

Consolidated Financial Statements of

RURAL MUNICIPALITY OF MISCOUCHE

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF COUNCIL OF RURAL MUNICIPALITY OF MISCOUCHE

Opinion

We have audited the consolidated financial statements of Rural Municipality of Miscouche (the "Municipality"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statement of operations, the consolidated statement of changes in net financial assets, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at March 31, 2022, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then 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 Consolidated 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 consolidated 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.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality'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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Municipality's audit. We remain solely responsible for our audit opinion.

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.

BDO Canada LLP

Chartered Professional Accountants

Summerside, Prince Edward Island
August 9, 2022

RURAL MUNICIPALITY OF MISCOUCHE

Consolidated Statement of Financial Position

March 31, 2022

	2022	2021
Financial Assets		
Cash	\$ 195,473	\$ 147,576
Restricted cash - New Deal Gas Tax	133,369	100,834
Term deposits	701,502	625,933
Accounts receivable (Note 2)	42,664	44,404
	<u>1,073,008</u>	<u>918,747</u>
Liabilities		
Accounts payable and accrued liabilities	7,821	20,688
Net financial assets	<u>1,065,187</u>	<u>898,059</u>
Non-financial Assets		
Tangible capital assets (Schedule 5)	2,620,835	2,482,265
Inventory (Note 3)	1,020	1,798
	<u>2,621,855</u>	<u>2,484,063</u>
Accumulated surplus (Note 5)	<u>\$ 3,687,042</u>	<u>\$ 3,382,122</u>

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

On Behalf of the Council:

_____ Councilor

_____ Councilor

RURAL MUNICIPALITY OF MISCOUCHE

Consolidated Statement of Operations

Year ended March 31, 2022

	Budget (Note 7)	2022	2021
Revenue:			
Municipal property tax	\$ 248,308	\$ 259,955	\$ 249,697
Miscouche Sewage Collection and Treatment Corporation (Schedule 1)	90,746	103,348	92,319
Government transfers for operations (Note 6)	84,612	94,640	123,832
Fire dues	72,500	64,453	76,835
Fines, fees and licenses	2,000	1,584	2,414
Interest	10,000	8,093	8,954
Donations and other	-	-	200
Centennial Recreation Centre (Schedule 4)	67,200	73,736	43,454
Sale of subdivision lots	-	-	155,669
	575,366	605,809	753,374
Expenses:			
Miscouche Sewage Collection and Treatment Corporation (Schedule 1)	114,500	95,520	70,697
Administrative (Schedule 2)	100,750	94,505	74,403
Facilities and public property (Schedule 2)	90,200	119,252	114,210
Fire protection (Schedule 3)	74,500	143,001	131,696
Professional services and memberships (Schedule 3)	-	7,027	6,091
Recreation and community services (Schedule 3)	6,000	12,113	8,510
Public works - street lights	20,000	18,483	17,898
Centennial Recreation Centre (Schedule 4)	67,200	86,202	51,294
Cost of subdivision lots sold	-	-	271,825
	473,150	576,103	746,624
Excess of revenue over expenses (expenses over revenue)	102,216	29,706	6,750
Other:			
Government transfers for capital (Note 6)	-	273,636	136,299
Contributions for capital	-	1,578	9,621
	-	275,214	145,920
Annual surplus	102,216	304,920	152,670
Accumulated surplus, beginning of year	3,382,122	3,382,122	3,229,452
Accumulated surplus, end of year	\$ 3,484,338	\$ 3,687,042	\$ 3,382,122

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

RURAL MUNICIPALITY OF MISCOUCHE

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2022

	Budget (Note 7)	2022	2021
Annual surplus	\$ 102,216	\$ 304,920	\$ 152,670
Acquisition of tangible capital assets	-	(292,169)	(100,402)
Amortization of tangible capital assets	-	153,599	147,242
	-	(138,570)	46,840
Acquisition (disposal) of land held for sale	-	-	28,078
Acquisition (disposal) of inventory	-	778	-
	-	778	28,078
Increase in net financial assets	102,216	167,128	227,588
Net financial assets, beginning of year	898,059	898,059	670,471
Net financial assets, end of year	\$ 1,000,275	\$ 1,065,187	\$ 898,059

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

RURAL MUNICIPALITY OF MISCOUCHE

Consolidated Statement of Cash Flows

Year ended March 31, 2022

	2022	2021
Operating activities:		
Cash receipts from property owners and grants	\$ 597,419	\$ 742,435
Cash paid to suppliers and employees	(432,978)	(560,665)
Interest received	10,130	9,835
Interest paid	(1,615)	(3,848)
	<u>172,956</u>	<u>187,757</u>
Cash flows from capital activities:		
Purchase of tangible capital assets	(292,169)	(100,402)
Contributions for capital	1,578	9,621
Government transfers for capital	273,636	136,299
	<u>(16,955)</u>	<u>45,518</u>
Cash flows used in financing activities:		
Repayment of long-term debt	-	(160,771)
	<u>-</u>	<u>(160,771)</u>
Increase in cash position	156,001	72,504
Cash and cash equivalents, beginning of year	874,343	801,839
Cash and cash equivalents, end of year	<u>\$ 1,030,344</u>	<u>\$ 874,343</u>
Cash and cash equivalents represented by:		
Cash	195,473	147,576
Restricted cash	133,369	100,834
Term deposits	701,502	625,933
	<u>\$ 1,030,344</u>	<u>\$ 874,343</u>

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

RURAL MUNICIPALITY OF MISCOUCHE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

1. Significant accounting policies:

(a) Management's Responsibility for the Financial Statements:

The Rural Municipality of Miscouche (the "Municipality") was incorporated in 1957 as a municipality in the Province of Prince Edward Island and operates under the provisions of the Municipal Governments Act of Prince Edward Island. The Rural Municipality provides municipal services such as sewer, fire protection, planning, parks recreation and other general government services.

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Rural Municipality and are, therefore, accountable to the Rural Municipality Council for the administration of their financial affairs and resources. Consolidated with the municipality are the following:

The Rural Municipality of Miscouche
Miscouche Sewage Collection and Treatment Corporation

Interdepartmental and organizational transactions and balances are eliminated.

(c) 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 excess of revenues over expenses, provides the consolidated change in net financial assets for the period.

RURAL MUNICIPALITY OF MISCOUCHE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded 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:

Asset	Rate
Rural Municipality:	
Buildings	40 years
Sidewalks	25 years
Land improvements	20 years
Fire trucks	15 years
Fire equipment	10 years
Office equipment	5 years
Park equipment	15 years
Recreation Centre equipment	5 years
Street equipment	10 years
Sewer Utility:	
Sewer system	83 1/3 years
Pumping equipment	20 years
Plant equipment	10 years
Motor vehicles	5 years

(e) Inventory:

Centennial Recreation Centre inventory is valued at the lesser of cost and replacement value. Cost is determined on a first-in, first-out basis.

RURAL MUNICIPALITY OF MISCOUCHE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

1. Significant accounting policies (continued):

(f) Revenue recognition:

Property tax billings are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates set by the Town. Taxation revenue is recorded as it is received in monthly installments from the Province of Prince Edward Island. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized.

Utility revenues are recognized when the significant risks and rewards of the service are transferred to the customer, which generally coincides with the time of billing, collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Revenues such as fire dues, recreation programs, and rentals are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

(g) 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 as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, the amount can be reasonably estimated, any eligibility criteria have been met and there are no stipulations that give rise to a possible obligation.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management 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 management's best estimates as additional information becomes available in the future. Management has made significant estimates regarding the useful lives of tangible capital assets.

RURAL MUNICIPALITY OF MISCOUCHE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

2. Accounts receivable:

	2022	2021
Sewer rate assessments	\$ 32,323	\$ 28,517
HST	3,500	993
Municipal capital expenditure grant	883	2,842
Fire dues	1,338	6,700
Accrued interest	4,620	5,352
	<u>\$ 42,664</u>	<u>\$ 44,404</u>

3. Inventory:

	2022	2021
Recreation Centre - merchandise and goods	\$ 1,020	\$ 1,798

4. Equity in tangible capital assets:

	2022	2021
Tangible capital assets (Schedule 5)	\$ 4,731,864	\$ 4,448,149
Accumulated amortization (Schedule 5)	(2,111,029)	(1,965,884)
	<u>\$ 2,620,835</u>	<u>\$ 2,482,265</u>

RURAL MUNICIPALITY OF MISCOUCHE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

5. Accumulated surplus:

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2022	2021
Unrestricted surplus	\$ 602,929	\$ 544,683
Gas Tax - unspent portion	133,369	100,834
General reserve	329,909	254,340
Equity in tangible capital assets	2,620,835	2,482,265
	<u>\$ 3,687,042</u>	<u>\$ 3,382,122</u>

6. Government transfers:

	2022	2021
Government transfers for operations:		
Provincial equalization grant	\$ 84,612	\$ 80,775
Provincial grant in lieu of taxes	2,972	2,957
Wage grant	7,056	1,100
Safe restart funding	-	39,000
	<u>94,640</u>	<u>123,832</u>
Government transfer for capital:		
Gas Tax - general	32,292	100,000
Gas Tax - sewer	167,708	-
Government contributions for capital	49,934	3,630
Municipal capital expenditures grant - general	6,275	30,598
Municipal capital expenditures grant - sewer	17,427	2,071
	<u>273,636</u>	<u>136,299</u>
	<u>\$ 368,276</u>	<u>\$ 260,131</u>

RURAL MUNICIPALITY OF MISCOUCHE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

7. Budget:

The columns presented as budget on the consolidated statement of operations and statement of changes in net assets were not subject to audit or review by the external auditor.

A reconciliation of the 2022 fiscal budget prepared by Council to the budget figures disclosed in the financial statements is as follows:

	2022
Rural Municipality of Miscouche budgeted annual surplus	\$ (7,784)
Add: capital expenditure in budget	30,000
Add: transfers to reserve in budget	80,000
	<u>\$ 102,216</u>

RURAL MUNICIPALITY OF MISCOUCHE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

8. Segmented information:

The Rural Municipality is a diversified municipal government that provides a wide range of services to its residents. Distinguishable functional segments have been separately disclosed in the financial statements in the form of segmented information. The nature of segments and the activities they encompass are as follows:

Administration:

General government revenues and expenses that relate to the operations of the Rural Municipality itself and cannot be directly attributed to a specific segment.

Miscouche Sewage Collection and Treatment Corporation:

Sewer utility, operating under a separate legal entity, responsible for processing and cleaning sewage in accordance with provincial standards.

Facilities and public property:

Revenues and expenses related to the operations of facilities and public property.

Fire protection:

Revenues and expenses related to the operations of the Miscouche Fire Department.

Professional services and memberships:

Revenues and expenses related to the operations of professional services and memberships.

Recreation and community services:

Revenues and expenses related to the operations of recreation and community services.

Centennial Recreation Centre:

Revenues and expenses related to the operations of the Centennial recreation centre.

The accounting policies of the segments are the same as those described in Note 1 Significant Accounting Policies. The revenues and expenses that are directly attributable to a particular segment are allocated directly to that segment.

RURAL MUNICIPALITY OF MISCOUCHE

Schedule of Miscouche Sewage Collection and Treatment Corporation Operations

Year ended March 31, 2022

Schedule 1

	Budget (Note 8)	2022	2021
Revenue:			
Sewer rate assessments	\$ 90,446	\$ 102,042	\$ 91,897
Interest	300	1,306	422
	<u>90,746</u>	<u>103,348</u>	<u>92,319</u>
Expenses:			
Operating:			
Maintenance	69,000	36,658	18,510
General:			
Administrative	11,600	14,587	11,786
Electricity	3,500	5,543	3,863
Office supplies	1,000	3,214	3,663
Professional fees	1,000	6,748	4,302
Regulatory expenses	1,400	1,161	1,103
Other:			
Amortization of tangible capital assets	27,000	27,609	27,470
	<u>114,500</u>	<u>95,520</u>	<u>70,697</u>
Deficiency of revenue over expense	(23,754)	7,828	21,622
Other:			
Government transfers for capital (Note 7)	-	185,135	2,071
Deficiency of revenue over expenses	\$ (23,754)	\$ 192,963	\$ 23,693

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

RURAL MUNICIPALITY OF MISCOUCHE

Schedule of Expenses

Year ended March 31, 2022

Schedule 2

	2022	2021
Administrative		
Advertising	\$ 193	\$ 614
Amortization of tangible capital assets	1,677	1,562
Bank charges and interest	1,615	1,484
Council honorarium	14,750	14,050
Donations	7,678	1,049
Insurance	5,722	3,483
Meetings	2,975	2,100
Miscellaneous	8,348	4,760
Stationery and office	1,650	923
Telephone	3,865	3,467
Travel	-	56
Wages and benefits	46,032	40,855
	<u>\$ 94,505</u>	<u>\$ 74,403</u>
Facilities and public property		
Amortization of tangible capital assets	\$ 52,229	\$ 52,550
Cutting grass	959	603
Electricity	7,911	7,078
Fuel	4,852	3,536
Interest on long-term debt	-	2,364
Insurance	3,004	2,940
Repairs and maintenance	23,896	17,587
Snow removal	1,767	1,037
Taxes	4,744	4,693
Wages	19,890	21,822
	<u>\$ 119,252</u>	<u>\$ 114,210</u>

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

RURAL MUNICIPALITY OF MISCOUCHE

Schedule of Expenses

Year ended March 31, 2022

Schedule 3

	2022	2021
Fire protection		
Administrative	\$ 7,664	\$ 4,243
Amortization of tangible capital assets	56,799	54,758
Honorariums	21,000	18,000
Insurance	6,965	6,813
Supplies	10,697	18,030
Telephone	5,872	6,502
Training	17,567	12,246
Travel	84	103
Truck gas and expenses	16,353	11,001
	<u>\$ 143,001</u>	<u>\$ 131,696</u>
Professional services and memberships		
Audit and legal	\$ 5,238	\$ 4,302
Dues and memberships	1,789	1,789
	<u>\$ 7,027</u>	<u>\$ 6,091</u>
Recreation and community services		
Amortization of tangible capital assets	\$ 10,264	\$ 5,881
Repairs, maintenance and property tax	1,849	2,629
	<u>\$ 12,113</u>	<u>\$ 8,510</u>

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

RURAL MUNICIPALITY OF MISCOUCHE

Schedule of Centennial Recreation Centre

Year ended March 31, 2022

Schedule 4

	2022	2021
Sales:		
Rent	\$ 16,686	\$ 10,195
Bingo, bar and canteen	56,316	29,356
Donations	734	1,403
Special situation funding	-	2,500
	<u>73,736</u>	<u>43,454</u>
Expenses:		
Amortization	5,021	5,021
Dues and fees	3,211	1,482
Electricity	7,076	6,113
Heat	6,764	3,382
Insurance	1,926	1,912
Maintenance	4,874	3,673
Property tax	2,035	2,024
Supplies	22,210	10,739
Telephone	3,478	2,311
Wages and benefits	29,607	14,637
	<u>86,202</u>	<u>51,294</u>
Deficiency of revenue over expenses	\$ (12,466)	\$ (7,840)

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

RURAL MUNICIPALITY OF MISCOUCHE

Schedule of Tangible Capital Assets

Year ended March 31, 2022

Schedule 5

	Cost Beginning of Year	Additions	Disposals and Write- downs	Cost End of Year	Accumulated Amortization Beginning of Year	Disposals and Write- downs	Accumulated Amortization End of Year	Net Book Value, 2022	Net Book Value, 2021
Rural Municipality:									
Land	\$ 84,109	\$ -	\$ -	\$ 84,109	\$ -	\$ -	\$ -	\$ 84,109	\$ 84,109
Land improvements	63,804	-	-	63,804	55,025	-	57,327	6,477	8,779
Community Centre	505,087	-	-	505,087	287,475	-	296,165	208,922	217,612
Centennial Recreation									
Centre	200,821	-	-	200,821	36,405	-	41,426	159,395	164,416
Storage building	19,757	-	-	19,757	4,075	-	4,569	15,188	15,682
Sidewalks	1,043,116	-	-	1,043,116	283,785	-	325,509	717,607	759,331
Office equipment	7,806	575	-	8,381	4,646	-	6,323	2,058	3,160
Fire equipment	241,937	33,960	(8,454)	267,443	134,175	(8,454)	145,370	122,073	107,762
Fire trucks	613,882	-	-	613,882	465,672	-	497,263	116,619	148,210
Park equipment	64,241	-	-	64,241	43,796	-	48,078	16,163	20,445
Street equipment	45,780	-	-	45,780	34,499	-	39,077	6,703	11,281
Skatepark	23,980	65,748	-	89,728	6,796	-	12,778	76,950	17,184
Sewer utility:									
Land	59,844	-	-	59,844	-	-	-	59,844	59,844
Sewer system	1,201,434	103,006	-	1,304,440	340,052	-	355,705	948,735	861,382
Pumping equipment	261,069	-	-	261,069	258,001	-	261,069	-	3,068
Plant equipment	3,968	88,880	-	92,848	3,968	-	12,856	79,992	-
Motor vehicle	7,514	-	-	7,514	7,514	-	7,514	-	-
	\$ 4,448,149	\$ 292,169	\$ (8,454)	\$ 4,731,864	\$ 1,965,884	\$ (8,454)	\$ 2,111,029	\$ 2,620,835	\$ 2,482,265