

Community of North Shore

Financial Statements
December 31, 2017

Management's Report

The integrity, relevance, and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with 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.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Community. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Community's financial statements.

Jonathan MacLean Administrator

Gordon Ellis, Council Chair



Member of The AC Group of Independent Accounting Firms

July 11, 2018

Independent Auditor's Report

To the Members of Community of North Shore

We have audited the accompanying financial statements of **Community of North Shore**, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Community of North Shore** as at December 31, 2017 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Community of North Shore

Statement of Financial Position

As at December 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	14,450	35,552
Guaranteed investment certificates	56,110	55,515
Accounts receivable (note 2)	29,528	26,899
Restricted cash - infrastructure funding	47,245	-
Restricted cash - green space and recreation fund	25,384	25,153
	<hr/>	<hr/>
Total financial assets	172,717	143,119
Liabilities		
Accounts payable and accrued liabilities (note 3)	8,992	15,496
Deferred revenue - green space and recreation	25,083	25,083
Deferred revenue - official plan	1,022	1,022
Deferred revenue - infrastructure funding (note 4)	60,544	26,612
	<hr/>	<hr/>
	95,641	68,213
	<hr/>	<hr/>
Net assets	77,076	74,906
Non-financial assets		
Tangible capital assets (Schedule 1)	1,129,930	1,055,809
Prepaid expenses	8,551	8,124
Inventory	922	574
	<hr/>	<hr/>
	1,139,403	1,064,507
	<hr/>	<hr/>
Accumulated surplus	1,216,479	1,139,413
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Approved by the Council

_____ Councillor

_____ Councillor

Community of North Shore

Statement of Accumulated Surplus

For the year ended December 31, 2017

	2017	2016
	\$	\$
Accumulated surplus - Beginning of year	1,139,413	1,103,406
Annual surplus for the year	77,066	36,007
Accumulated surplus - End of year	<u>1,216,479</u>	<u>1,139,413</u>

Community of North Shore

Statement of Operations

For the year ended December 31, 2017

	Budget (unaudited) 2017 \$	Actual 2017 \$	Actual 2016 \$
Revenue			
Province of P.E.I. - property tax assessments	309,558	324,522	309,652
Building permit fees and development income	6,000	6,350	6,298
Government contributions	2,000	150	1,150
Interest and miscellaneous	1,500	5,159	-
Canada Day Funding	1,300	1,200	1,200
Total revenue - Stanhope Place (Schedule 2)	4,250	3,114	4,309
Total revenue - NSCC (Schedule 3)	37,000	33,014	21,444
Total revenue	361,608	373,509	344,053
Direct expense			
North Shore Rural Community Fire Co. dues	139,262	140,664	135,051
	222,346	232,845	209,002
Expenses			
Activities supplies	-	1,352	-
Administrator (note 5)	40,540	40,734	27,478
Advertising	700	663	536
Building permit administration/mileage	13,900	9,798	7,454
Community events	9,550	729	2,911
Conferences and dues	3,500	1,353	2,950
EMO	2,000	2,000	-
Federation of Municipalities	-	4,404	-
Friends of the Bay/Watershed	1,750	1,750	1,750
Honorariums	14,000	14,500	-
Insurance	10,600	10,225	2,500
Office, interest and bank fees	6,200	2,709	4,810
Printing, postage and stationary	3,000	-	3,778
Professional fees	16,000	9,304	10,062
Promenade electricity	700	698	726
Promenade repairs and maintenance	5,500	1,816	2,879
Repairs and maintenance	1,500	1,173	4,207
Soccer	1,000	-	1,000
Telephone and internet	2,500	960	2,026
Water and wastewater management	1,000	-	660
Web administration	1,000	946	-
Total expenses - Stanhope Place (Schedule 2)	12,200	6,967	7,034
Total expenses - NSCC (Schedule 3)	67,706	62,312	64,347
Amortization	-	48,708	47,478
	214,846	223,101	194,586
	7,500	9,744	14,416
Infrastructure funding			
Stanhope Place (Schedule 2)	-	-	8,769
ACOA capital grant	2,500	46,908	3,344
Capital Investment Plan - gas tax funding	-	8,646	-
Municipal Capital Expenditure Grant	-	11,268	-
Promenade Funding	-	500	9,478
	2,500	67,322	21,591
Annual surplus for the year	10,000	77,066	36,007

Community of North Shore

Statement of Changes in Net Debt

For the year ended December 31, 2017

	2017 \$	2016 \$
Annual surplus for the year	77,066	36,007
Amortization of tangible capital assets	48,708	47,478
Purchase of tangible capital assets	(122,829)	(13,896)
Change in prepaid expenses	(427)	-
Change in inventory	(348)	1,441
	<hr/> 2,170	<hr/> 71,030
Net assets - Beginning of year	<hr/> 74,906	<hr/> 3,876
Net assets - End of year	<hr/> <hr/> 77,076	<hr/> <hr/> 74,906

Community of North Shore

Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016
	\$	\$
Cash provided by (used in)		
Operating activities		
Annual surplus for the year	77,066	36,007
Item not affecting cash		
Amortization	48,708	47,478
	<u>125,774</u>	<u>83,485</u>
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(2,629)	14,920
Decrease (increase) in inventory	(348)	1,441
Increase in prepaid expenses	(427)	-
Decrease in accounts payable and accrued liabilities	(6,504)	(17,251)
Decrease in deferred revenue - promenade	-	(9,478)
Increase in deferred revenue - infrastructure funding	33,932	26,612
	<u>24,024</u>	<u>16,244</u>
	<u>149,798</u>	<u>99,729</u>
Financing activity		
Payments on demand loan	-	(24,263)
Investing activities		
Increase in guaranteed investment certificates	(595)	(40,100)
Purchase of tangible capital assets	(122,829)	(13,896)
Increase in restricted cash - infrastructure funding	(47,245)	-
Increase in restricted cash - green space and recreation fund	(231)	-
	<u>(170,900)</u>	<u>(53,996)</u>
Increase (decrease) in cash	(21,102)	21,470
Cash - Beginning of year	<u>35,552</u>	<u>14,082</u>
Cash - End of year	<u>14,450</u>	<u>35,552</u>

Community of North Shore

Notes to Financial Statements

December 31, 2017

1 Summary of significant accounting policies

The financial statements of the Community of North Shore are prepared by management in accordance with Canadian Public Sector Accounting Standards of CPA Canada. Significant aspects of the accounting policies adopted by the Community are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenses, changes in net debt and in the financial position of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the Community for administration of their financial affairs and resources, and which are owned or controlled by the Community. The operations of Stanhope Place and North Shore Community Centre are reflected in these financial statements.

Basis of accounting

The accrual basis of accounting is used for all funds. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

Cash

Cash includes cash on hand and balances with banks.

Restricted cash

Cash is held in separate bank accounts to fund the green space and recreation fund and infrastructure funding.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization of capital assets is calculated using the declining balance method at the annual rate of 4% for building and promenade, 8% for land improvements and 20% for equipment.

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

Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and estimated useful life of tangible capital assets. Actual results could differ from those reported.

Community of North Shore

Notes to Financial Statements

December 31, 2017

Revenue recognition

Tax revenue consists of property tax billings which are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates established by the Community. Taxation revenue is recorded as it is received in monthly installments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The Community's revenue is adjusted for any of these appeals using a yearly statement.

Other revenue is recorded when it is earned and collection is reasonably assured.

Government transfers

Revenue from governments without eligibility criteria or stipulations is recognized as revenue by the Community when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Community when the transfer is authorized and all eligibility criteria have been met, unless there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Revenue with stipulations is recognized as revenue by the Community when the transfer is authorized and all stipulations have been met.

Transfers to other organizations are recognized as an expense when they are authorized.

Fair value of financial instruments

Financial instruments are comprised of cash, guaranteed investment certificates, accounts receivable, restricted cash - greenspace and recreation fund, restricted cash - infrastructure funding and accounts payable and accrued liabilities. Due to their short term nature, all financial instruments are carried at amounts which are considered to approximate their fair value.

2 Accounts receivable

	2017	2016
	\$	\$
Trade accounts receivable	-	3,291
Government contributions receivable	23,400	13,306
HST receivable	6,128	10,302
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	29,528	26,899
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Community of North Shore

Notes to Financial Statements

December 31, 2017

3 Accounts payable and accrued liabilities

	2017	2016
	\$	\$
Trade accounts payable	7,731	14,491
Payroll withholding taxes payable	1,261	1,005
	<hr/>	<hr/>
	8,992	15,496
	<hr/>	<hr/>

4 Deferred revenue

	2017	2016
	\$	\$
Balance - beginning of year	26,612	-
Government funding received	42,578	26,612
Eligible expenditures incurred	(8,646)	-
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Balance - End of year	60,544	26,612
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Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities and the Municipal Strategic Component Project, the Community has received funds which are restricted for expenditure on eligible projects. The Community will prepare, for approval by the governmental regulating body, a Capital Investment Plan which details expenditures.

5 Expenditures - Administrator

	Budget (unaudited) 2017 \$	Actual 2017 \$	Actual 2016 \$
Wages	40,040	37,616	25,145
Benefits	-	2,520	2,333
Mileage	500	598	-
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	40,540	40,734	27,478
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Community of North Shore

Schedule of Tangible Capital Assets

For the years ended December 31, 2017 and December 31, 2016

Schedule 1

	Cost 2017			Accumulated amortization 2017			Net book value 2017
	Beginning \$	Additions \$	Ending \$	Beginning \$	Amortization \$	Ending \$	
Land	10,000	-	10,000	-	-	-	10,000
Building	809,710	106,069	915,779	308,151	22,184	330,335	585,444
Equipment	67,660	9,926	77,586	53,358	3,853	57,211	20,375
Promenade	795,864	3,314	799,178	297,561	19,999	317,560	481,618
Land improvements	35,829	3,520	39,349	4,184	2,672	6,856	32,493
	1,719,063	122,829	1,841,892	663,254	48,708	711,962	1,129,930

	Cost 2016			Accumulated amortization 2016			Net book value 2016
	Beginning \$	Additions \$	Ending \$	Beginning \$	Amortization \$	Ending \$	
Land	10,000	-	10,000	-	-	-	10,000
Building	809,710	-	809,710	287,253	20,898	308,151	501,559
Equipment	65,543	2,117	67,660	50,047	3,311	53,358	14,302
Promenade	784,085	11,779	795,864	277,044	20,517	297,561	498,303
Land improvements	35,829	-	35,829	1,432	2,752	4,184	31,645
	1,705,167	13,896	1,719,063	615,776	47,478	663,254	1,055,809

Community of North Shore
 Schedule of Operations - Stanhope Place
 For the year ended December 31, 2017

Schedule 2

	Budget (unaudited) 2017 \$	Actual 2017 \$	Actual 2016 \$
Revenue			
Card games and rental	1,500	1,721	3,341
Rentals	1,000	1,343	968
Friends of Covehead Brackley Bay	1,750	-	-
Stanhope Historical Society	-	50	-
	4,250	3,114	4,309
Expenses			
Electricity	3,700	3,886	3,779
Fuel	500	26	486
Miscellaneous	-	-	100
Repairs and maintenance	6,500	1,850	1,475
Snow removal	1,500	1,205	1,194
	12,200	6,967	7,034
	(7,950)	(3,853)	(2,725)
Infrastructure funding			
Province of Prince Edward Island - Community Development Program	-	-	8,769
	(7,950)	(3,853)	6,044
Excess revenue (expenses) for the year			

Community of North Shore

Schedule of Operations - North Shore Community Centre

For the year ended December 31, 2017

Schedule 3

	Budget (unaudited) 2017 \$	Actual 2017 \$	Actual 2016 \$
Revenue			
Bar and canteen	13,000	7,837	8,197
Community events	-	3,092	-
Miscellaneous income	1,000	350	-
Rentals	20,000	17,742	10,175
Wage grant	3,000	3,993	3,072
	<hr/>	<hr/>	<hr/>
	37,000	33,014	21,444
	<hr/>	<hr/>	<hr/>
Expenses			
Activity supplies	1,500	3,820	4,076
Insurance	-	-	8,032
Bar and canteen	2,500	5,244	3,742
Federation of Municipalities - NSCC	-	404	-
Electricity	4,000	5,121	4,110
Fuel	5,000	4,089	3,374
Gas	406	334	282
Office, dues and miscellaneous	1,000	1,669	784
Interest on demand loan	-	-	517
Utilities	-	(25)	703
Repairs and maintenance	25,500	19,791	14,817
Telephone and internet	-	1,503	815
Wages and levies	27,800	20,362	23,095
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	67,706	62,312	64,347
	<hr/>	<hr/>	<hr/>
Excess expenses for the year	(30,706)	(29,298)	(42,903)