

**Rural Municipality of West
River**

Financial Statements

For the 153-Day Period Ended August 31, 2020



Independent Auditor's Report

To the Councillors of Rural Municipality of West River

Opinion

We have audited the accompanying financial statements of Rural Municipality of West River ("the Council") which comprise the statement of financial position as at August 31, 2020, and the statements of operations, the statement of changes in net debt and the statement of cash flows for the 153-day period ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at August 31, 2020 and its financial performance for the 153-day period ended in accordance with Canadian Public Sector Accounting Standards.

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 Council 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 7 to the financial statements, which provide explanatory information regarding an amalgamation among rural Municipalities subsequent to year end.

We also draw attention to Note 8 to the financial statements, which describes subsequent events related to the global COVID-19 pandemic declared by the World Health Organization. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, 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 Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

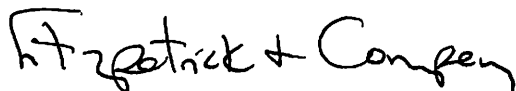
Auditor's Responsibilities for the Audit of the Financial Statements

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 Council'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 Council'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 Council 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.



Chartered Professional Accountants

Charlottetown, PE
December 16, 2020

Rural Municipality of West River

Statement of Financial Position

As at August 31, 2020, with comparative figures for March 31, 2020

	August 31, 2020	March 31, 2020
Financial assets:		
Cash	\$ 21,731	\$ 20,925
Restricted cash	27,804	27,865
Accounts receivable (note 3)	27,624	2,720
Short-term investments	4,364	4,345
	81,523	55,855
Liabilities:		
Accounts payable (note 6)	24,577	26,285
Deferred contributions (note 4)	238,997	204,645
	263,574	230,930
Net debt	(182,051)	(175,075)
Non-financial assets:		
Prepaid expenses	3,082	839
Tangible capital assets (note 5)	598,319	601,262
	601,401	602,101
Accumulated surplus	\$ 419,350	\$ 427,026

Approved on Behalf of the Council

_____, Member

_____, Member

Rural Municipality of West River

Statement of Operations

For the 153-Day Period Ended August 31, 2020, with comparative period ended March 31, 2020

	2020 Budget (note 2) (unaudited)	August 31, 2020	March 31, 2020
Revenue:			
Property taxes	\$ 44,468	\$ 44,937	\$ 104,927
Amortization of deferred contributions	-	9,292	20,078
Jobs for youth	1,467	4,275	4,104
HST Rebate	1,048	587	-
Government grants and transfers	314	-	-
Interest earned	-	18	44
	47,298	59,109	129,153
Expenses:			
Amortization	-	9,211	23,045
APM Center Contributions	1,685	4,020	4,020
Community days	629	-	1,769
Donations	1,271	3,000	3,050
Fire services	25,501	26,351	60,631
Garbage collection	375	137	718
Insurance	1,667	1,563	3,835
Maintenance	833	2,385	698
Office	1,104	4,070	6,811
Professional fees	1,875	3,842	6,262
Supplies	625	292	2,747
Utilities	1,250	1,376	2,560
Wages	7,500	10,539	11,171
	44,315	66,786	127,317
Annual (deficit) surplus	2,983	(7,677)	1,836
Accumulated surplus, beginning of year	427,026	427,026	425,190
Accumulated surplus, end of year	\$ 430,009	\$ 419,349	\$ 427,026

Rural Municipality of West River

Statement of Changes in Net Debt

As at August 31, 2020, with comparative figures for March 31,2020

	August 31, 2020	March 31, 2020
Annual surplus	\$ (7,677)	\$ 1,836
Amortization of property and equipment	9,211	23,045
Purchase of property and equipment	(7,836)	(21,485)
Change in prepaid expenses	(2,243)	-
Proceeds from sale of property and equipment	2,155	-
Loss on sale of property and equipment	(587)	-
Increase in net financial assets (net debt)	(6,977)	3,396
Net debt, beginning of year	(175,075)	(178,471)
Net debt, end of year	\$ (182,052)	\$ (175,075)

Rural Municipality of West River

Statement of Cash Flows

For the 153-Day Period Ended August 31, 2020, with comparative period ended March 31, 2020

	August 31, 2020	March 31, 2020
Cash from operating activities:		
Annual surplus	\$ (7,677)	\$ 1,836
Amortization of tangible capital assets	9,211	23,045
Change in short-term investment	(19)	(177)
Change in non-cash working capital	5,498	20,499
Gain on disposal of assets	(587)	-
	6,426	45,203
Cash flows from investing activities:		
Purchase of tangible capital assets	(7,836)	(21,485)
Proceeds from sale of tangible capital assets	2,155	-
	(5,681)	(21,485)
Net increase in cash	745	23,718
Cash, beginning of year	48,790	25,072
Cash, end of year	\$ 49,535	\$ 48,790
Cash consists of the following:		
Cash	\$ 21,731	\$ 20,925
Restricted cash	27,804	\$ 27,865
	\$ 49,535	\$ 48,790

The accompanying notes are an integral part of these financial statements.

Rural Municipality of West River

Notes to the Financial Statements

For the 153-Day Period Ended August 31, 2020, with comparative period ended March 31, 2020

The Rural Municipality of West River was incorporated in 1974 under the Prince Edward Island Municipalities Act. Its principal activities include the provision of local government services to residents of the incorporated area. These services include community development, land development and zoning, and additional municipal services.

1. Significant accounting policies:

a) Basis of presentation:

The financial statements of the Council are prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants (CPA) Canada.

b) Cash:

Cash comprises of cash on hand and balances with financial institutions.

c) Restricted cash:

Restricted cash is comprised of a gas tax fund which is externally restricted for eligible projects as defined by the Infrastructure Secretariat.

d) Tangible capital assets:

Tangible capital assets are stated at cost. Amortization is provided for using the declining balance basis at the following rates:

	Rate
Computer equipment	55%
Buildings	10%
Equipment	10%
Land Improvement	20%

e) Deferred contributions:

Contributions related to property and equipment are accounted for as a deferred contribution and are amortized on the same basis as the related asset.

f) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses 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.

Rural Municipality of West River

Notes to the Financial Statements

For the 153-Day Period Ended August 31, 2020, with comparative period ended March 31, 2020

1. Significant accounting policies: (continued)

g) Financial instruments:

The Council's financial instruments consist of cash, restricted cash, short term investments, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

h) Use of estimates:

The preparation of financial statements in accordance with Public Sector Accounting Standards requires the Council to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the Council's best estimates as additional information becomes available in the future.

2. Budgeted figures:

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Council Members of the Rural Municipality of West River. As a result of a 153-day period, as at 42% of 2020-2021 budgeted expenditures were used.

3. Accounts receivable:

	August 31, 2020	March 31, 2020
Accounts Receivable	\$ 24,129	\$ -
HST	3,495	2,720
	<u>\$ 27,624</u>	<u>\$ 2,720</u>

4. Deferred contributions:

The details of contributions received to assist in the acquisition of property and equipment are as follows:

	August 31, 2020	March 31, 2020
Balance, beginning of year	\$ 204,645	\$ 190,259
Gas tax funding	34,464	34,464
MCEG funding	9,180	-
	<u>248,289</u>	<u>224,723</u>
Amounts amortized to revenue	(9,292)	(20,078)
Balance, end of year	<u>\$ 238,997</u>	<u>\$ 204,645</u>

Of the period end balance, \$ 137,708 (2020 March - \$ 108,105) relates to Gas Tax funding and the remainder relates to deferred contributions from other sources.

Rural Municipality of West River

Notes to the Financial Statements

For the 153-Day Period Ended August 31, 2020, with comparative period ended March 31, 2020

4. Deferred contributions (continued):

In the current year the Council received \$ 34,464 (2020 March - \$ 34,464) in Gas Tax Funds from the Infrastructure Secretariat for investment in eligible infrastructure projects. The community has received these amounts within the Capacity Investment Plan, in which they are allocated a certain amount based on their population and approval by the Infrastructure Secretariat of a five-year plan of how funds will be used. Expenditures on eligible for the year totaled \$ 7,850 (2020 March - \$ 10,523). If the remaining \$ 26,614 is not spent on eligible projects by 2024, the Council may be liable to pay back some or all of this amount.

5. Tangible capital assets:

	Cost	Accumulated Amortization	August 31, 2020 Net Book Value	March 31, 2020 Net Book Value
Land	\$ 385,000	\$ -	\$ 385,000	\$ 385,000
Land improvements	2,379	416	1,963	2,141
Buildings	202,304	147,348	54,956	50,615
Equipment	378,900	222,554	156,346	163,436
Computer equipment	474	420	54	70
	\$ 969,057	\$ 370,738	\$ 598,319	\$ 601,262

6. Accounts payable:

	2020	2020
Trade payables	\$ 22,778	\$ 26,283
Employee deductions payable	1,243	-
Wages payable	554	-
	\$ 24,575	\$ 26,283

7. Amalgamation:

The Rural Municipality of Afton, the Rural Municipality of Bonshaw, the Rural Municipality of Meadow Bank, the Rural Municipality of New Haven-Riverdale and the Rural Municipality of West River restructured and amalgamated on September 1, 2020 as the Rural Municipality of West River.

As a result, these financial statements represent the period prior to amalgamation for the 153 days between March 31, 2020 and September 1, 2020.

8. Subsequent event:

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.

Council is uncertain of the effects of these changes on its financial statements and believes that any plan delayed may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the public sector's operations as at the date of these financial statements.