

Rural Municipality of Afton

Financial Statements
September 1, 2020

Draft

Management's Report

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to 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.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's financial statements.

Administrator

Council Chair

Independent Auditor's Report

To the Council Members of Rural Municipality of Afton

Opinion

We have audited the accompanying financial statements of Rural Municipality of Afton, which comprise the statement of financial position as at September 1, 2020, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the period 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 Rural Municipality of Afton as at September 1, 2020, and the results of its operations and its cash flows for the period 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 Financial Statements section of our report. We are independent of Rural Municipality of Afton 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.

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 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 Rural Municipality of Afton'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 Rural Municipality of Afton or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Rural Municipality of Afton'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 Rural Municipality of Afton'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 Rural Municipality of Afton'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 Rural Municipality of Afton 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

Rural Municipality of Afton

Statement of Financial Position

As at September 1, 2020

	September 1, 2020 \$	March 31, 2020 \$
Financial assets		
Cash	28,269	50,787
Restricted cash - infrastructure funding (note 2)	243,880	207,626
Accounts receivable	390	428
Term deposits (note 3)	3,924	79,508
Total financial assets	<u>276,463</u>	<u>338,349</u>
Liabilities		
Accounts payable and accrued liabilities	21,331	2,650
Deferred revenue - infrastructure funding (note 2)	243,880	207,626
Total liabilities	<u>265,211</u>	<u>210,276</u>
Net financial assets	<u>11,252</u>	<u>128,073</u>
Non-financial assets		
Tangible capital assets (schedule)	258,392	263,707
Prepaid expenses	8,096	2,221
	<u>266,488</u>	<u>265,928</u>
Accumulated surplus	<u>277,740</u>	<u>394,001</u>
Commitment (note 4)		

Approved by the Council

_____ Councillor

_____ Councillor

Rural Municipality of Afton

Statement of Operations and Accumulated Surplus For the 5 months ended September 1, 2020

	(5 months) Actual September 1, 2020 \$	(12 months) Actual March 31, 2020 \$
Revenue		
Province of P.E.I.- property tax assessments	76,547	180,515
- property taxes	-	1,368
- Jobs for Youth	3,430	4,077
Municipal amalgamation	-	1,600
Interest and miscellaneous	251	1,764
Rental income (note 4)	1	1
HST recoverable (expense)	(63)	757
	<u>80,166</u>	<u>190,082</u>
Expenses		
Administrator	5,000	4,500
Afton Community Centre	112,826	54,000
Municipal amalgamation expenditures	75	1,032
Communities 13 Inc. funding	6,834	6,834
Community events	32	3,229
Donations	-	518
Election	-	20
Insurance	3,910	8,793
Miscellaneous	374	121
North River Fire Department	48,953	111,320
Printing, postage and stationery	44	533
Professional fees	1,630	2,530
Property maintenance	7,096	2,623
Property taxes	-	1,368
Salaries - Jobs for Youth	3,430	4,077
Volunteer appreciation	1,655	1,611
Amortization	5,315	12,756
	<u>197,174</u>	<u>215,865</u>
Operating deficit	(117,008)	(25,783)
Other revenue		
Capital Investment Plan - Gas Tax revenue (note 2)	747	-
Annual deficit for the period	(116,261)	(25,783)
Accumulated surplus - Beginning of period	394,001	419,784
Accumulated surplus - End of period	<u>277,740</u>	<u>394,001</u>

Rural Municipality of Afton
Statement of Changes in Net Financial Assets
For the 5 months ended September 1, 2020

	(5 months) Actual September 1, 2020 \$	(12 months) Actual March 31, 2020 \$
Annual deficit for the period	(116,261)	(25,783)
Change in prepaid expenses	(5,875)	(116)
Amortization of tangible capital assets	5,315	12,756
Decrease in net financial assets	(116,821)	(13,143)
Net financial assets - Beginning of period	128,073	141,216
Net financial assets - End of period	11,252	128,073

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Rural Municipality of Afton
Statement of Cash Flows
For the 5 months ended September 1, 2020

	(5 months) September 1, 2020 \$	(12 months) March 31, 2020 \$
Cash provided by (used in)		
Operating activities		
Annual deficit for the period	(116,261)	(25,783)
Item not affecting cash		
Amortization	5,315	12,756
	(110,946)	(13,027)
Net change in non-cash working capital items		
Decrease in accounts receivable	38	2,796
Increase in prepaid expenses	(5,875)	(116)
Increase in accounts payable and accrued liabilities	18,681	-
	(98,102)	(10,347)
Financing activities		
Increase in restricted cash - infrastructure funding	(36,254)	(74,058)
Increase in deferred revenue - Gas Tax	36,254	74,058
	-	-
Investing activity		
Decrease (increase) in term deposits	75,584	(1,100)
Decrease in cash	(22,518)	(11,447)
Cash - Beginning of period	50,787	62,234
Cash - End of period	28,269	50,787

Rural Municipality of Afton

Notes to Financial Statements

September 1, 2020

1 Summary of significant accounting policies

The financial statements of the Rural Municipality of Afton are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenses and changes in net financial assets of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the Municipality for administration of their financial affairs and resources, and which are owned or controlled by the Municipality.

Basis of accounting

The accrual basis of accounting is used. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

Cash

Cash consists of bank balances.

Term deposits

Term deposits consist of guaranteed investment certificates with maturity dates as disclosed in note 3, and are carried at fair market value.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization of tangible capital assets is calculated using the straight-line method over 25 years for the building and upgrades, and 5 years for furniture and equipment.

Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant estimates, which include the estimated useful life of tangible capital assets, are based on management's best information and judgment. Actual results could differ from those reported.

Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

Rural Municipality of Afton

Notes to Financial Statements

September 1, 2020

In management's estimation, these events have not had a material impact on the carrying value of assets and liabilities reported in these financial statements as at September 1, 2020. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.

Revenue recognition

Tax revenue consists of property tax billings which 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 established by the Municipality. Taxation revenue is recorded as it is received in monthly installments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The Municipality's revenue is adjusted for any of these appeals using an annual statement.

Other revenue is recorded when it is earned and collection is reasonably assured.

Government transfers

Revenue from governments without eligibility criteria or stipulations is recognized as revenue by the Municipality when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Municipality when the transfer is authorized and all eligibility criteria have been met, unless there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Revenue with stipulations is recognized as revenue by the Municipality when the transfer is authorized and all stipulations have been met.

Transfers to other organizations are recognized as an expense when they are authorized.

Fair value of financial instruments

(a) Measurement of financial instruments

Rural Municipality of Afton's financial instruments consist of cash, restricted cash - infrastructure funding, accounts receivable, term deposits and accounts payable and accrued liabilities.

The Municipality initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Municipality subsequently measures all its financial assets and financial liabilities at amortized cost.

Rural Municipality of Afton

Notes to Financial Statements

September 1, 2020

(b) Impairment

For financial assets measured at cost or amortized cost, the Municipality determines whether there are indications of possible impairment. When there is an indication of impairment, and the Municipality determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in annual deficit. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in annual deficit.

(c) Risks

Transacting in financial instruments exposes the Municipality to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The Municipality is exposed to credit risk in connection with the collection of its accounts receivable. The Municipality mitigates this risk by performing continuous evaluation of its accounts receivable.
- ii) Liquidity risk: The Municipality's exposure to liquidity risk is dependent on the collection of accounts receivable or raising of funds to meet commitments and sustain operations. The Municipality controls liquidity risk by management of working capital and cash flows.

2 Deferred revenue - Infrastructure Funding

	September 1, 2020 \$	March 31, 2020 \$
Deferred revenue - Beginning of year	207,626	133,568
Allocation received	37,001	74,058
Eligible expenditures incurred	(747)	-
Deferred revenue - End of year	<u>243,880</u>	<u>207,626</u>

Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities and the Municipal Strategic Component Project, the Municipality has received funds which are restricted for expenditure on eligible projects. The Municipality will prepare, for approval by the governmental regulating body, a Capital Investment Plan which details expenditures.

Rural Municipality of Afton

Notes to Financial Statements

September 1, 2020

3 Term Deposits

	Interest Rate	September 1 2020	March 31 2020
	%	\$	\$
Maturity dates:			
August 28, 2020	1.3%	-	56,109
August 28, 2020	0.35%	-	16,182
August 28, 2020	1.1%	-	3,292
December 12, 2020	1.6%	3,924	3,925
		<u>3,924</u>	<u>79,508</u>

4 Commitment

- a) On July 3, 2020, the Municipality entered into a contract for the construction of an addition to the Afton Community Centre at a cost of \$133,761. As at September 1, 2020, none of these costs have been incurred.
- b) The Municipality leases its premises to the Afton Community Centre Recreation Committee Inc. (Afton Community Centre) for an annual payment of \$1. This agreement is for an indefinite period of time, and in exchange the Community appoints one councilor to serve on Afton Community Centre Recreation Committee Inc.'s seven member Board of Directors.

5 Subsequent event

At the end of business on September 1, 2020, Rural Municipality of Afton was one of the municipalities that amalgamated into the new Rural Municipality of West River.

Rural Municipality of Afton
 Schedule of Tangible Capital Assets
 For the 5 months ended September 1, 2020

Schedule

				Cost September 1, 2020	Accumulated amortization September 1, 2020			September 1, 2020
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Ending \$	Net book value \$
Land - Community Centre	1	-	-	1	-	-	-	1
Land - Rice Point	1	-	-	1	-	-	-	1
Land - Afton, 7 acre parcel	46,916	-	-	46,916	-	-	-	46,916
Land improvements - Community Centre	24,851	-	-	24,851	-	-	-	24,851
Community Centre building	311,431	-	-	311,431	126,293	5,190	131,483	179,948
Community Centre upgrades	7,473	-	-	7,473	673	125	798	6,675
Furniture and equipment	50,000	-	-	50,000	50,000	-	50,000	-
	440,673	-	-	440,673	176,966	5,315	182,281	258,392

Rural Municipality of Afton

Schedule of Tangible Capital Assets

For the 12 months ended March 31, 2020

Schedule

	Cost				Accumulated amortization			March 31,
	March 31,				March 31,			2020
	2020				2020			2020
	Beginning	Additions	Disposals/ Transfers	Ending	Beginning	Amortization	Ending	Net book value
	\$	\$	\$	\$	\$	\$	\$	\$
Land - Community Centre	1	-	-	1	-	-	-	1
Land - Rice Point	1	-	-	1	-	-	-	1
Land - Afton, 7 acre parcel	46,916	-	-	46,916	-	-	-	46,916
Land improvements - Community Centre	24,851	-	-	24,851	-	-	-	24,851
Community Centre building	311,431	-	-	311,431	113,836	12,457	126,293	185,138
Community Centre upgrades	7,473	-	-	7,473	374	299	673	6,800
Furniture and equipment	50,000	-	-	50,000	50,000	-	50,000	-
	440,673	-	-	440,673	164,210	12,756	176,966	263,707

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