

RURAL MUNICIPALITY OF MALPEQUE BAY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2023



Tel: 902-436-2171
Fax: 902-436-0960
www.bdo.ca

BDO Canada LLP
107 Walker Avenue
PO Box 1347
Summerside PE C1N 4K2 Canada

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Rural Municipality of Malpeque Bay

Opinion

We have audited the financial statements of Rural Municipality of Malpeque Bay (the "Municipality"), which comprise the statement of financial position as at March 31, 2023, and the statement of operations and changes in net financial assets, and the statement of 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, 2023, and its results of operations, change in net financial assets, 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 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 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 Group 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.

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.

BDO Canada LLP

Chartered Professional Accountants

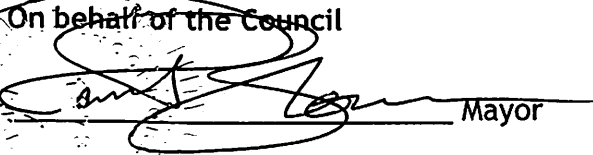
Summerside, Prince Edward Island

May 10, 2023

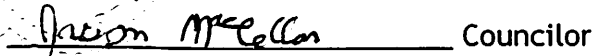
**RURAL MUNICIPALITY OF MALPEQUE BAY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash	\$ 59,058	\$ 112,940
Restricted cash (Note 4)	151,452	172,072
Short term investment (Note 5)	100,226	-
Accounts receivable - HST	<u>3,109</u>	<u>763</u>
Net Financial Assets	<u>313,845</u>	<u>285,775</u>
Accumulated Surplus (Note 6)	<u>\$ 313,845</u>	<u>\$ 285,775</u>

On behalf of the Council



Mayor



Councilor

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

RURAL MUNICIPALITY OF MALPEQUE BAY
STATEMENT OF OPERATIONS AND CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2023

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
Revenue			
Taxation - real property	\$ 183,226	\$ 194,613	\$ 151,100
MCEG funding	-	5,454	67
Active transport	5,000	3,937	5,000
Interest income	300	562	71
Other income	-	176	-
HST rebate	<u>300</u>	<u>-</u>	<u>-</u>
	<u>188,826</u>	<u>204,742</u>	<u>156,238</u>
Expenses			
Active transportation	14,000	3,867	4,189
Advertising	300	248	-
Animal control	500	-	-
Bank charges	100	123	46
Community initiatives	7,000	3,034	3,112
Council stipends	5,000	3,550	3,025
Donations	3,500	1,550	1,042
EMO survey	-	186	1,595
Fire protection	87,360	87,360	87,360
Gas Tax expenditures	-	51,508	735
Insurance	-	3,356	3,196
Malpeque Women's Institute grant	-	1,000	-
Meeting expenses	3,500	3,082	120
Office supplies	1,500	1,613	1,390
Professional fees	14,700	8,898	7,214
Rent expense	3,000	3,000	3,000
Repairs and maintenance	-	619	-
Travel	1,000	370	322
Wages and benefits - administrator	32,800	32,196	32,269
Web page	<u>10,000</u>	<u>2,000</u>	<u>1,000</u>
	<u>184,260</u>	<u>207,560</u>	<u>149,615</u>
Excess (deficiency) of revenue over expenses before other	4,566	(2,818)	6,623
Other:			
Government transfers for capital	<u>-</u>	<u>30,888</u>	<u>65,391</u>
Annual surplus	4,566	28,070	72,014
Accumulated surplus, beginning of year	<u>285,775</u>	<u>285,775</u>	<u>213,761</u>
Accumulated surplus, end of year	<u>\$ 290,341</u>	<u>\$ 313,845</u>	<u>\$ 285,775</u>

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

**RURAL MUNICIPALITY OF MALPEQUE BAY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from property owners and grants	\$ 202,395	\$ 156,351
Cash paid to suppliers	<u>(207,559)</u>	<u>(149,616)</u>
	<u>(5,164)</u>	<u>6,735</u>
Cash flows from capital activities:		
Government transfers for capital received	<u>30,888</u>	<u>65,391</u>
Cash flows from investing activities		
Provincial Credit Union term deposit	<u>(100,226)</u>	<u>-</u>
Increase (decrease) in cash	(74,502)	72,126
Cash, beginning of year	<u>285,012</u>	<u>212,886</u>
Cash, end of year	<u>\$ 210,510</u>	<u>\$ 285,012</u>
Represented by:		
Cash and term deposits	\$ 59,058	\$ 112,940
Restricted cash	<u>151,452</u>	<u>172,072</u>
	<u>\$ 210,510</u>	<u>\$ 285,012</u>

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

**RURAL MUNICIPALITY OF MALPEQUE BAY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

1. Nature of municipality

The Municipality was incorporated in 1973 as a municipality in the Province of Prince Edward Island and operates under the provisions of the Municipal Governments Act of Prince Edward Island. The Municipality has a council consisting of six members. The Municipality provides municipal services such as fire protection, planning, and other general government services.

2. Significant accounting policies

The financial statements of the Municipality are the representation of management and have been prepared in accordance with the generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB").

Significant accounting policies adopted by the municipality are as follows:

(a) Basis of accounting

The financial statements have been prepared using Canadian accounting standards for the public sector. These statements have been prepared using the accrual basis of accounting.

(b) Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in net 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 Municipality Council for the administration of their financial affairs and resources.

(c) Government transfer

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.

(d) Revenue recognition

Municipal property taxes are recognized as revenue in the year they are levied.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when the monies are receivable. Grants for operating expenses are recognized in the year in which the eligible expenditures are made.

Other revenue is recorded when it has been earned.

**RURAL MUNICIPALITY OF MALPEQUE BAY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

(e) Financial instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable and term deposits are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

3. Change in Accounting Policy

Effective April 1, 2022, the organization adopted new Public Sector Accounting Handbook Standard, PS 3450, Financial Instruments. The standard requires all applicable financial instruments be subsequently measured at either fair value or amortized cost. This change in accounting policy has been applied retroactively without restatement of prior periods as there were no required changes to the financial statements as a result of the adoption of the new standard.

4. Restricted cash

The Municipality has restricted cash which is restricted for use for capital projects that have been approved by the Province of PEI through the Capital Investment Plan funding agreement.

5. Short term investments

Investments consist of the following at year-end:

	<u>2023</u>	<u>2022</u>
At amortized cost:		
Term deposit	<u>100,226</u>	<u>-</u>

Provincial Credit Union term deposit at 3.75% per annum, maturing on March 9, 2024.

**RURAL MUNICIPALITY OF MALPEQUE BAY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

6. Accumulated surplus

	<u>2023</u>	<u>2022</u>
Unrestricted surplus	\$ 162,393	\$ 113,703
Unspent gas tax	<u>151,452</u>	<u>172,072</u>
	<u>\$ 313,845</u>	<u>\$ 285,775</u>

7. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk through its cash and term deposits. Credit risk arises from these instruments due to possible financial loss. Credit risk has increased from the prior year due to the increase in overall cash and term deposits.

The organization manages its credit risk by holding cash and term deposits at federally regulated chartered banks with cash accounts insured up to \$100,000.

The organization's maximum exposure to credit risk at the financial statement date is the carrying value of its cash and term deposits as presented on the statement of financial position.