budget	Actual	Actual
<b>REVENUE</b>			
Warrant of assessment	\$1,071,085	<b>\$1,071,085</b>	\$ 122,630
Revenue from own sources	20,000	<b>18,526</b>	19,369
Unconditional grant	20,690	<b>20,690</b>	-
Transfer from Operating Reserve Fund	-	<b>3,898</b>	-
	<u>1,111,775</u>	<u><b>1,114,199</b></u>	<u>141,999</u>
<b>EXPENDITURE</b>			
General government services	359,821	<b>349,972</b>	86,900
Protective services	15,000	<b>13,350</b>	-
Transportation services	44,000	<b>44,202</b>	-
Environmental health services	384,500	<b>211,959</b>	-
Environmental development services	125,454	<b>125,454</b>	-
Recreation and Community Development	167,000	<b>150,281</b>	-
Fiscal services	16,000	<b>217,500</b>	44,986
	<u>1,111,775</u>	<u><b>1,112,718</b></u>	<u>131,886</u>
<b>SURPLUS FOR THE YEAR</b>	\$ -	\$ 1,481	\$ 10,113



## HANWELL RURAL COMMUNITY

## Revenue and Expense Support

For the Years Ended December 31	2015	2015	2014
	Budget	Actual	Actual
<b>OTHER REVENUE FROM OWN SOURCES</b>			
Services to other governments			
Fire protection	\$ 20,690	\$ 20,690	\$ -
Building licenses and permits	20,000	18,008	19,268
Other	-	518	101
	<u>\$ 40,690</u>	<u>\$ 39,216</u>	<u>\$ 19,369</u>

## EXPENSES

## GENERAL GOVERNMENT SERVICES

Legislative			
Mayor	\$ 14,350	\$ 13,787	\$ 8,358
Councillors	54,663	45,462	26,666
Development seminars	8,000	1,835	-
Other legislative costs	1,500	1,704	1,139
	<u>78,513</u>	<u>62,788</u>	<u>36,163</u>
Administrative			
Clerk/Administrator	79,740	67,223	18,101
Travel, training, meetings, and per diems	6,875	1,150	1,902
Advertising, communication, and promotion	8,135	12,390	1,726
Bond and liability insurance	8,200	8,832	8,734
Occupancy costs	35,750	35,947	12,346
Legal	10,000	3,811	-
	<u>148,700</u>	<u>129,353</u>	<u>42,809</u>
Financial management			
External audit	5,000	6,141	4,500
Financial consultant	1,000	750	-
	<u>6,000</u>	<u>6,891</u>	<u>4,500</u>
Cost of assessment			
	<u>91,608</u>	<u>91,608</u>	<u>-</u>
Other general government services			
Office supplies	-	3,534	851
Telephone and internet	-	1,831	493
Unrecoverable HST	-	-	1,673
Grants, dues and fees	35,000	53,967	411
	<u>35,000</u>	<u>59,332</u>	<u>3,428</u>
	<u>\$ 359,821</u>	<u>\$ 349,972</u>	<u>\$ 86,900</u>

## PROTECTIVE SERVICES

Fire			
Administration	\$ 10,000	\$ 11,841	\$ -
Training	5,000	1,509	-
	<u>\$ 15,000</u>	<u>\$ 13,350</u>	<u>\$ -</u>



**HANWELL RURAL COMMUNITY**

**Revenue and Expense Support**

For the Years Ended December 31	2015 Budget	2015 Actual	2014 Actual
<b>ENVIRONMENTAL HEALTH SERVICES</b>			
Garbage and waste collection	\$ 384,500	\$ 211,959	\$ -
<b>ENVIRONMENTAL DEVELOPMENT SERVICES</b>			
Community development and rural planning	\$ 125,454	\$ 125,454	\$ -
<b>RECREATION AND COMMUNITY DEVELOPMENT</b>			
Community Development	\$ 10,000	\$ 2,217	\$ -
Hanwell Days	15,000	6,402	-
Sports & Recreation	<u>142,000</u>	<u>141,662</u>	<u>-</u>
	\$ 167,000	\$ 150,281	\$ -
<b>FISCAL SERVICES</b>			
Debt charges			
Bank service charges	\$ -	\$ -	\$ 16
Transfer to own funds			
General Capital Reserve Fund	-	141,400	-
General Operating Reserve Fund	-	-	10,000
General Capital Fund (Capital Expenditures)	<u>16,000</u>	<u>76,100</u>	<u>34,970</u>
	<u>16,000</u>	<u>217,500</u>	<u>44,970</u>
	\$ 16,000	\$ 217,500	\$ 44,986
<b>TRANSPORTATION SERVICES</b>			
Street lighting	\$ 44,000	\$ 44,202	\$ -



Schedule C

HANWELL RURAL COMMUNITY

Tangible Capital Assets

	2015						2014	
	Land	Leasehold Improvements	Signs	Furniture, and Fixtures	Fire Equipment	Computer Equipment	Total	Total
<b>COST</b>								
Balance - beginning of year	\$ -	\$ 10,990	\$ 16,500	\$ 4,447	\$ -	\$ 3,033	\$ 34,970	\$ -
Add: Net additions during the year	<u>36,535</u>	<u>-</u>	<u>25,863</u>	<u>4,510</u>	<u>5,690</u>	<u>3,502</u>	<u>76,100</u>	<u>34,970</u>
<b>BALANCE - END OF YEAR</b>	<u>36,535</u>	<u>10,990</u>	<u>42,363</u>	<u>8,957</u>	<u>5,690</u>	<u>6,535</u>	<u>111,070</u>	<u>34,970</u>
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	1,832	1,650	445	-	455	4,382	-
Add: Amortization during the year	<u>-</u>	<u>3,663</u>	<u>3,205</u>	<u>896</u>	<u>379</u>	<u>2,178</u>	<u>10,321</u>	<u>4,382</u>
<b>BALANCE - END OF YEAR</b>	<u>-</u>	<u>5,495</u>	<u>4,855</u>	<u>1,341</u>	<u>379</u>	<u>2,633</u>	<u>14,703</u>	<u>4,382</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 36,535	\$ 5,495	\$ 37,508	\$ 7,616	\$ 5,311	\$ 3,902	\$ 96,367	\$ 30,588



## HANWELL RURAL COMMUNITY

## Schedule of Segment Disclosure

For the Years Ended December 31

2015

	General Government Services	Protective Services	Transportation Services	Environmental Health	Environmental Development	Recreation and Culture	Consolidated
<b>REVENUES</b>							
Property tax warrant	\$ 362,066	\$ 14,451	\$ 42,390	\$ 370,428	\$ 120,862	\$ 160,888	\$ 1,071,085
Sale of service, fines and other fees	18,564	-	-	-	-	-	18,564
Unconditional grant	6,994	279	819	7,155	2,335	3,108	20,690
Other government transfers	-	-	-	-	-	571,972	571,972
	<u>387,624</u>	<u>14,730</u>	<u>43,209</u>	<u>377,583</u>	<u>123,197</u>	<u>735,968</u>	<u>1,682,311</u>
<b>EXPENSES</b>							
Salaries and benefits	67,223	-	-	-	-	-	67,223
Goods and services	191,141	13,350	44,202	211,959	125,454	150,281	736,387
Amortization	10,321	-	-	-	-	-	10,321
Cost of assessment	91,608	-	-	-	-	-	91,608
	<u>360,293</u>	<u>13,350</u>	<u>44,202</u>	<u>211,959</u>	<u>125,454</u>	<u>150,281</u>	<u>905,539</u>
<b>SURPLUS FOR THE YEAR</b>	\$ 27,331	\$ 1,380	\$ (993)	\$ 165,624	\$ (2,257)	\$ 585,687	\$ 776,772

Schedule E

HANWELL RURAL COMMUNITY

Reconciliation of Annual Surplus

December 31, 2015

	General Operating Fund	General Capital Fund	General Capital Reserve	General Operating Reserve	Total
2015 Annual surplus (deficit)	\$ 204,762	\$ 571,982	\$ -	\$ 28	\$ 776,772
Adjustments to annual surplus (deficit) for funding requirements					
Contributions from external sources	-	-	-	-	-
Transfers between the general operating fund and the general capital fund	(76,100)	76,100	-	-	-
Transfers between the general operating fund and the general operating reserve fund	3,898	-	-	(3,898)	-
Transfers between the general operating fund and the general capital reserve fund	(141,400)	-	141,400	-	-
Amortization expense	10,321	(10,321)	-	-	-
Total adjustments to 2015 annual surplus (deficit)	(203,281)	65,779	141,400	(3,898)	-
2015 Annual fund surplus (deficit)	\$ 1,481	\$ 637,761	\$ 141,400	\$ (3,870)	\$ 776,772

## HANWELL RURAL COMMUNITY

## Statement of Reserves

For the Years Ended December 31			2015	2014
	General Operating Reserve	General Capital Reserve	Total	Total
<b>ASSETS</b>				
Cash	\$ 6,130	\$ 141,400	\$ 147,530	\$ -
<b>ACCUMULATED SURPLUS</b>	\$ 6,130	\$ 141,400	\$ 147,530	\$ 10,000
<b>REVENUE</b>				
Interest	\$ 28	\$ -	\$ 28	\$ -
Transfer from General Operating Fund	<u>-</u>	<u>141,400</u>	<u>141,400</u>	<u>10,000</u>
	<u>28</u>	<u>141,400</u>	<u>141,428</u>	<u>10,000</u>
<b>EXPENDITURES</b>				
Transfer to General Operating Fund	<u>3,898</u>	<u>-</u>	<u>3,898</u>	<u>-</u>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	\$ (3,870)	\$ 141,400	\$ 137,530	\$ 10,000

