

RURAL MUNICIPALITY OF EASTERN KINGS

Financial Statements

March 31, 2022

RURAL MUNICIPALITY OF EASTERN KINGS
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March 31, 2022

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Rural Municipality of Eastern Kings are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. 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 judgement, 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 auditors 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 audited by MRSB Chartered Professional Accountants Inc., independent external auditors appointed by the Rural Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Rural Municipality of Eastern Kings:


Mayor

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of Rural Municipality of Eastern Kings

Opinion

We have audited the financial statements of Rural Municipality of Eastern Kings (the Municipality), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net financial assets and cash flows for the year 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 the Municipality as at March 31, 2022, and the results of its operations and 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 Financial Statements* section of our report. We are independent of the Municipality in accordance with 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 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 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.

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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 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 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 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.

MRSB Chartered Professional Accountants Inc.

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

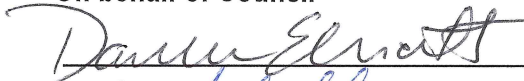
Charlottetown, PE

June 14, 2022

RURAL MUNICIPALITY OF EASTERN KINGS
Statement of Financial Position
March 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents		
Cash	\$ 106,512	\$ 91,813
Restricted cash	109,977	102,562
Accounts receivable	2,862	6,865
	219,351	201,240
Liabilities		
Accounts payable and accrued liabilities	4,840	3,658
Deferred revenue (Note 3)	111,652	105,666
	116,492	109,324
Net financial assets (Statement 7)	102,859	91,916
Non-financial assets		
Prepaid expense	1,704	1,247
Tangible capital assets (Schedule 1)	8,748	4,145
Intangible assets (Note 4)	29,649	-
	40,101	5,392
Accumulated surplus (Statement 6)	\$ 142,960	\$ 97,308
Commitments (Note 5)		

On behalf of Council

 Mayor

 Councillor



Notes 1 - 13 are an integral part of these financial statements

RURAL MUNICIPALITY OF EASTERN KINGS

**Statement of Operations
Year Ended March 31, 2022**

	Budget 2022	Actual 2022	Actual 2021
Revenues			
Property tax assessments	\$ 232,916	\$ 235,688	\$ 231,450
Government transfers for operations (Note 6)	4,095	8,564	9,510
Building and subdivision permits	8,000	8,272	8,794
Miscellaneous	3,000	389	3,364
	<u>248,011</u>	<u>252,913</u>	<u>253,118</u>
Expenditures			
Administration			
Advertising and promotion	1,000	248	485
Amortization of tangible capital assets	-	3,182	2,035
By-law enforcement	1,500	-	-
Computer maintenance and repairs	250	182	-
Election	2,500	-	-
Insurance	4,000	4,099	2,841
Legal fees	10,000	12,005	42,547
Memberships	2,000	1,826	1,312
Office	1,600	3,153	7,598
Office space lease	4,680	4,680	4,200
Office space rental	1,200	300	-
Professional and consultant fees	4,650	4,362	5,495
Telephone	1,560	1,584	1,483
Training	1,000	380	292
Workers compensation	520	304	14
Contingency	3,095	-	-
Fly program			
Bacterial products	15,000	14,571	13,317
Fly control	500	35	1,382
Storage and truck wear and tear	1,600	1,500	1,440
Vehicle gas and registration	2,500	2,550	2,319
Vehicle repairs and maintenance	700	2,891	-
Grants and subsidies			
Donations	750	742	746
Eastern Kings Community Centre	7,800	7,800	7,800
Eastern Kings Fire Department	76,000	76,000	76,000
Small grants	8,000	8,000	13,925
Salaries			
Chief administrative officer	31,103	29,975	23,064
Fly program	34,185	35,789	35,640
Honorariums	9,500	8,850	4,750
Land development	13,888	14,006	12,024
Summer jobs	6,930	5,834	-
	<u>248,011</u>	<u>244,848</u>	<u>260,709</u>
Operating surplus (deficit)	<u>-</u>	<u>8,065</u>	<u>(7,591)</u>

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RURAL MUNICIPALITY OF EASTERN KINGS

Statement of Operations (continued)

Year Ended March 31, 2022

	Budget 2022	Actual 2022	Actual 2021
Other revenues			
Government transfers for capital (Note 7)	-	36,950	5,809
Miscellaneous	-	637	802
	-	37,587	6,611
Annual Surplus (deficit)	-	45,652	(980)
Accumulated surplus - beginning of year	-	97,308	98,288
Accumulated surplus - end of year (Note 8)	\$ -	\$ 142,960	\$ 97,308

RURAL MUNICIPALITY OF EASTERN KINGS
Statement of Changes in Net Financial Assets
Year Ended March 31, 2022

	Budget 2022	Actual 2022	Actual 2021
Annual Surplus (deficit)	\$ -	\$ 45,652	\$ (980)
Amortization of tangible capital assets	-	3,182	2,035
Purchase of tangible capital assets	-	(7,784)	(5,325)
Decrease (increase) in prepaid expense	-	(458)	(1,247)
Decrease (increase) in intangible assets	-	(29,649)	-
	-	(34,709)	(4,537)
Increase (decrease) in net financial assets	-	10,943	(5,517)
Net financial assets - beginning of year	91,916	91,916	97,433
Net financial assets - end of year	\$ 91,916	\$ 102,859	\$ 91,916

Notes 1 - 13 are an integral part of these financial statements

RURAL MUNICIPALITY OF EASTERN KINGS

**Statement of Cash Flows
Year Ended March 31, 2022**

	2022	2021
Cash flows from operating activities		
Annual surplus (deficit)	\$ 45,652	\$ (980)
Item not affecting cash:		
Amortization of property and equipment	3,182	2,035
	48,834	1,055
Changes in non-cash working capital:		
Accounts receivable	4,003	10,279
Prepaid expense	(457)	(1,247)
Accounts payable and accrued liabilities	1,181	(20,633)
Deferred revenue	5,986	24,417
	10,713	12,816
	59,547	13,871
Cash flows from capital activities		
Amortization of property and equipment	(7,784)	(5,325)
Purchase of intangible assets	(29,649)	-
	(37,433)	(5,325)
Increase in cash	22,114	8,546
Cash - beginning of year	194,375	185,829
Cash - end of year	\$ 216,489	\$ 194,375
Cash consists of:		
Cash	\$ 106,512	\$ 91,813
Restricted cash	109,977	102,562
	\$ 216,489	\$ 194,375

Notes 1 - 13 are an integral part of these financial statements

RURAL MUNICIPALITY OF EASTERN KINGS

Notes to Financial Statements

Year Ended March 31, 2022

1. DESCRIPTION OF BUSINESS

The Rural Municipality of Eastern Kings was incorporated under the the Municipalities Act of Prince Edward Island. The Rural Municipality is a non-profit organization under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Rural Municipality of Eastern Kings 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.

Cash

Cash is comprised of unrestricted, restricted balances and deposits with banks and credit unions.

Accounts receivable

Accounts receivable arise from interest and Harmonized Sales Tax receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Computer hardware	45%	declining balance method
Computer software	100%	declining balance method
Signage	20%	declining balance method

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

All tangible capital assets that have a useful life greater than one year and are in excess of \$200 are capitalized.

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RURAL MUNICIPALITY OF EASTERN KINGS

Notes to Financial Statements

Year Ended March 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

The official plan is stated at cost and will be amortized on a straight-line basis over the estimated useful life of ten years upon completion.

Impairment of long lived assets

The Municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for 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 annual surplus, provides the change in net assets for the year.

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 based on the assessed value of real property in the Municipality and are payable in each calendar year. Tax rates are reviewed, established, and approved annually by Council. These revenues are recognized when monthly billings come due.

The Rural Municipality follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenue in the year in which 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 issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

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RURAL MUNICIPALITY OF EASTERN KINGS

Notes to Financial Statements

Year Ended March 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

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 amounts recorded for amortization of tangible capital assets on the statement of operations is subject to management's assessment of the estimated useful life of the Rural Municipality's tangible capital assets; and
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

3. DEFERRED REVENUE

The Rural Municipality of Eastern Kings has approved funding under the New Deal Gas Tax Funding for Cities & Communities. These funds, along with interest earned, must be used for eligible infrastructure and capacity building projects. Any funds received under this program, including interest earned, but not yet spent are recognized as deferred revenue at the end of the year.

During the year, the Municipality received Gas Tax funding of \$44,981 (2021 - \$30,506) and incurred eligible expenditures of \$36,950 and earned interest of \$1,059.

	2022	2021
New Deal Gas Tax	\$ 111,652	\$ 102,562
Safe restart	-	3,104
	\$ 111,652	\$ 105,666

4. INTANGIBLE ASSETS

	2022	2021
Intangible assets	\$ 29,649	\$ -
Accumulated amortization	-	-
	\$ 29,649	\$ -

5. COMMITMENTS

The Municipality has entered into a lease for office space at the Eastern Kings Community Centre for \$390 per month until March 31, 2023.

RURAL MUNICIPALITY OF EASTERN KINGS
Notes to Financial Statements
Year Ended March 31, 2022

6. GOVERNMENT TRANSFERS FOR OPERATIONS

	2022	2021
Skills PEI	\$ 5,460	\$ 2,200
Safe Restart	3,104	7,310
	\$ 8,564	\$ 9,510

7. GOVERNMENT TRANSFERS FOR CAPITAL

	2022	2021
New Deal Gas tax funding	\$ 36,950	\$ -
Municipal Capital Expenditure Grant	-	484
Safe Restart	-	5,325
	\$ 36,950	\$ 5,809

8. ACCUMULATED SURPLUS

	2022	2021
Unrestricted surplus	\$ 134,212	\$ 93,163
Investment in tangible capital assets (Note 9)	8,748	4,145
	\$ 142,960	\$ 97,308

9. INVESTMENT IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule 1)	\$ 8,748	\$ 4,145

10. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of 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 March 31, 2022.

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RURAL MUNICIPALITY OF EASTERN KINGS

Notes to Financial Statements

Year Ended March 31, 2022

10. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Rural Municipality is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Rural Municipality has a significant number of customers which minimizes concentration of credit risk.

(b) 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 government funding and accounts payable and accruals.

11. 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.

12. BUDGET

The budget figures provided on the Statement of Operations and the Statement of Changes in Net Financial Assets have not been audited or reviewed by the external auditor.

13. SUBSEQUENT EVENTS

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.

The overall effect of these events on the Municipality and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

RURAL MUNICIPALITY OF EASTERN KINGS
Schedule to Financial Statements
Tangible Capital Assets
Year Ended March 31, 2022

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
2022									
Computer hardware	\$ 4,540	\$ 332	-	\$ 4,872	\$ 1,332	\$ 1,518	-	\$ 2,850	\$ 2,022
Computer software	2,005	152	-	2,157	1,068	934	-	2,002	155
Signage	-	7,301	-	7,301	-	730	-	730	6,571
	<u>\$ 6,545</u>	<u>\$ 7,785</u>	<u>-</u>	<u>\$ 7,029</u>	<u>\$ 2,400</u>	<u>\$ 3,182</u>	<u>-</u>	<u>\$ 5,582</u>	<u>\$ 8,748</u>
2021									
Computer hardware	\$ 890	\$ 3,650	-	\$ 4,540	\$ 200	\$ 1,132	-	\$ 1,332	\$ 3,208
Computer software	330	1,675	-	2,005	165	903	-	1,068	937
	<u>\$ 1,220</u>	<u>\$ 5,325</u>	<u>-</u>	<u>\$ 6,545</u>	<u>\$ 365</u>	<u>\$ 2,035</u>	<u>-</u>	<u>\$ 2,400</u>	<u>\$ 4,145</u>

Notes 1 - 13 are an integral part of these financial statements