

RURAL MUNICIPALITY OF WEST RIVER
Financial Statements
March 31, 2021

RURAL MUNICIPALITY OF WEST RIVER
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March 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Rural Municipality of West River 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 auditors 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., independent external auditors appointed by the Rural Municipality of West River. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Rural Municipality of West River:

Mayor

June 10, 2021

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council of the Rural Municipality of West River

Opinion

We have audited the financial statements of the Rural Municipality of West River (the Municipality), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net financial assets and cash flows for the seven months 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, 2021, and the results of its operations and its cash flows for the seven months 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 opening surplus transferred and financial statements of the Rural Municipalities of Afton, Bonshaw, New Haven, and West River for the period ended August 31, 2020 were audited by other auditors.

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 consolidated 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

June 10, 2021

RURAL MUNICIPALITY OF WEST RIVER
Statement of Financial Position
March 31, 2021

	2021
Financial assets	
Cash	\$ 410,275
Restricted cash	311,429
Accounts receivable	37,746
	759,450
Liabilities	
Accounts payable and accrued liabilities	35,979
Deferred revenue (Note 3)	501,789
	537,768
Net financial assets (Statement 6)	221,682
Non-financial assets	
Prepaid expense	44,593
Tangible capital assets (Schedule 1)	1,056,494
	1,101,087
Accumulated surplus and municipal position (Statement 5)	\$ 1,322,769
Commitments (Note 4)	

ON BEHALF OF COUNCIL

_ Mayor

_ Councillor

RURAL MUNICIPALITY OF WEST RIVER
Statement of Operations
Seven Months Ended March 31, 2021

	Budget 2021	Actual 2021
Revenues		
Property taxes	\$ 420,010	\$ 257,037
Government transfers for operations (Note 5)	9,430	156,555
Equalization grant	18,795	14,270
Government transfers for capital (Note 5)	10,657	9,557
Miscellaneous	9,367	1,916
	<u>468,259</u>	<u>439,335</u>
Expenditures		
Administration	5,150	1,892
Afton Hall grant	37,000	-
Amortization of tangible capital assets	1,200	30,500
Black Fly program	12,500	-
Bonshaw Community Centre	3,800	1,835
Communities 13 grant	14,126	-
Donations	2,126	220
Events	10,900	-
Fire dues	250,924	138,378
Honorariums	7,260	430
Insurance	23,426	22,159
Miscellaneous	4,670	100
Office	6,208	6,063
Power project	-	73,147
Professional fees	24,900	18,744
Public property parks and recreation	19,500	5,372
Rent	5,500	5,940
Wages and wage levies	30,950	58,618
	<u>460,140</u>	<u>363,398</u>
Change in fund balance	8,119	75,937
Accumulated surplus - beginning of period	-	-
Transfer of surplus on amalgamation (Note 8)	993,020	993,020
Prior period adjustments (Note 9)	-	253,812
	<u>-</u>	<u>253,812</u>
Accumulated surplus - end of period (Note 6)	<u>\$ 1,001,139</u>	<u>\$ 1,322,769</u>

RURAL MUNICIPALITY OF WEST RIVER
Statement of Changes in Net Financial Assets
Seven Months Ended March 31, 2021

	Budget 2021	Actual 2021
Change in fund balance	\$ 8,119	\$ 75,937
Amortization of tangible capital assets	1,200	30,500
Purchase of tangible capital assets	-	(11,361)
Net tangible capital assets transferred on amalgamation	-	(1,075,633)
Net financial assets transferred on amalgamation	-	1,246,832
Increase in prepaid expense	-	(44,593)
	<u>1,200</u>	<u>145,745</u>
Increase in net financial assets	9,319	221,682
Net financial assets - beginning of period	<u>-</u>	<u>-</u>
Net financial assets - end of period	\$ 9,319	\$ 221,682

RURAL MUNICIPALITY OF WEST RIVER
Statement of Cash Flows
Seven Months Ended March 31, 2021

	2021
Cash flows from operating activities	
Change in fund balance	\$ 75,937
Item not affecting cash:	
Amortization of tangible capital assets	<u>30,500</u>
	<u>106,437</u>
Changes in non-cash working capital:	
Accounts receivable	(37,746)
Prepaid expense	(44,593)
Accounts payable and accrued liabilities	35,979
Deferred revenue	<u>501,789</u>
	<u>455,429</u>
	<u>561,866</u>
Cash flows from capital activities	
Net tangible capital assets transferred on amalgamation	(1,075,633)
Purchase of tangible capital assets	<u>(11,361)</u>
	<u>(1,086,994)</u>
Cash flows from financing activities	
Surplus transferred on amalgamation	993,020
Prior period adjustment to surplus transferred	<u>253,812</u>
	<u>1,246,832</u>
Increase in cash and cash equivalents	721,704
Cash and cash equivalents - beginning of period	<u>-</u>
Cash and cash equivalents - end of period	<u>\$ 721,704</u>
 Cash and cash equivalents consist of:	
Cash	\$ 410,275
Restricted cash	<u>311,429</u>
	<u>\$ 721,704</u>

RURAL MUNICIPALITY OF WEST RIVER
Notes to Financial Statements
Seven Months Ended March 31, 2021

1. DESCRIPTION OF BUSINESS

Rural Municipality of West River ("the Municipality") was incorporated in 2020 under the Municipalities Act of Prince Edward Island. On September 1, 2020 the Rural Municipalities of New Haven-Riverdale, Bonshaw, Meadowbank, West River, and Afton amalgamated to form the new Rural Municipality of West River. 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 the Rural Municipality of West River are the representations of management 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 of the Rural Municipality of West River reflect the assets, liabilities, revenues, expenditures, and changes in fund balance 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 and cash equivalents

Cash and cash equivalents is comprised of cash in banks.

Accounts receivable

Accounts receivable arise from government grants and Harmonized Sales Tax recoverable. 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 WEST RIVER

Notes to Financial Statements

Seven Months Ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets are stated at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	15 years
Buildings	25 years
Park and playground equipment	15 years
Furniture and fixtures	15 years
Computer equipment	5 years
Parks, playgrounds, and trails	20 years

Tangible capital assets acquired during the year are amortized at 50% of the regular rate. No amortization is taken on assets disposed of during the year.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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

Property tax billings are assessed based on the market 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.

The Municipality follows the deferral method of accounting for grants and contributions. 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.

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RURAL MUNICIPALITY OF WEST RIVER
Notes to Financial Statements
Seven Months Ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 surplus. 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.

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.

3. DEFERRED REVENUE

Deferred Revenue - Gas Tax	\$ 277,891
Department of Fisheries and Communities - transitional funding	165,705
Employment and Social Development - renovations	25,000
Atlantic Canada Opportunities Agency - power project	21,338
Innovation PEI - power project	11,855
	\$ 501,789

Under the New Deal Gas Tax Funding for Incorporated Communities and the New Deal for Cities & Communities, the Municipality is allocated funds for fiscal years ending March 31, 2020 to 2024. These funds, along with interest earned, must be used for eligible infrastructure and capacity building projects. Any funds received under this program, including interest earned, but not yet spent are recognized as deferred revenue at the end of the year. During the period, the Municipality incurred eligible expenditures of \$8,524.

RURAL MUNICIPALITY OF WEST RIVER
Notes to Financial Statements
Seven Months Ended March 31, 2021

4. COMMITMENTS

The Municipality has entered into a lease for office space at the Bonshaw Community Hall for a nominal amount of \$1 per year to fiscal 2025. On March 29, 2021 the Municipality accepted a proposal for upgrades to Lloyd Inman Park for \$55,730. The Municipality also leases a photocopier. The following are the minimum lease payments for the next five fiscal years:

2022	\$	1,661
2023		1,661
2024		1,661
2025		1,661
2026		1,246

5. GOVERNMENT TRANSFERS

Government transfers for operations

Department of Fisheries and Communities Transitional Funding	\$	83,408
Atlantic Canada Opportunities Agency Power project		47,022
Innovation PEI Power project		26,125
		156,555

Government transfers for capital

Gas Tax Fund		8,525
Provincial Municipal Capital Expenditure Grant		1,032
		9,557
	\$	166,112

6. ACCUMULATED SURPLUS

Unrestricted surplus	\$	231,275
Investment in tangible capital assets - Note 7		1,056,494
Capital reserve		35,000
		1,322,769
	\$	1,322,769

7. INVESTMENT IN TANGIBLE CAPITAL ASSETS

Tangible capital assets	\$	1,671,447
Accumulated amortization		(614,953)
		1,056,494
	\$	1,056,494

RURAL MUNICIPALITY OF WEST RIVER
Notes to Financial Statements
Seven Months Ended March 31, 2021

8. SURPLUS CONTRIBUTED ON AMALGAMATION

On September 1, 2020, the Rural Municipalities of New Haven-Riverdale, Bonshaw, Meadowbank, West River, and Afton amalgamated to form the new Rural Municipality of West River. The surplus of the previous municipalities was contributed to the new Rural Municipality of West River including cash, tangible capital assets and net financial assets as follows:

Rural Municipality of Afton	\$ 277,740
Rural Municipality of Bonshaw	62,854
Rural Municipality of Meadowbank	(4,982)
Rural Municipality of New Haven Riverdale	238,058
Rural Municipality of West River	<u>419,350</u>
	<u>\$ 993,020</u>

9. PRIOR PERIOD ADJUSTMENTS

Opening surplus has been adjusted to correct errors in the financial statements prepared for predecessor municipalities including deferred revenue, contributions to assets and accounts payable totaling \$253,812.

10. BUDGET FIGURES

The budget figures provided on the Statement of Operations and the statement of changes in net financial assets have not been audited or reviewed by the external auditor.

11. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash, accounts receivable, 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, 2021.

(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.

(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 government funding, and accounts payable and accrued liabilities.

RURAL MUNICIPALITY OF WEST RIVER
Notes to Financial Statements
Seven Months Ended March 31, 2021

12. 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 audited financial statements, development of the annual budget, human resource functions for the entire municipality, maintenance of bylaws and policies, oversight of public works, maintenance of municipal facilities, and administration of municipal services.

13. SUBSEQUENT EVENT

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Municipality or its residents, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Municipality's business, the continued spread of COVID-19 and the measures taken by the federal and provincial governments to contain its impact could adversely impact the Municipality's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the Municipality's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

RURAL MUNICIPALITY OF WEST RIVER
Schedule to Financial Statements
Tangible Capital Assets
Seven Months Ended March 31, 2021

(Schedule 1)

	Cost beg of period	Transferred at amalgamation	Additions	Cost end of period	Accum amort beginning of period	Amort transferred at period amalgamation	Amort in the period	Accum amort end of period	Net book value
2021									
Land	\$ -	\$ 439,419	-	\$ 439,419	\$ -	-	\$ -	\$ -	439,419
Land improvements	-	27,230	-	27,230	-	416	1,059	1,475	25,755
Buildings	-	540,460	8,524	548,984	-	280,334	12,711	293,045	255,939
Park and playground equipment	-	413,034	-	413,034	-	252,541	16,062	268,603	144,431
Furniture and fixtures	-	49,999	1,462	51,461	-	50,000	28	50,028	1,433
Computer equipment	-	1,289	1,375	2,664	-	812	395	1,207	1,457
Parks, playgrounds and trails	-	188,655	-	188,655	-	350	245	595	188,060
	\$ -	\$ 1,660,086	\$ 11,361	\$ 1,671,447	\$ -	\$ 584,453	\$ 30,500	\$ 614,953	\$ 1,056,494

Notes 1 - 13 are an integral part of these financial statements