

RURAL MUNICIPALITY OF MEADOWBANK
Financial Statements
August 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Rural Municipality of Meadowbank 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 reviewed by MRSB Chartered Professional Accountants Inc., as appointed by the Rural Municipality of Meadowbank. The accompanying Independent Practitioner's Review Engagement Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Rural Municipality of Meadowbank:

Mayor

CAO

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Mayor and Council of the Rural Municipality of Meadowbank

We have reviewed the accompanying financial statements of Rural Municipality of Meadowbank which comprise the statement of financial position as at August 31, 2020 and the statements of operations, changes in net debt and cash flows for the five months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Practitioner's Responsibility for the Financial Statements

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of the Rural Municipality of Meadowbank as at August 31, 2020, and the results of its operations and its cash flows for the five months then ended in accordance with Canadian accounting standards for the public sector.

MRSB Chartered Professional Accountants Inc.

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

November 13, 2020

RURAL MUNICIPALITY OF MEADOWBANK
Statement of Financial Position
August 31, 2020

	2020	March 31, 2020
Financial assets		
Cash and cash equivalents		
Cash	\$ 6,686	\$ 8,019
Restricted cash	50,263	52,419
	<u>56,949</u>	<u>60,438</u>
Liabilities		
Accounts payable and accrued liabilities	11,227	11,731
Deferred revenue (Note 3)	52,419	52,419
	<u>63,646</u>	<u>64,150</u>
Net financial debt (Statement 5)	<u>(6,697)</u>	<u>(3,712)</u>
Non-financial assets		
Prepaid expense	1,714	866
Accumulated surplus deficit and municipal position (Statement 4)	<u>\$ (4,982)</u>	<u>\$ (2,846)</u>

ON BEHALF OF COUNCIL

_____ Mayor

_____ Councillor

RURAL MUNICIPALITY OF MEADOWBANK

Statement of Operations

Five Months Ended August 31, 2020

	Budget 2020	Actual 2020	Actual Mar 31, 2020 (12 months)
Revenues			
Property taxes	\$ 15,845	\$ 15,974	\$ 35,391
Expenditures			
Advertising	-	-	8,826
Communities 13 Inc. grant	1,742	1,742	1,742
Fire dues	12,280	12,280	27,921
Honorariums	-	-	3,600
Insurance	875	866	2,139
Office	278	340	778
Professional fees	3,100	2,439	2,645
Repairs and maintenance	-	443	-
	<u>18,275</u>	<u>18,110</u>	<u>47,651</u>
Change in fund balance	(2,430)	(2,136)	(12,260)
Accumulated surplus (deficit) - beginning of period	-	(2,846)	9,414
Accumulated deficit - end of period	\$ (2,430)	\$ (4,982)	\$ (2,846)

RURAL MUNICIPALITY OF MEADOWBANK
Statement of Changes in Net Debt
Five Months Ended August 31, 2020

	Budget	Actual	Actual
	2020	2020	March 31 2020 (12 Months)
Change in fund balance	\$ (2,430)	\$ (2,136)	\$ (12,260)
Decrease (increase) in prepaid expense	-	(849)	(23)
Increase (decrease) in net financial assets	(2,430)	(2,985)	(12,283)
Net financial assets (debt) - beginning of period	-	(3,712)	8,571
Net financial debt - end of period	\$ (2,430)	\$ (6,697)	\$ (3,712)

RURAL MUNICIPALITY OF MEADOWBANK
Statement of Cash Flows
Five Months Ended August 31, 2020

	2020	March 31 2020 (12 months)
Cash flows from operating activities		
Change in fund balance	\$ (2,136)	\$ (12,260)
Changes in non-cash working capital:		
Accounts receivable	-	331
Prepaid expense	(848)	(23)
Accounts payable and accrued liabilities	(505)	2,931
Deferred revenue	-	15,020
	<u>(1,353)</u>	<u>18,259</u>
Increase (decrease) in cash	(3,489)	5,999
Cash - beginning of period	60,438	54,439
Cash - end of period	\$ 56,949	\$ 60,438
Cash and cash equivalents consist of:		
Unrestricted cash	\$ 6,686	\$ 8,019
Restricted cash	<u>50,263</u>	<u>52,419</u>
	\$ 56,949	\$ 60,438

RURAL MUNICIPALITY OF MEADOWBANK

Notes to Financial Statements

Five Months Ended August 31, 2020

1. DESCRIPTION OF BUSINESS

Rural Municipality of Meadowbank was incorporated in 1974 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 the Rural Municipality of Meadowbank 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 for the Rural Municipality of Meadowbank reflect the assets, liabilities, revenues, expenditures, and changes in fund balances 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 in banks and restricted cash.

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 period and are not intended for sale in the normal course of operations. The change in non-financial assets during the period, together with the annual surplus, provides the change in net financial assets for the period.

(continues)

RURAL MUNICIPALITY OF MEADOWBANK

Notes to Financial Statements

Five Months Ended August 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 period 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.

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.

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 recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

RURAL MUNICIPALITY OF MEADOWBANK

Notes to Financial Statements

Five Months Ended August 31, 2020

3. DEFERRED REVENUE

During the period, the Municipality was allocated \$NIL (March 31, 2020 - \$15,275) under the New Deals Gas Tax Funding for Incorporated Communities Agreement. The Municipality must use the allocation of the New Deals Gas Tax funds 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.

	August 31 2020	March 31 2020
New Deals Gas Tax	\$ 52,419	\$ 52,419

4. BUDGET FIGURES

The reconciliation of the August 31, 2020 fiscal operating budget prepared by management to the budget figures disclosed in the financial statements is as follows:

	August 31 2020
Rural Municipality of Meadowbank budgeted annual surplus	\$ 5,589
Less: opening cash balance	(8,019)
	<u>\$ (2,430)</u>

The budget figures provided on Statements 4 and 5 have not been reviewed.

5. 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 August 31, 2020.

(a) 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 property tax revenue and accounts payable and accrued liabilities.

RURAL MUNICIPALITY OF MEADOWBANK

Notes to Financial Statements

Five Months Ended August 31, 2020

6. 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.

7. SUBSEQUENT EVENTS

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 clients, 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.

Effective September 1, 2020, the Municipality will be amalgamated with other local municipalities to form the Rural Municipality of West River.