

**RURAL MUNICIPALITY OF BREADALBANE**  
**Financial Statements**  
**March 31, 2023**

**RURAL MUNICIPALITY OF BREADALBANE**  
**Index to Financial Statements**  
**March 31, 2023**

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## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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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:

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Mayor

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CAO

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## INDEPENDENT AUDITOR'S REPORT

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### 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, 2023, 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, 2023, 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

November 9, 2023

**RURAL MUNICIPALITY OF BREADALBANE**  
**Statement of Financial Position**  
**March 31, 2023**

	2023	2022
<b>Financial assets</b>		
Cash	\$ 21,025	\$ 16,756
Restricted cash (Note 3)	21,454	19,166
Accounts receivable (Note 4)	5,042	5,099
	47,521	41,021
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,493	6,783
Deferred revenue (Note 5)	19,578	14,367
	23,071	21,150
<b>Net financial assets</b> (Statement 6)	24,450	19,871
<b>Non-financial assets</b>		
Prepaid expense	1,891	1,170
Tangible capital assets (Schedule 1)	97,103	79,277
	98,994	80,447
<b>Accumulated surplus</b> (Statement 5)	\$ 123,444	\$ 100,319

**ON BEHALF OF COUNCIL**

\_\_\_\_\_ *Mayor*

\_\_\_\_\_ *Councillor*

Notes 1 - 10 are an integral part of these financial statements

**RURAL MUNICIPALITY OF BREADALBANE**

**Statement of Operations**

**Year Ended March 31, 2023**

	Budget 2023	Actual 2023	Actual 2022
<b>Revenues</b>			
Government transfers for operations (Note 6)	\$ 12,827	\$ 29,107	\$ 23,993
Property taxes	19,867	17,654	16,438
Rental	4,330	4,735	4,520
Miscellaneous	3,514	1,493	612
	<b>40,538</b>	<b>52,989</b>	45,563
<b>Expenditures</b>			
Administration (Schedule 2)	18,345	18,711	9,912
Amortization of tangible capital assets	-	5,401	5,160
Community Centre and Library (Schedule 2)	12,388	10,853	14,839
Community Services (Schedule 2)	10,810	10,973	20,378
Park (Schedule 2)	4,110	1,953	386
	<b>45,653</b>	<b>47,891</b>	50,675
<b>Operating surplus (deficit)</b>	<b>(5,115)</b>	<b>5,098</b>	<b>(5,112)</b>
<b>Other revenues</b>			
Government transfers for capital (Note 6)	-	18,027	6,385
<b>Annual surplus (deficit)</b>	<b>(5,115)</b>	<b>23,125</b>	<b>1,273</b>
<b>Accumulated surplus - beginning of year</b>	<b>100,319</b>	<b>100,319</b>	<b>99,046</b>
<b>Accumulated surplus - end of year (Note 7)</b>	<b>\$ 95,204</b>	<b>\$ 123,444</b>	<b>\$ 100,319</b>

Notes 1 - 10 are an integral part of these financial statements

**RURAL MUNICIPALITY OF BREADALBANE**  
**Statement of Changes in Net Financial Assets**  
**Year Ended March 31, 2023**

	Budget 2023	Actual 2023	Actual 2022
<b>Annual surplus (deficit)</b>	<b>\$ (5,115)</b>	<b>\$ 23,125</b>	<b>\$ 1,273</b>
Amortization of tangible capital assets	-	5,401	5,160
Purchase of tangible capital assets	-	(23,226)	(7,052)
Increase in prepaid expense	-	(721)	171
	-	(18,546)	(1,721)
<b>Increase (decrease) in net financial assets</b>	<b>(5,115)</b>	<b>4,579</b>	<b>(448)</b>
<b>Net financial assets - beginning of year</b>	<b>19,871</b>	<b>19,871</b>	<b>20,320</b>
<b>Net financial assets - end of year</b>	<b>\$ 14,756</b>	<b>\$ 24,450</b>	<b>\$ 19,871</b>

Notes 1 - 10 are an integral part of these financial statements



**RURAL MUNICIPALITY OF BREADALBANE**

**Statement of Cash Flows**

**Year Ended March 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Annual surplus	\$ 23,125	\$ 1,273
Item not affecting cash:		
Amortization of tangible capital assets	5,401	5,160
	<b>28,526</b>	<b>6,433</b>
Changes in non-cash working capital:		
Accounts receivable	57	(3,954)
Prepaid expense	(721)	171
Accounts payable and accrued liabilities	(3,290)	4,763
Deferred revenue	5,211	9,401
	<b>1,257</b>	<b>10,381</b>
	<b>29,783</b>	<b>16,814</b>
<b>Cash flows from capital activity</b>		
Purchase of property and equipment	(23,226)	(7,052)
<b>Increase in cash</b>	<b>6,557</b>	<b>9,762</b>
<b>Cash - beginning of year</b>	<b>35,922</b>	<b>26,160</b>
<b>Cash - end of year</b>	<b>\$ 42,479</b>	<b>\$ 35,922</b>
<b>Cash consists of:</b>		
Cash	\$ 21,025	\$ 16,756
Restricted cash	21,454	19,166
	<b>\$ 42,479</b>	<b>\$ 35,922</b>

Notes 1 - 10 are an integral part of these financial statements

# RURAL MUNICIPALITY OF BREADALBANE

## Notes to Financial Statements

Year Ended March 31, 2023

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### 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, 2023**

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**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 obligation

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, 2023, 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, 2023

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### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

The 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, with recognition of excess amounts being deferred until 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.

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.

**RURAL MUNICIPALITY OF BREADALBANE**

**Notes to Financial Statements**

**Year Ended March 31, 2023**

**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.

	<b>2023</b>	<b>2022</b>
Restricted cash - Canada Community Building Fund	\$ <b>16,942</b>	\$ 11,934
Cash management reserve	<b>2,685</b>	2,615
Community priority and contingency reserve	<b>1,822</b>	4,612
Computer/equipment replacement reserve	<b>1</b>	1
Capital infrastructure reserve	<b>1</b>	1
Facilities maintenance reserve	<b>1</b>	1
Recreation and facilities services reserve	<b>1</b>	1
Capital reserve	<b>1</b>	1
	<b>\$ 21,454</b>	<b>\$ 19,166</b>

**4. ACCOUNTS RECEIVABLE**

	<b>2023</b>	<b>2022</b>
HST receivable	\$ <b>2,715</b>	\$ 1,055
Trade	<b>1,746</b>	560
Government funding	<b>581</b>	3,484
	<b>\$ 5,042</b>	<b>\$ 5,099</b>

**5. DEFERRED REVENUE**

During the year, the Municipality was allocated \$5,008 (2022 - \$15,421) 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).

	<b>2023</b>	<b>2022</b>
Canada Community Building Fund	\$ <b>17,034</b>	\$ 12,026
Property tax	<b>1,450</b>	1,366
Rent	<b>975</b>	975
Rural Growth Initiative Grant	<b>119</b>	-
	<b>\$ 19,578</b>	<b>\$ 14,367</b>

**RURAL MUNICIPALITY OF BREADALBANE**

**Notes to Financial Statements**

**Year Ended March 31, 2023**

**6. GOVERNMENT TRANSFERS**

	2023	2022
<b>Capital</b>		
Atlantic Canada Opportunities Agency	\$ 13,133	\$ 2,743
Rural Growth Initiative Grant	2,794	-
Municipal Capital Expenditure Grant	2,100	247
Canada Community Building Fund	-	3,395
	<b>18,027</b>	<b>6,385</b>
<b>Operations</b>		
Municipal Administrative Support Grant	15,000	-
Equalization grant	12,827	14,148
Employment Development Agency	1,280	7,150
Safe restart program	-	2,695
	<b>29,107</b>	<b>23,993</b>
	<b>\$ 47,134</b>	<b>\$ 30,378</b>

**7. ACCUMULATED SURPLUS**

	2023	2022
Unrestricted surplus	\$ 21,906	\$ 13,817
Internally restricted funds	4,435	7,225
Investment in tangible capital assets (Schedule 1)	97,103	79,277
	<b>\$ 123,444</b>	<b>\$ 100,319</b>

**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, 2023.

(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.

**RURAL MUNICIPALITY OF BREADALBANE**

**Notes to Financial Statements**

**Year Ended March 31, 2023**

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**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.

**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>2023</u>
Rural Municipality of Breadalbane budgeted annual surplus	\$ 5,126
Less: Prior year surplus	<u>(10,241)</u>
	<u>\$ (5,115)</u>

**RURAL MUNICIPALITY OF BREADALBANE**  
**Schedules to Financial Statements**  
**Year Ended March 31, 2023**



**RURAL MUNICIPALITY OF BREADALBANE**

**Schedules to Financial Statements**

**(Schedule 2)**

**Expenditures**

**Year Ended March 31, 2023**

	Budget 2023	Actual 2023	Actual 2022
<b>Administration</b>			
CAO compensation	\$ 5,200	\$ 7,050	\$ 5,028
Communications	350	150	373
Election	1,000	882	-
Interest and bank charges	120	133	121
Liability insurance	2,600	4,552	-
Memberships	675	534	826
Office supplies	700	631	262
Professional fees	6,850	4,342	2,834
Training	850	437	468
	<b>\$ 18,345</b>	<b>\$ 18,711</b>	<b>\$ 9,912</b>
<b>Community Centre and Library</b>			
Cleaning	\$ 1,500	\$ 1,475	\$ 1,723
Electricity	2,000	2,126	957
Heat	2,600	1,377	2,348
Insurance	1,750	2,050	5,065
Lawn maintenance	800	840	2,200
Property tax	750	944	844
Security	588	556	554
Supplies and maintenance	2,400	1,485	1,148
	<b>\$ 12,388</b>	<b>\$ 10,853</b>	<b>\$ 14,839</b>
<b>Community Services</b>			
Emergency measure	\$ 350	\$ 65	\$ -
Events	450	206	389
Fire dues	7,760	7,760	7,585
Library support	1,150	406	403
Project wages	-	1,218	10,818
Street lights	1,100	1,318	1,183
	<b>\$ 10,810</b>	<b>\$ 10,973</b>	<b>\$ 20,378</b>
<b>Park</b>			
Insurance	\$ -	\$ 213	\$ -
Lawn maintenance	1,450	1,260	-
Property taxes	80	158	80
Repairs and maintenance	2,200	206	-
Shed power	380	116	306
	<b>\$ 4,110</b>	<b>\$ 1,953</b>	<b>\$ 386</b>

Notes 1 - 10 are an integral part of these financial statements