

Consolidated Financial Statements of

**RURAL MUNICIPALITY OF
ABRAM-VILLAGE**

Year ended March 31, 2020



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Independent Auditor's Report

To the Member of Council of Rural Municipality of Abram-Village

Opinion

We have audited the consolidated financial statements of Rural Municipality of Abram-Village (the "Municipality"), which comprise the consolidated statement of financial position as at March 31, 2020, 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, 2020, and its consolidated results of operations, its consolidated statement of financial position, 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
July 15, 2020

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Financial Position

March 31, 2020

	2020	2019
Financial Assets		
Cash	\$ 49,043	\$ 53,175
Restricted cash	465,747	288,201
Accounts receivable (note 2)	31,042	31,915
	<u>545,832</u>	<u>373,291</u>
Liabilities		
Accounts payable and accrued liabilities	3,574	5,361
Long-term debt (note 4)	175,049	197,782
Deferred revenue	37,613	37,245
	<u>216,236</u>	<u>240,388</u>
Net financial assets	329,596	132,903
Non-financial Assets		
Land for sale (note 8)	147,000	285,239
Prepaid expenses	3,888	3,907
Tangible capital assets (Schedule 3)	2,173,163	2,200,098
Accumulated surplus (note 6)	<u>\$ 2,653,647</u>	<u>\$ 2,622,147</u>

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

On Behalf of the Council:

X _____ Mayor

_____ Councilor

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Operations

Year ended March 31, 2020, with comparative figures for 2019 (note 11).

	Budget (note 9)	2020	2019
Revenue:			
Municipal property tax	\$ 51,800	\$ 53,220	\$ 64,713
Sewer revenue (Schedule 1)	49,800	50,472	62,483
Government transfers for operations (note 7)	14,500	17,364	20,847
Administration fee - Sewer	10,800	10,800	13,500
Community center (Schedule 2)	3,500	3,420	4,790
Building Permits	200	600	50
Jeux de L'Acadie 50+ profit sharing	-	-	6,047
Interest	200	2,413	2,133
Sale of lots	18,000	-	-
	148,800	138,289	174,563
Expenses:			
Sewer expenses (Schedule 1)	40,200	68,916	85,980
Community center (Schedule 2)	13,000	15,963	23,377
Advertising and promotion	2,000	701	2,096
Amortization - sidewalk and park	-	13,188	16,553
Donation and bursary	1,500	3,100	6,850
Dues and fees	1,000	678	1,035
Fire dues	16,000	15,920	19,900
Honorariums and council expenses	4,500	4,306	5,628
Insurance	2,800	3,353	3,524
Interest and bank charges	200	89	389
Interest on long-term debt	4,500	3,608	7,227
Office	2,100	2,191	2,714
Park expenses	1,200	6,260	2,228
Professional fees	9,000	9,620	7,732
Property taxes	700	689	722
Salary - administrator	5,500	5,253	6,303
Special projects	500	2,602	-
Street lights	7,500	9,404	9,318
Wages and benefits - student	4,000	4,186	3,951
	116,200	170,027	205,527
Excess (deficit) of revenues over expenses - before other	32,600	(31,738)	(30,964)
Other:			
Government transfers for capital (note 7)	-	201,893	97,424
Net realizable value adjustment on land for sale (note 8)	-	(138,655)	-
Annual surplus	32,600	31,500	66,460
Accumulated surplus, beginning of year	2,622,147	2,622,147	2,555,687
Accumulated surplus, end of year	\$ 2,654,747	\$ 2,653,647	\$ 2,622,147

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

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2020, with comparative figures for 2019 (note 11).

	2020	2019
Annual surplus	\$ 31,500	\$ 66,460
Acquisition of tangible capital assets	(18,933)	-
Amortization of tangible capital assets	45,868	57,404
	26,935	57,404
Net realizable adjustment on land for sale	138,655	-
Acquisition of land for sale	(416)	(37,088)
Acquisition (disposal) of prepaid expenses	19	634
	138,258	(36,454)
Increase (decrease) in net financial assets	196,693	87,410
Net financial assets, beginning of year	132,903	45,493
Net financial assets, end of year	\$ 329,596	\$ 132,903

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

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019 (note 11).

	2020	2019
Operating activities:		
Cash receipts from property owners and grants	\$ 138,320	\$ 218,481
Cash paid to suppliers and employees	(117,693)	(200,198)
Interest paid	(8,649)	(13,803)
Interest received	3,102	2,541
	<u>15,080</u>	<u>7,021</u>
Cash flows from capital activities:		
Purchase of tangible capital assets	(18,933)	-
Government transfers for capital received	200,000	236,662
	<u>181,067</u>	<u>236,662</u>
Cash flows from financing activities:		
Proceeds from long-term debt	-	28,397
Repayment of long-term debt	(22,733)	(193,402)
	<u>(22,733)</u>	<u>(165,005)</u>
Increase in cash position	173,414	78,678
Cash, beginning of year	341,376	262,698
Cash, end of year	<u>\$ 514,790</u>	<u>\$ 341,376</u>
Represented by:		
Cash	\$ 49,043	\$ 53,175
Restricted cash	465,747	288,201
	<u>\$ 514,790</u>	<u>\$ 341,376</u>

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

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies:

(a) Management's responsibility for the financial statements:

The Rural Municipality of Abram-Village is a municipality in the Province of Prince Edward Island and operates under the provisions of the Municipal Governments Act of Prince Edward Island. The Municipality provides municipal services such as sewer, planning, parks, recreation and other government services.

(b) Reporting entity:

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

Rural Municipality of Abram-Village
Sewer Utility of Abrams Village

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 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 consolidated change in net financial assets for the period.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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
Municipality:	
Buildings	40 years
Sidewalks	25 years
Park and playground	10 years
Sewer Utility:	
Sewer system	83 1/3 years
Pumping station	20 years
Equipment	5 years
Fence	10 years

(e) 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 Municipality. 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 Community Centre rentals, lot sales and administration fees 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.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligible criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(g) Inventory - Land for sale:

Inventory of land for sale is recorded at the lower of cost and net realizable value. Land held for sale is recognized as a non-financial asset until it is reasonably anticipated that a sale will be completed within the next fiscal year.

2. Accounts receivable:

	2020	2019
Accounts receivable - Sewer	\$ 25,077	\$ 19,571
Harmonized sales tax	4,072	12,344
Accounts receivable - general capital	1,893	-
	<u>\$ 31,042</u>	<u>\$ 31,915</u>

3. Line of credit:

The Municipality has established a bank operating line of credit up to \$5,000 bearing interest at the bank's prime rate plus 1.50% (2.95% as at March 31, 2020). At year end \$NIL (2019 - \$NIL) has been drawn upon this operating line of credit. See note 4 for security details.

The Municipality has also established a bank operating letter of credit up to \$27,777 bearing interest at 1.50% of the credit requested. At year end \$NIL (2019 - \$NIL) has been drawn upon this operating line of credit. See note 4 for security details.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

4. Long-term debt:

	2020	2019
Evangeline Central Credit Union demand loan payable, interest at 4.34% per annum, repayable in annual installments of \$9,356 including interest, maturing March 7, 2025 and amortized to March 7, 2029.	\$ 68,559	\$ 74,614
Evangeline Central Credit Union demand loan payable, variable interest rate of prime plus 1.00% per annum, repayable in monthly payments of \$473 plus interest, maturing and amortized to March 30, 2021.	4,333	10,833
Evangeline Central Credit Union demand loan payable, interest at 4.25% per annum, repayable in quarterly installments of \$3,697 installments including interest, maturing April 21, 2022 and amortized to April 1, 2028.	102,157	112,335
	<u>\$ 175,049</u>	<u>\$ 197,782</u>

The aggregate required regular principal repayments of long-term debt for each of the five years subsequent to March 31, 2019 are as follows: 2021 - \$21,343; 2022 - \$17,731; 2023 - \$18,498; 2024 - \$19,298 and 2025 - \$20,133.

As security for the line of credit and demand loans, the Municipality has provided a general security agreement providing a fixed charge over serial numbered assets, a first floating charge over all other assets, and all shares, savings and deposits at the Evangeline Central Credit Union.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

5. Equity in tangible capital assets:

	2020	2019
Tangible capital assets (Schedule 3)	\$ 2,779,456	\$ 2,760,523
Accumulated amortization (Schedule 3)	(606,293)	(560,425)
Long-term debt (note 4)	(106,490)	(123,168)
	<u>\$ 2,066,673</u>	<u>\$ 2,076,930</u>

6. Accumulated surplus:

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

	2020	2019
Unrestricted surplus	\$ 42,786	\$ 47,614
Gas Tax funding - unspent portion	465,747	286,978
Equity in land inventory	78,441	210,625
Equity in tangible capital assets (note 5)	2,066,673	2,076,930
	<u>\$ 2,653,647</u>	<u>\$ 2,622,147</u>

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

7. Government transfers:

	Budget (Note 9)	2020	2019
Government transfers for general operations:			
Provincial equalization grant	\$ 10,500	\$ 10,485	\$ 12,428
Jobs for Youth	4,000	4,077	3,843
Innovation PEI	-	2,802	2,000
Gas Tax funding	-	-	1,002
Government transfers for sewer operations:			
Gas Tax funding	-	-	1,574
	\$ 14,500	\$ 17,364	\$ 20,847

	2020	2019
Government transfers for general capital:		
Gas Tax funding	\$ 200,000	\$ 97,424
Municipal Capital Expenditures Grant	1,893	-
Government transfers for sewer capital:		
	\$ 201,893	\$ 97,424

8. Net realizable value adjustment to land for sale:

During the year the work on the subdivision was completed and the selling prices of the lots were determined. The aggregate value of the the selling price of the lots was less then the carrying value. As a result, a net realizable value adjustment of \$138,655 was recorded and the land for sale was written down to \$147,000.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

9. Budget:

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

A reconciliation of the 2020 fiscal budget prepared by Council to the budget figures disclosed in the financial statements is as follows:

	2020
Rural Municipality of Abram-Village budget annual surplus	\$ -
Add: debt repayment	32,600
	<hr/> \$ 32,600 <hr/>

10. Segmented information:

The 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 Municipality itself and cannot be directly attributed to a specific segment

Sewer Utility of Abrams Village

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

Community centre

Revenues and expenses related to the operations of the Community 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 ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Year ended March 31, 2020

11. Comparative figures:

The period ending March 31, 2020 relates to a 12-month period where as the comparative figures are based on a 15-month year ending March 31, 2019.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Schedule of Sewer Operations

Year ended March 31, 2020

Schedule 1

	2020	2019
Revenue:		
Sewer assessments	\$ 49,783	\$ 62,075
Interest	689	408
	<u>50,472</u>	<u>62,483</u>
Expenses:		
Administration fee	10,800	13,500
Amortization	29,086	36,358
Bad debts	-	1,270
Dues	1,102	1,103
Electricity	5,433	4,234
Interest and bank charges	231	76
Interest on long-term debt	4,519	6,213
Maintenance	17,745	23,226
	<u>68,916</u>	<u>85,980</u>
Excess of expenses over revenue before other	(18,444)	(23,497)
Other:		
Government transfers for capital (note 7)	-	1,574
Excess of expenses over revenue	<u>\$ (18,444)</u>	<u>\$ (21,923)</u>

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

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Schedule of Community Center Operations

Year ended March 31, 2020

Schedule 2

	2020	2019
Revenue:		
Rental revenue	\$ 3,420	\$ 4,790
Expenses:		
Amortization	3,595	4,493
General operating expenses	3,766	4,880
Heat	682	1,376
Insurance	2,413	3,451
Electricity	4,907	8,427
Maintenance	600	750
	15,963	23,377
Excess of expenses over revenue	\$ (12,543)	\$ (18,587)

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

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Schedule of Tangible Capital Assets

Year ended March 31, 2020

Schedule 3

	Cost Beginning of Period	Cost End of Period	Additions	Disposals and Write- downs	Accumulated Amortization Beginning of Period	Disposals and Write- downs	Amortization	Accumulated Amortization End of Period	Net Book Value 2020	Net Book Value 2019
Municipality:										
Land	\$ 9,318	\$ 9,318	-	-	\$ -	\$ -	-	-	\$ 9,318	\$ 9,318
Community Center	143,779	143,779	-	-	18,447	-	3,595	22,042	121,737	125,332
Park and playground	54,259	73,192	18,933	-	33,913	-	5,371	39,284	33,908	20,346
Sidewalks	195,398	195,398	-	-	32,023	-	7,816	39,839	155,559	163,375
Sewer utility:										
Land	17,281	17,281	-	-	-	-	-	-	17,281	17,281
Sewer system	2,282,582	2,282,582	-	-	421,106	-	27,390	448,496	1,834,086	1,861,476
Pumping station	28,989	28,989	-	-	28,989	-	-	28,989	-	-
Equipment	11,954	11,954	-	-	11,954	-	-	11,954	-	-
Fence	16,963	16,963	-	-	13,993	-	1,696	15,689	1,274	2,970
	\$ 2,760,523	\$ 2,779,456	\$ 18,933	\$ -	\$ 560,425	\$ -	\$ 45,868	\$ 606,293	\$ 2,173,163	\$ 2,200,098

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