

RURAL MUNICIPALITY OF BREADALBANE
Financial Statements
March 31, 2024

RURAL MUNICIPALITY OF BREADALBANE
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March 31, 2024

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Rural Municipality of Breadalbane 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's judgment, 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 accountants 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., as appointed by the Rural Municipality of Breadalbane. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their conclusion on the financial statements.

On behalf of the Rural Municipality of Breadalbane:

Mayor

CAO

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Rural Municipality of Breadalbane

Opinion

We have audited the financial statements of Rural Municipality of Breadalbane (the Municipality), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and accompanying schedules 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, 2024, 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

May 22, 2024

RURAL MUNICIPALITY OF BREADALBANE
Statement of Financial Position
March 31, 2024

	2024	2023
Financial assets		
Cash	\$ 32,167	\$ 21,025
Restricted cash (Note 3)	27,141	21,454
Accounts receivable (Note 4)	1,012	5,042
	60,320	47,521
Liabilities		
Accounts payable and accrued liabilities	1,398	3,493
Deferred revenue (Note 5)	43,652	19,578
	45,050	23,071
Net financial assets (Statement 6)	15,270	24,450
Non-financial assets		
Prepaid expense	1,886	1,891
Tangible capital assets (Schedule 1)	98,396	97,103
	100,282	98,994
Accumulated surplus (Statement 5)	\$ 115,552	\$ 123,443

ON BEHALF OF COUNCIL

_____ *Mayor*

_____ *Councillor*

Notes 1 - 11 are an integral part of these financial statements

RURAL MUNICIPALITY OF BREADALBANE

**Statement of Operations
Year Ended March 31, 2024**

	Budget 2024	Actual 2024	Actual 2023
Revenues			
Government transfers for operations (Note 6)	\$ 14,080	\$ 22,903	\$ 29,808
Property taxes	17,400	16,825	17,654
Miscellaneous	650	4,710	791
Rental	4,380	2,789	4,735
	36,510	47,227	52,988
Expenditures			
Administration (Schedule 2)	19,600	16,091	18,710
Amortization of tangible capital assets	5,200	5,573	5,401
Community Centre and Library (Schedule 2)	14,200	17,113	10,853
Community Services (Schedule 2)	11,070	14,937	10,973
Park (Schedule 2)	2,880	1,717	1,953
	52,950	55,431	47,890
Operating surplus (deficit)	(16,440)	(8,204)	5,098
Other revenues			
Government transfers for capital (Note 6)	-	313	18,027
Annual surplus (deficit)	(16,440)	(7,891)	23,125
Accumulated surplus - beginning of year	123,443	123,443	100,318
Accumulated surplus - end of year (Note 7)	\$ 107,003	\$ 115,552	\$ 123,443

Notes 1 - 11 are an integral part of these financial statements

RURAL MUNICIPALITY OF BREADALBANE
Statement of Changes in Net Financial Assets
Year Ended March 31, 2024

	Budget 2024	Actual 2024	Actual 2023
Annual surplus (deficit)	\$ (16,440)	\$ (7,891)	\$ 23,125
Amortization of tangible capital assets	5,200	5,573	5,401
Purchase of tangible capital assets	-	(6,866)	(23,226)
Increase in prepaid expense	-	4	(720)
	5,200	(1,289)	(18,545)
Increase (decrease) in net financial assets	(11,240)	(9,180)	4,580
Net financial assets - beginning of year	24,450	24,450	19,871
Net financial assets - end of year	\$ 13,210	\$ 15,270	\$ 24,450

Notes 1 - 11 are an integral part of these financial statements

RURAL MUNICIPALITY OF BREADALBANE

Statement of Cash Flows

Year Ended March 31, 2024

	2024	2023
Cash flows from operating activities		
Annual surplus (deficit)	\$ (7,891)	\$ 23,125
Item not affecting cash:		
Amortization of tangible capital assets	5,573	5,401
	(2,318)	28,526
Changes in non-cash working capital:		
Accounts receivable	4,030	57
Prepaid expense	5	(721)
Accounts payable and accrued liabilities	(2,096)	(3,290)
Deferred revenue	24,074	5,211
	26,013	1,257
	23,695	29,783
Cash flows from capital activity		
Purchase of tangible capital assets	(6,866)	(23,226)
Increase in cash	16,829	6,557
Cash - beginning of year	42,479	35,922
Cash - end of year	\$ 59,308	\$ 42,479
Cash consists of:		
Cash	\$ 32,167	\$ 21,025
Restricted cash	27,141	21,454
	\$ 59,308	\$ 42,479

Notes 1 - 11 are an integral part of these financial statements

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2024

1. DESCRIPTION OF BUSINESS

The Rural Municipality of Breadalbane (the "Municipality") was incorporated in 1991 under the Municipalities Act of Prince Edward Island. Its principal activities include the provision of local government services to residents of the incorporated area. The Municipality is a non-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of Rural Municipality of Breadalbane are the representations of Council 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.

Reporting entity

The financial statements for Rural Municipality of Breadalbane reflect the assets, liabilities, revenues, expenditures, and annual surplus of all funds of the Municipality. The Municipality is comprised of all organizations and committees accountable to the Municipality for the administration of their financial affairs and resources.

Cash

Cash is comprised of cash on hand and cash in banks.

Accounts receivable

Accounts receivable arise from government funding, HST receivable, and other trade receivables. 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.

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RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Land improvements	25 years
Buildings	40 years
Equipment	10 years
Signage	10 years

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.

Asset retirement obligations

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations. As at March 31, 2024, no asset retirement obligations have been identified by management.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for the 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 year 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.

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RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from transactions with performance obligations are recognized when (or as) the Municipality satisfies a performance obligation. Revenue from transactions with no performance obligations are recognized when the Municipality has the authority to claim or retain an inflow of economic resources and a past transaction has given rise to an asset.

Property tax billings are based on the assessed value of real property in the Municipality and is payable in each calendar year. Tax rates are reviewed, established, and approved annually by the Municipality. These revenues are recognized when monthly billings come due.

Management 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 Municipality's tangible capital assets;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

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 issuance of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

3. RESTRICTED CASH

On March 12, 2019, Council created a reserve fund bank account and subsequently deposited funds for the various reserve funds established by bylaw. The accounts earns interest at a nominal rate. Council has also internally restricted funds in another bank account for current projects.

	<u>2024</u>		<u>2023</u>
Restricted cash - Canada Community Building Fund	\$ 22,547	\$	16,942
Cash management reserve	2,729		2,685
Community priority and contingency reserve	1,860		1,822
Computer/equipment replacement reserve	1		1
Capital infrastructure reserve	1		1
Facilities maintenance reserve	1		1
Recreation and facilities services reserve	1		1
Capital reserve	1		1
	<u>\$ 27,141</u>	<u>\$</u>	<u>21,454</u>

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2024

4. ACCOUNTS RECEIVABLE

	2024	2023
HST receivable	\$ 826	\$ 2,715
Government funding	186	1,189
Trade	-	1,138
	\$ 1,012	\$ 5,042

5. DEFERRED REVENUE

During the year, the Municipality was allocated \$5,513 (2023 - \$5,008) under the Canada Community Building Fund. The Municipality must use the allocation for eligible infrastructure and capacity building. The Municipality has prepared, and the governmental regulating body as accepted, a Capital Investment Plan which details determined expenditure. During the year, the Municipality had no eligible expenditures (2022 - \$3,395).

	2024	2023
Canada Community Building Fund	\$ 22,547	\$ 17,034
Housing grant	18,395	-
Property tax	1,448	1,450
Equalization grant	1,262	-
Rent	-	975
Rural Growth Initiative Grant	-	119
	\$ 43,652	\$ 19,578

6. GOVERNMENT TRANSFERS

	2024	2023
Capital		
Municipal Capital Expenditure Grant	\$ 313	\$ 2,100
Atlantic Canada Opportunities Agency	-	13,133
Rural Growth Initiative Grant	-	2,794
	313	18,027
Operations		
Equalization Grant	13,909	12,827
Province of PEI Community Revitalization Program	6,647	-
Seniors Project - Grant	1,600	-
Grant in Lieu of Taxes	747	700
Municipal Administrative Support Grant	-	15,000
Employment Development Agency	-	1,281
	22,903	29,808
	\$ 23,216	\$ 47,835

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2024

7. ACCUMULATED SURPLUS

	<u>2024</u>		<u>2023</u>
Unrestricted surplus	\$ 12,562	\$	21,828
Internally restricted funds	4,594		4,512
Investment in tangible capital assets (Schedule 1)	<u>98,396</u>		<u>97,103</u>
	<u>\$ 115,552</u>	<u>\$</u>	<u>123,443</u>

8. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash, restricted 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, 2024.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from residents. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Municipality has a significant number of residents 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 funds from its residents and other related sources and accounts payable.

9. 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.

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2024

10. BUDGET FIGURES

Budget figures were not subject to review or audit by an external accountant, and are presented for information purposes only. The budget figures provided on Statements 5 and 6 and Schedule 2 have not been audited or reviewed by the external auditor.

	<u>2024</u>
Rural Municipality of Breadalbane budgeted annual surplus	\$ 1,920
Less: Transfer to capital	(3,360)
Less: Prior year surplus	<u>(15,000)</u>
	<u>\$ (16,440)</u>

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

RURAL MUNICIPALITY OF BREADALBANE

Schedules to Financial Statements

Tangible Capital Assets

Year Ended March 31, 2024

(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
2024									
Land	\$ 6,430	\$ -	\$ -	\$ 6,430	\$ -	\$ -	\$ -	\$ -	\$ 6,430
Land improvements	48,000	-	-	48,000	42,240	1,920	-	44,160	3,840
Buildings	107,956	6,866	-	114,822	28,750	2,870	-	31,620	83,202
Equipment	14,428	-	-	14,428	11,098	443	-	11,541	2,887
Signage	3,395	-	-	3,395	1,018	340	-	1,358	2,037
	\$ 180,209	\$ 6,866	\$ -	\$ 187,075	\$ 83,106	\$ 5,573	\$ -	\$ 88,679	\$ 98,396
2023									
Land	\$ 6,430	\$ -	\$ -	\$ 6,430	\$ -	\$ -	\$ -	\$ -	\$ 6,430
Land improvements	48,000	-	-	48,000	40,320	1,920	-	42,240	5,760
Buildings	84,730	23,226	-	107,956	26,051	2,699	-	28,750	79,206
Equipment	14,428	-	-	14,428	10,655	443	-	11,098	3,330
Signage	3,395	-	-	3,395	679	339	-	1,018	2,377
	\$ 156,983	\$ 23,226	\$ -	\$ 180,209	\$ 77,705	\$ 5,401	\$ -	\$ 83,106	\$ 97,103

Notes 1 - 11 are an integral part of these financial statements

RURAL MUNICIPALITY OF BREADALBANE

Schedules to Financial Statements

(Schedule 2)

Expenditures

Year Ended March 31, 2024

	Budget 2024	Actual 2024	Actual 2023
Administration			
CAO compensation	\$ 5,200	\$ 4,534	\$ 7,050
Communications	240	192	150
Election	-	148	882
Interest and bank charges	240	67	133
Liability insurance	4,900	4,808	4,552
Memberships	800	440	534
Office supplies	980	646	630
Professional fees	6,880	5,047	4,342
Training	360	209	437
	\$ 19,600	\$ 16,091	\$ 18,710
Community Centre and Library			
Cleaning	\$ 2,400	\$ 1,700	\$ 1,475
Electricity	360	2,936	2,126
Heat	500	1,390	1,377
Insurance	2,200	2,127	2,050
Lawn maintenance	880	960	840
Property tax	760	742	944
Repairs	1,600	6,205	-
Security	600	572	556
Supplies and maintenance	4,900	481	1,485
	\$ 14,200	\$ 17,113	\$ 10,853
Community Services			
Emergency measure	\$ 350	\$ -	\$ 65
Events	450	394	206
Fire dues	8,400	8,384	7,760
Library support	430	409	406
Project wages	-	-	1,218
Projects	-	4,777	-
Street lights	1,440	973	1,318
	\$ 11,070	\$ 14,937	\$ 10,973
Park			
Insurance	\$ 280	\$ 277	\$ 213
Lawn maintenance	1,320	1,440	1,260
Property taxes	70	-	158
Repairs and maintenance	850	-	206
Shed power	360	-	116
	\$ 2,880	\$ 1,717	\$ 1,953

Notes 1 - 11 are an integral part of these financial statements