

# **Rural Municipality of Victoria**

Consolidated Financial Statements  
**March 31, 2021**

## Management's Report


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

The consolidated 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 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with 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 consolidated financial statements. These systems are to be monitored and evaluated by management by Council's Finance and Audit Committee.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the work of its Finance and Audit Committee. The Council should review internal financial statements on a monthly basis and external audited financial statements yearly. The Committee was unable to carry out its responsibilities during part of the year and intends to put in place more rigorous monitoring procedures in the ensuing year. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

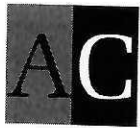
The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Municipality. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial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



Ms. Joanne Smith  
Chief Administrative Officer



Mr. Keith Dewar  
Mayor



Member of The AC Group of Independent Accounting Firms

June 14, 2021

**Independent Auditor's Report**

**To the Members of Council of Rural Municipality of Victoria**

***Opinion***

We have audited the accompanying consolidated financial statements of Rural Municipality of Victoria, which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, accumulated surplus, changes in net debt 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rural Municipality of Victoria as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

***Basis for Opinion***

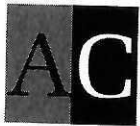
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Rural Municipality of Victoria 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 Rural Municipality of Victoria'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 Victoria or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Rural Municipality of Victoria's financial reporting process.



Member of The AC Group of Independent Accounting Firms

***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 Rural Municipality of Victoria'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 Victoria'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 Rural Municipality of Victoria 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.

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.

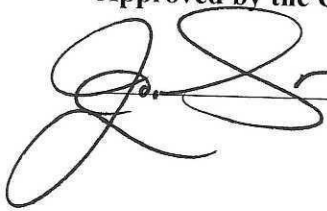
*Arsenault Best Cameron Ellis*

Chartered Professional Accountants

**Rural Municipality of Victoria**  
 Consolidated Statement of Financial Position  
 As at March 31, 2021

	2021 \$	2020 \$
<b>Financial assets</b>		
Cash	7,110	13,015
Restricted cash - infrastructure funding (note 6)	214,628	140,574
Accounts receivable (note 3)	23,644	36,640
<b>Total financial assets</b>	<u>245,382</u>	<u>190,229</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	17,783	15,947
Deferred revenue - infrastructure funding (note 6)	214,628	161,945
Long-term debt (note 7)	63,782	75,350
<b>Total liabilities</b>	<u>296,193</u>	<u>253,242</u>
<b>Net debt</b>	<u>(50,811)</u>	<u>(63,013)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 2)	4,669,615	4,736,119
Prepaid expenses	2,594	2,457
	<u>4,672,209</u>	<u>4,738,576</u>
<b>Accumulated surplus (note 9)</b>	<u>4,621,398</u>	<u>4,675,563</u>

Approved by the Council

 \_\_\_\_\_ CAO

 \_\_\_\_\_ Mayor

**Rural Municipality of Victoria**  
Consolidated Statement of Accumulated Surplus  
For the year ended March 31, 2021

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	2021	2020
	\$	\$
<b>Accumulated surplus - Beginning of year</b>	4,675,563	4,650,827
Annual surplus (deficit)	(54,165)	24,736
<b>Accumulated surplus - End of year (note 9)</b>	<u>4,621,398</u>	<u>4,675,563</u>

# Rural Municipality of Victoria

## Consolidated Statement of Operations

For the year ended March 31, 2021

	2021 Budget (unaudited) \$	2021 Actual \$	2020 Actual \$
<b>Revenue (Schedule 1)</b>			
Municipal property tax	102,349	103,146	106,380
Victoria Water and Sewage Commission	90,575	91,776	89,166
Fire Department	8,400	8,024	7,319
Government transfers for operations	12,403	35,893	27,577
Community Hall rentals	5,000	5,330	5,503
Old School rentals	3,700	3,340	4,175
Development permits	4,000	3,629	1,450
Welcome Centre rentals	700	700	1,050
Lighthouse	500	500	500
Donations and other	-	124	-
Interest	-	66	165
Insurance recovery	-	-	10,604
	227,627	252,528	253,889
<b>Expenses (Schedule 1)</b>			
Victoria Water and Sewage Commission	138,477	140,831	131,718
General Government	73,585	77,095	78,861
Fire Department	20,596	19,361	23,047
Community Hall	17,655	21,277	32,175
Old School	33,184	32,992	33,193
Welcome Centre, Washrooms	35,289	21,123	22,012
Victoria Park	14,360	8,228	8,969
Other	39,426	30,684	31,066
	372,572	351,591	361,041
	(144,945)	(99,063)	(107,152)
<b>Other revenue</b>			
Government transfers for capital (note 10)	47,565	44,898	131,888
	(97,380)	(54,165)	24,736

# Rural Municipality of Victoria

## Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2021

	2021 Budget (unaudited) \$	2021 Actual \$	2020 Actual \$
<b>Annual surplus (deficit) for the year</b>	(97,380)	(54,165)	24,736
Purchase of tangible capital assets	(47,565)	(50,748)	(83,036)
Amortization of tangible capital assets	133,012	117,252	114,548
Change in prepaid expenses	-	(137)	(2,457)
	(11,933)	12,202	53,791
<b>Net financial debt - Beginning of year</b>	669	(63,013)	(116,804)
<b>Net debt - end of year</b>	(11,264)	(50,811)	(63,013)



# Rural Municipality of Victoria

## Consolidated Statement of Cash Flows

For the year ended March 31, 2021

	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	(54,165)	24,736
Item not affecting cash		
Amortization	117,252	114,548
	63,087	139,284
Net change in non-cash working capital items		
Decrease in accounts receivable	12,996	86,848
Increase in prepaid expenses	(137)	(2,457)
Increase (decrease) in accounts payable and accrued liabilities	1,836	(48,029)
Increase in deferred revenue	52,683	44,472
	130,465	220,118
<b>Financing activity</b>		
Payments on long-term debt	(11,568)	(27,056)
<b>Capital activity</b>		
Purchase of tangible capital assets	(50,748)	(83,036)
<b>Increase in net cash</b>	68,149	110,026
<b>Net cash - Beginning of year</b>	153,589	43,563
<b>Net cash - End of year</b>	221,738	153,589
<b>Supplementary disclosure</b>		
<b>Net cash consists of</b>		
Cash	7,110	13,015
Restricted cash	214,628	140,574
	221,738	153,589

# Rural Municipality of Victoria

Notes to Consolidated Financial Statements

March 31, 2021

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## 1 Nature of municipality

The Rural Municipality of Victoria (the "Municipality") was incorporated in 1951 as a municipality in the Province of Prince Edward Island and operates under the provisions of the *Municipal Government Act* (2017) of Prince Edward Island. The Municipality is overseen by an elected council consisting of seven members and provides services such as sewer, fire protection, planning, parks and other general government services.

## 2 Summary of significant accounting policies

The consolidated financial statements of Rural Municipality of Victoria are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

### Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in net debt 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 Municipality and are, therefore, accountable to the Municipality Council for the administration of their financial affairs and resources. Consolidated with the municipality are the following:

The Rural Municipality of Victoria  
Victoria Water and Sewage Commission

Interdepartmental and organizational transactions and balances are eliminated.

### Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses 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

Bank balances, including outstanding cheques, are presented under cash. Bank indebtedness represents the Municipality's bank operating line of credit.

### Restricted cash - gas tax funding

Restricted cash relates to amounts received from the Gas Tax Secretariat and held for specific purposes.

# Rural Municipality of Victoria

Notes to Consolidated Financial Statements

March 31, 2021

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## Non-financial assets

Non-financial assets are used to provide the Municipality's services in future periods. These assets do not normally provide resources to discharge the liabilities of the Municipality unless they are sold. The Municipality's non-financial assets include tangible capital assets and prepaid expenses.

## 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, for assets that are in use, over the estimated useful life at the following:

Asset	Rate
Community:	
Buildings	40 years
Land improvements	20 years
Equipment	20 years
Water Utility:	
Water system	83 1/3 years
Services	50 years
Equipment	20 years
Sewer Utility:	
Sewer system	83 1/3 years
Equipment	20 years

## Revenue recognition

Property tax billings are calculated and billed based on 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 services are provided, which generally coincides with the time of billing, and collectability is reasonably assured.

Revenues such as rentals and development permits are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

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

# Rural Municipality of Victoria

Notes to Consolidated Financial Statements

March 31, 2021

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## Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility 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.

## Management estimates

The presentation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenditures during the reported period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and estimated useful life of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

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.

In management's estimation, these events have not had a material unrecorded impact on the carrying value of assets and liabilities reported in these consolidated financial statements as at March 31, 2021. 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.

## Fair value of financial instruments

### (a) Measurement of financial instruments

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

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 Victoria

## Notes to Consolidated Financial Statements

### March 31, 2021

#### (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 surplus. 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 surplus.

#### (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 receivables.
- ii) Liquidity risk: The Municipality's exposure to liquidity risk is dependent on the collection of accounts receivable and government transfers to meet commitments and sustain operations. The Municipality controls liquidity risk by management of working capital and cash flows.
- iii) Interest rate risk: The Municipality is exposed to interest rate risk due to the variable rate interest on their long-term debt. Changes in the bank lending rates can cause fluctuations in cash flows and interest expense. The Municipality does not use any derivatives to manage this risk.

### 3 Accounts receivable

	2021 \$	2020 \$
Accounts receivable - water and sewer	11,999	13,525
Harmonized sales tax	1,214	14,431
Accounts receivable - general capital	5,665	1,889
Government contributions receivable	4,766	6,795
	23,644	36,640

### 4 Bank indebtedness

The Municipality has established a bank operating line of credit of up to \$45,000 bearing interest at the bank's prime interest rate plus 1.0% (2.45% as at March 31, 2021). As security, the Municipality has provided a general security agreement. This line of credit was nil at March 31, 2021 (2020 - nil)

# Rural Municipality of Victoria

Notes to Consolidated Financial Statements

March 31, 2021

The Municipality established credit by way of bridge financing in the amount of \$150,000 which was not drawn upon at year-end.

## 5 Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Trade payables - general	14,757	6,439
Trade payables - water and sewer	3,026	9,508
	<u>17,783</u>	<u>15,947</u>

## 6 Deferred revenue

	2021	2020
	\$	\$
Deferred revenue - Beginning of year		
Government contributions	161,945	117,473
Other:	100,000	200,000
Interest income	142	1,244
Eligible expenditures incurred	(47,459)	(156,772)
	<u>214,628</u>	<u>161,945</u>

The Municipality has received funds which are restricted for expenditure on eligible projects. The following is the outstanding agreement:

Through the New Deal for Cities and Communities and the Municipal Strategic Component Project, the Municipality will prepare, for approval by the government regulating body, a Capital Investment Plan which details expenditures for approved projects. The funding for this agreement is maintained in a separate bank account.

# Rural Municipality of Victoria

Notes to Consolidated Financial Statements

March 31, 2021

## 7 Long-term debt

	2021	2020
	\$	\$
Bank of Nova Scotia, interest at prime minus .25% per annum (2.20% at March 31, 2021), payable in monthly installments of \$295 plus interest, maturing 2021, amortized to 2028. As security, the Municipality has provided a general security agreement and an assignment of insurance	25,268	29,108
Bank of Nova Scotia, interest at prime (2.45% at March 31, 2021), payable in monthly installments of \$644 plus interest, maturing 2021, amortized to 2031. As security, the Municipality has provided a general security agreement and an assignment of insurance	38,514	46,242
	<u>63,782</u>	<u>75,350</u>

The aggregate amount of principal payments estimated to be required in each of the next five years to meet retirement provisions, assuming the loans are refinanced with similar terms in 2022, is as follows:

	\$
Year ending March 31, 2022	11,268
2023	11,268
2024	11,268
2025	11,268
2026	11,268

## 8 Equity in tangible capital assets

	2021	2020
	\$	\$
Tangible capital assets (Schedule 2)	5,821,472	5,770,724
Accumulated amortization (Schedule 2)	(1,151,857)	(1,034,605)
Long-term debt (note 7)	(63,782)	(75,350)
	<u>4,605,833</u>	<u>4,660,769</u>

# Rural Municipality of Victoria

Notes to Consolidated Financial Statements

March 31, 2021

## 9 Accumulated surplus

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

	2021 \$	2020 \$
Surplus	15,565	14,794
Equity in tangible capital assets (note 8)	4,605,833	4,660,769
	<u>4,621,398</u>	<u>4,675,563</u>

## 10 Government transfers

Government transfers for operations:

	Budget \$	2021 \$	2020 \$
Wage grant	6,303	21,462	6,322
Other grants	3,000	3,434	2,350
Provincial grant in lieu of taxes	3,100	3,075	3,904
Gas tax - operating projects	-	6,875	13,750
Municipal capital expenditures grant - operations	-	-	1,251
Other - fire department	-	1,047	-
	<u>12,403</u>	<u>35,893</u>	<u>27,577</u>

Government transfers for capital:

	Budget \$	2021 \$	2020 \$
Water and Sewage Commission:			
Municipal capital expenditures grant - capital	-	3,689	3,003
Gas tax - capital project	40,690	40,584	33,037
Municipality:			
Gas tax - program funding	-	-	(18,436)
Gas tax - capital projects	6,875	-	109,985
Municipal capital expenditures grant - capital	-	625	4,299
	<u>47,565</u>	<u>44,898</u>	<u>131,888</u>



# Rural Municipality of Victoria

Notes to Consolidated Financial Statements

March 31, 2021

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## 11 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:

General government includes revenues and expenses that relate to the operations of the Municipality itself and cannot be directly attributed to a specific segment. Victoria Water and Sewage Commission, operating under a separate legal entity, includes the processing and cleaning of sewage and providing water in accordance with provincial standards.

The remaining segments comprise of the Fire Department, Community Hall, Old School, Welcome Centre/Washrooms/General Maintenance, Victoria Park and Other, which includes the operations of the lighthouse, waterfront land and seawall.

# Rural Municipality of Victoria

## Consolidated Schedule of Segment Disclosures

### For the year ended March 31, 2021

#### Schedule 1

	General Government	Fire	Community Hall	Old School	Welcome Centre	Victoria Park	Other	Total Municipality	Water and Sewer Utility	2021 Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Property taxes	103,146	-	-	-	-	-	-	103,146	-	103,146
Water and Sewage Commission	-	-	-	-	-	-	-	-	-	-
Government transfer	-	-	-	-	-	-	-	-	91,776	91,776
Other	32,818	666	533	1,670	-	-	206	35,893	-	35,893
Fire dues	-	8,024	-	-	-	-	-	8,024	-	8,024
Community Hall rentals	-	-	5,330	-	-	-	-	5,330	-	5,330
Old School rentals	-	-	-	3,340	-	-	-	3,340	-	3,340
Development permits	3,629	-	-	-	-	-	-	3,629	-	3,629
Victoria Park rentals	-	-	-	-	-	700	-	700	-	700
Lighthouse	-	-	-	-	-	-	500	500	-	500
Interest	66	-	-	-	-	-	-	66	-	66
Donations and other	124	-	-	-	-	-	-	124	-	124
	139,783	8,690	5,863	5,010	-	700	706	160,752	91,776	252,528
<b>Expenditures</b>										
Salaries and benefits	36,949	-	-	-	-	7,361	-	44,310	21,401	65,711
Goods and services	39,093	18,753	11,950	15,136	8,833	867	3,160	97,792	68,600	166,392
Amortization	-	608	9,327	17,856	12,290	-	27,524	67,605	49,647	117,252
Interest	1,053	-	-	-	-	-	-	1,053	1,183	2,236
	77,095	19,361	21,277	32,992	21,123	8,228	30,684	210,760	140,831	351,591
	62,688	(10,671)	(15,414)	(27,982)	(21,123)	(7,528)	(29,978)	(50,008)	(49,055)	(99,063)