

Financial Statements of

**RURAL MUNICIPALITY OF
YORK**

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Rural Municipality of York

Qualified Opinion

We have audited the accompanying financial statements of Rural Municipality of York (the Municipality), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, change 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Effective April 1, 2022, the Municipality was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded under assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. As of the audit report date, management has not completed its assessment of the Municipality's tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.



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 qualified opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2022 has been restated. The financial statements for the year ended March 31, 2022 (prior to the adjustments that were applied to restate certain comparative information explained in Note 3) were audited by another auditor who expressed an unmodified opinion on those financial statements on January 30, 2023. Our opinion is not modified in respect of this matter.

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. 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.

Chartered Professional Accountants

Charlottetown, Prince Edward Island
December 5, 2023

RURAL MUNICIPALITY OF YORK

Statement of Financial Position

March 31, 2023 with comparative figures for March 31, 2022

	2023	Restated (Note 3) 2022
Financial Assets		
Cash	\$ 51,611	\$ 79,816
Accounts receivable (Note 4)	3,381	3,157
	<u>54,992</u>	<u>82,973</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	3,053	6,502
Deferred revenue (Note 6)	-	12,007
	<u>3,053</u>	<u>18,509</u>
Net financial assets	51,939	64,464
Non-financial Assets		
Prepaid expenses	1,377	1,025
Tangible capital assets (Page 11)	63,208	43,800
	<u>64,585</u>	<u>44,825</u>
Accumulated surplus	\$ 116,524	\$ 109,289

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

On Behalf of the Council:

_____ Councillor

_____ Councillor

RURAL MUNICIPALITY OF YORK

Statement of Operations

Year ended March 31, 2023

	Budget (Note 7)	2023	Restated (Note 3) 2022
Revenue:			
Property taxes	\$ 54,000	\$ 56,569	\$ 51,766
Equilization grant	7,521	7,521	12,637
Hall rental	6,000	6,973	4,033
Gas tax	-	12,007	-
Other government income	-	14,947	450
Interest	-	217	14
	67,521	98,234	68,900
Expenses:			
Administration			
Administrative	9,060	10,081	8,899
Advertising and promotion	1,325	302	220
Council	1,700	1,500	1,700
Elections	3,500	289	-
Fire dues	23,413	25,701	23,958
Interest and bank charges	200	72	122
Office	900	1,082	1,281
Professional fees	4,000	4,015	3,400
Property tax	25	29	14
Utilities	1,250	1,281	2,322
Emergency Measures Organizations	816	-	-
Facilities and public property			
Amortization	-	4,487	2,835
Electricity	3,900	4,491	4,919
Heat	1,000	993	540
Insurance	7,000	7,756	5,943
Repairs and maintenance	6,800	22,980	3,814
Special events	350	-	-
Snow removal	4,000	5,940	4,645
	69,239	90,999	64,612
Annual surplus (deficit)	(1,718)	7,235	4,288
Accumulated surplus, beginning of the year	109,289	109,289	105,001
Accumulated surplus, end of the year	\$ 107,571	\$ 116,524	\$ 109,289

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

RURAL MUNICIPALITY OF YORK

Statement of Change in Net Financial Assets

Year ended March 31, 2023

	Budget (Note 7)	2023	Restated (Note 3) 2022
Annual surplus (deficit)	\$ (1,718)	\$ 7,235	\$ 4,288
Acquisition of tangible capital assets	-	(23,895)	(2,409)
Amortization of tangible capital assets	-	4,487	2,835
	(1,718)	(12,173)	4,714
Usage (acquisition) of prepaid expenses	-	(352)	50
Change in net financial assets	(1,718)	(12,525)	4,764
Net financial assets, beginning of the year	64,464	64,464	59,700
Net financial assets, end of the year	\$ 62,746	\$ 51,939	\$ 64,464

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

RURAL MUNICIPALITY OF YORK

Statement of Cash Flows

Year ended March 31, 2023

	2023	Restated (Note 3) 2022
Cash flows from operating activities:		
Cash receipts from property owners and funding	\$ 85,519	\$ 69,355
Cash paid to suppliers and employees	(90,046)	(61,690)
Interest received	217	14
	(4,310)	7,679
Cash flows used in capital activities:		
Purchase of tangible capital assets	(23,895)	(2,409)
Increase (decrease) in cash position	(28,205)	5,270
Cash, beginning of the year	79,816	74,546
Cash, end of the year	\$ 51,611	\$ 79,816

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

RURAL MUNICIPALITY OF YORK

Notes to Financial Statements

Year ended March 31, 2023

1. Significant accounting policies:

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

The financial statements of Rural Municipality of York are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards.

The Rural Municipality of York was incorporated in 1986 under the Prince Edward Island Municipal Government Act. Its principal activities include the provision of local government services to residents of the incorporated area. These services include community development, land development and zoning, and additional municipal services.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts directly attributable to acquisition or construction of the tangible asset. Amortization is recorded on a declining balance basis over the estimated useful life of the tangible capital asset commencing once the asset is available for productive use as follows:

Asset	Rate
Buildings	4%
Equipment	20%
Computer equipment	55%
Signage	10%

(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 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 financial assets for the year.

RURAL MUNICIPALITY OF YORK

Notes to Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued):

(d) 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 at rates set by the Municipality. Taxation revenue is recorded as it is received in monthly installments from the Province. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. 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.

Sales of service and other revenue are recognized on an accrual basis.

(e) Financial instruments:

Cash and equity investments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and short-term investments 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 the 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.

RURAL MUNICIPALITY OF YORK

Notes to Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates made by management in the preparation of these financial statements include the estimated useful lives of property and equipment and the resulting estimates for amortization expense.

(g) 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.

2. Change in Accounting Policy:

Effective April 1, 2022, the Municipality adopted new Public Sector Accounting Handbook Standard, PS 3450, Financial Instruments.

PS 3450 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. There were no required changes to the financial statements as a result of the adoption of the new standard.

RURAL MUNICIPALITY OF YORK

Notes to Financial Statements

Year ended March 31, 2023

3. Prior period adjustment:

The financial statements issued for the year ended March 31, 2022 recognized revenue for deferred contributions by amortizing to it revenue at the same rate as capital assets. This is inconsistent with Section PS 3410, *Government transfers*. According to PS 3410, a government transfer with stipulations is recognized in the statement of operations as the stipulation liabilities are settled.

In addition, the financial statements for the year ended March 31, 2022 recognized an accrual that did not meet the definition of a liability under PS 3200, *Liabilities*.

The restatement of these items resulted in the following changes:

	Previously stated	Adjustment	Restated
Opening accumulated surplus	\$ 99,826	\$ 5,175	\$ 105,001
Net financial assets	56,362	8,102	64,464
Accounts payable and accrued liabilities	9,635	(3,133)	6,502
Deferred revenue	16,974	(4,967)	12,007
Gas tax funding	207	(207)	-
Professional fees	6,535	(3,135)	3,400
Ending accumulated surplus	101,187	8,102	109,289

4. Accounts receivable:

	2023	2022
Trade	\$ 650	\$ 437
HST	2,731	2,720
	\$ 3,381	\$ 3,157

RURAL MUNICIPALITY OF YORK

Notes to Financial Statements

Year ended March 31, 2023

5. Accounts payable and accrued liabilities:

	2023		2022	
Trade	\$	2,415	\$	6,212
Payroll remittances		638		290
	\$	3,053	\$	6,502

6. Deferred revenue:

	2023		2022	
Balance, beginning of the year	\$	12,007	\$	10,639
Gas tax funding received during the year		-		1,368
		12,007		12,007
Recognized as revenue		(12,007)		-
Balance, end of the year	\$	-	\$	12,007

7. Budget:

The budget adopted by Council for the year was not prepared on a basis consistent with that used to report actual results. As a result, the budget figures presented on the statements of operations and change in net financial assets represent the budget adopted by Council with adjustments as follows:

	2023	
Budgeted annual surplus	\$	82
Less: HST rebate budgeted		(1,800)
	\$	(1,718)

RURAL MUNICIPALITY OF YORK

Notes to Financial Statements

Year ended March 31, 2023

8. 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 municipality is exposed to credit risk through its accounts receivable. 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 accounts receivable.

The municipality's maximum exposure to credit risk at the financial statement date is the carrying value of its accounts receivable presented on the statement of financial position.

RURAL MUNICIPALITY OF YORK

Schedule of Tangible Capital Assets

Year ended March 31, 2023

	Cost beginning of the year	Additions	Disposals and write downs	Cost end of the year	Accumulated amortization beginning of the year	Disposals and write downs	Amortization	Accumulated amortization end of the year	Net book value 2023	Net book value 2022
Land	\$ 9,506	\$ -	\$ -	\$ 9,506	\$ -	\$ -	\$ -	\$ -	\$ 9,506	\$ 9,506
Community Center	31,431	-	-	31,431	4,037	-	1,095	5,132	26,299	27,394
Equipment	12,004	15,143	-	27,147	5,271	-	2,861	8,132	19,015	6,733
Computer Equipment	2,525	-	-	2,525	2,358	-	92	2,450	75	167
Signage	-	8,752	-	8,752	-	-	439	439	8,313	-
	\$ 55,466	\$ 23,895	\$ -	\$ 79,361	\$ 11,666	\$ -	\$ 4,487	\$ 16,153	\$ 63,208	\$ 43,800