

RURAL MUNICIPALITY OF BREADALBANE
Financial Statements
March 31, 2022

RURAL MUNICIPALITY OF BREADALBANE
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March 31, 2022

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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, 2022, and the statements of operations, changes in net financial assets and cash flows for the year then ended, 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, 2022, 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.

Other Matter

The financial statements of the Municipality for the year ended March 31, 2021 were reviewed by this firm.

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

September 13, 2022

RURAL MUNICIPALITY OF BREADALBANE
Statement of Financial Position
March 31, 2022

	2022	2021
Financial assets		
Cash	\$ 16,756	\$ 18,816
Restricted cash (Note 3)	19,166	7,344
Accounts receivable (Note 4)	5,099	1,145
	<u>41,021</u>	<u>27,305</u>
Liabilities		
Accounts payable and accrued liabilities	6,783	2,019
Deferred revenue (Note 5)	14,367	4,966
	<u>21,150</u>	<u>6,985</u>
Net financial assets (Statement 6)	<u>19,871</u>	<u>20,320</u>
Non-financial assets		
Prepaid expense	1,170	1,340
Tangible capital assets (Schedule 1)	79,277	77,385
	<u>80,447</u>	<u>78,725</u>
Accumulated surplus (Statement 5)	<u>\$ 100,318</u>	<u>\$ 99,045</u>

ON BEHALF OF COUNCIL

_____ *Mayor*

_____ *Councillor*

RURAL MUNICIPALITY OF BREADALBANE

**Statement of Operations
Year Ended March 31, 2022**

	Budget 2022	Actual 2022	Actual 2021
Revenues			
Government transfers for operations (Note 6)	\$ 13,512	\$ 23,993	\$ 19,847
Property taxes	16,152	16,438	15,962
Rental	4,330	4,520	3,134
Miscellaneous	1,450	612	3,332
	<u>35,444</u>	<u>45,563</u>	<u>42,275</u>
Expenditures			
Administration (Schedule 2)	15,985	14,604	10,802
Amortization of tangible capital assets	5,200	5,160	4,217
Community Centre (Schedule 2)	7,498	7,574	14,100
Community Services (Schedule 2)	11,060	20,751	10,010
Loss on disposal of tangible capital assets	-	-	480
Park (Schedule 2)	4,160	2,586	2,771
	<u>43,903</u>	<u>50,675</u>	<u>42,380</u>
Operating deficit	(8,459)	(5,112)	(105)
Other revenues			
Government transfers for capital (Note 6)	-	6,385	3,863
Annual surplus (deficit)	(8,459)	1,273	3,758
Accumulated surplus - beginning of year	99,045	99,045	95,287
Accumulated surplus - end of year (Note 7)	\$ 90,586	\$ 100,318	\$ 99,045

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, 2022

	Budget 2022	Actual 2022	Actual 2021
Annual surplus	\$ (8,459)	\$ 1,273	\$ 3,758
Amortization of tangible capital assets	5,200	5,160	4,217
Purchase of tangible capital assets	-	(7,052)	(9,105)
Loss on disposal of tangible capital assets	-	-	480
Increase in prepaid expense	-	171	(1,340)
	<u>5,200</u>	<u>(1,721)</u>	<u>(5,748)</u>
Decrease in net financial assets	(3,259)	(448)	(1,990)
Net financial assets - beginning of year	20,320	20,320	22,310
Net financial assets - end of year	\$ 17,061	\$ 19,871	\$ 20,320

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

RURAL MUNICIPALITY OF BREADALBANE

Statement of Cash Flows

Year Ended March 31, 2022

	2022	2021
Cash flows from operating activities		
Annual surplus	\$ 1,273	\$ 3,758
Items not affecting cash:		
Amortization of tangible capital assets	5,160	4,217
Loss on disposal of tangible capital assets	-	480
	6,433	8,455
Changes in non-cash working capital:		
Accounts receivable	(3,954)	(249)
Prepaid expense	170	(1,340)
Accounts payable and accrued liabilities	4,764	1,490
Deferred revenue	9,401	769
	10,381	670
	16,814	9,125
Cash flows from capital activity		
Purchase of property and equipment	(7,052)	(9,105)
Increase in cash	9,762	20
Cash - beginning of year	26,160	26,140
Cash - end of year	\$ 35,922	\$ 26,160
Cash consists of:		
Cash	\$ 16,756	\$ 18,816
Restricted cash	19,166	7,344
	\$ 35,922	\$ 26,160

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

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2022

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, 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, 2022

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	5 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.

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.

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.

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RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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>2022</u>		<u>2021</u>
Restricted cash - Canada Community Building Fund	\$ 11,934	\$	118
Community priority and contingency reserve	4,612		4,612
Cash management reserve	2,615		2,608
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>\$ 19,166</u>	<u>\$</u>	<u>7,344</u>

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2022

4. ACCOUNTS RECEIVABLE

	2022	2021
Government funding	\$ 3,484	\$ 807
HST receivable	1,055	338
Trade	560	-
	\$ 5,099	\$ 1,145

5. DEFERRED REVENUE

During the year, the Municipality was allocated \$15,421 (2021 - \$nil) 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 eligible expenditures of \$3,395 (2021 - \$2,071)

	2022	2021
Canada Community Building Fund	\$ 12,026	\$ -
Property tax	1,366	1,346
Rent	975	925
Safe restart program	-	2,695
	\$ 14,367	\$ 4,966

6. GOVERNMENT TRANSFERS

	2022	2021
Capital		
Canada Community Building Fund	\$ 3,395	\$ 2,071
Atlantic Canada Opportunities Agency	2,743	-
Municipal Capital Expenditure Grant	247	792
Province of PEI Community Revitalization Program	-	1,000
	6,385	3,863
Operations		
Equalization grant	14,148	13,506
Employment Development Agency	7,150	-
Safe restart program	2,695	2,541
Province of PEI Community Revitalization Program	-	3,800
	23,993	19,847
	\$ 30,378	\$ 23,710

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2022

7. ACCUMULATED SURPLUS

	2022	2021
Unrestricted surplus	\$ 13,816	\$ 14,435
Internally restricted funds	7,225	7,225
Investment in tangible capital assets (Schedule 1)	79,277	77,385
	<u>\$ 100,318</u>	<u>\$ 99,045</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, 2022.

(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.

10. BUDGET FIGURES

Budget figures were not subject to review or audit by an external accountant, and are presented for information purposes only.

RURAL MUNICIPALITY OF BREADALBANE

Notes to Financial Statements

Year Ended March 31, 2022

11. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The overall effect of these events on the Municipality and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

RURAL MUNICIPALITY OF BREADALBANE
Schedules to Financial Statements
Tangible Capital Assets
Year Ended March 31, 2022

(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
2022									
Land	\$ 6,430	-	\$ -	\$ 6,430	-	-	\$ -	-	\$ 6,430
Land improvements	48,000	-	-	48,000	38,400	1,920	-	40,320	7,680
Buildings	83,373	1,357	-	84,730	23,933	2,118	-	26,051	58,679
Equipment	12,128	2,300	-	14,428	10,213	442	-	10,655	3,773
Signage	-	3,395	-	3,395	-	680	-	680	2,715
	\$ 149,931	\$ 7,052	\$ -	\$ 156,983	\$ 72,546	\$ 5,160	\$ -	\$ 77,706	\$ 79,277
2021									
Land	\$ 6,430	-	\$ -	\$ 6,430	-	-	\$ -	-	\$ 6,430
Land improvements	50,000	-	(2,000)	48,000	38,000	1,920	(1,520)	38,400	9,600
Buildings	76,396	6,977	-	83,373	21,849	2,084	-	23,933	59,440
Equipment	10,000	2,128	-	12,128	10,000	213	-	10,213	1,915
	\$ 142,826	\$ 9,105	\$ (2,000)	\$ 149,931	\$ 69,849	\$ 4,217	\$ (1,520)	\$ 72,546	\$ 77,385

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, 2022

	Budget 2022	Actual 2022	Actual 2021
Administration			
Dues and fees	\$ 625	\$ 826	\$ 512
Elections	-	-	1,000
Honorarium	4,320	5,028	2,300
Insurance	4,350	5,065	3,273
Interest and bank charges	240	121	172
Office supplies	700	262	377
Professional fees	5,350	2,834	3,168
Training	400	468	-
	<u>\$ 15,985</u>	<u>\$ 14,604</u>	<u>\$ 10,802</u>
Community Centre			
Cleaning	\$ 1,800	\$ 1,723	\$ 1,580
Electricity	900	957	340
Heat	1,560	2,348	1,669
Property tax	750	844	706
Repairs	1,000	-	8,786
Security	588	554	581
Supplies and maintenance	900	1,148	438
	<u>\$ 7,498</u>	<u>\$ 7,574</u>	<u>\$ 14,100</u>
Community Services			
Advertising	\$ -	\$ 373	\$ -
Emergency measure	350	-	466
Events	450	389	321
Fire dues	8,100	7,585	7,368
Library support	780	403	423
Project wages	-	10,818	-
Street lights	1,380	1,183	1,432
	<u>\$ 11,060</u>	<u>\$ 20,751</u>	<u>\$ 10,010</u>
Park			
Lawn maintenance	\$ 2,000	\$ 2,200	\$ 1,840
Property taxes	80	80	74
Repairs and maintenance	1,700	-	494
Shed power	380	306	363
	<u>\$ 4,160</u>	<u>\$ 2,586</u>	<u>\$ 2,771</u>

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