

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW,
CAVENDISH AND NORTH RUSTICO**

Consolidated Financial Statements

March 31, 2026

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Index to Consolidated Financial Statements

March 31, 2026

	Page
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Debt	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 17
Schedules to Consolidated Financial Statements	18 - 23

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico are the responsibility of management and have been prepared in accordance with Canadian Accounting Standards for the Public Sector. A summary of the significant accounting policies are described in 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 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 consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MRSB Chartered Professional Accountants Inc., independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico:



Mayor

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico

Opinion

We have audited the consolidated financial statements of the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico (the Municipality), which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes and schedules 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 financial position of the Municipality as at March 31, 2026, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for the Public Sector.

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 those 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 Accounting Standards for the Public Sector, 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 relating 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.

(continues)

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.

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

July 20, 2026

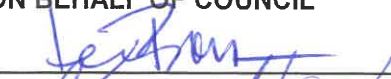
**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Consolidated Statement of Financial Position

March 31, 2026

	2026	2025
Financial assets		
Cash		
Unrestricted cash	\$ 961,908	\$ 991,394
Restricted cash	21,862	84,932
Accounts receivable (Note 3)	391,535	146,998
Funds held in trust	64,612	28,628
Recreation fund (Note 4)	67,352	64,333
Contingency fund (Note 5)	18,066	17,944
	<u>1,525,335</u>	<u>1,334,229</u>
Liabilities		
Accounts payable and accrued liabilities	187,029	102,020
Security deposits payable	64,612	28,628
Deferred revenue (Note 6)	226,863	165,438
Trust fund payable (Note 7)	130,116	130,116
Long term debt (Note 8)	1,027,896	1,093,131
	<u>1,636,516</u>	<u>1,519,333</u>
Net debt (Statement 6)	<u>(111,181)</u>	<u>(185,104)</u>
Non-financial assets		
Prepaid expense	25,284	20,737
Tangible capital assets (Schedules 1 and 2)	7,223,296	6,882,292
Intangibles (Note 9)	97,034	115,699
	<u>7,345,614</u>	<u>7,018,728</u>
Accumulated surplus (Statement 5)	<u>\$ 7,234,432</u>	<u>\$ 6,833,624</u>
Lease commitments (Note 10)		

ON BEHALF OF COUNCIL

 Mayor
 Councillor

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

**Consolidated Statement of Operations
Year Ended March 31, 2026**

	Budget 2026	Actual 2026	Actual 2025
Revenues			
Resort Municipality (Schedule 3)	\$ 532,384	\$ 651,452	\$ 465,616
Sewer Utility (Schedule 4)	401,800	412,589	396,131
	<u>934,184</u>	<u>1,064,041</u>	<u>861,747</u>
Expenditures			
Resort Municipality (Schedule 3)	670,650	635,925	532,684
Sewer Utility (Schedule 4)	401,800	367,631	386,616
	<u>1,072,450</u>	<u>1,003,556</u>	<u>919,300</u>
Operating surplus (deficit)	<u>(138,266)</u>	<u>60,485</u>	<u>(57,553)</u>
Other revenues			
Resort Municipality (Schedule 3)	800,000	335,594	7,483
Sewer Utility (Schedule 4)	-	1,589	79,239
	<u>800,000</u>	<u>337,183</u>	<u>86,722</u>
Annual surplus	661,734	397,668	29,169
Accumulated surplus - beginning of year	6,833,624	6,833,624	6,802,018
Change in restricted funds	-	3,140	2,437
Accumulated surplus - end of year (Note 11)	<u>\$ 7,495,358</u>	<u>\$ 7,234,432</u>	<u>\$ 6,833,624</u>

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

**Consolidated Statement of Changes in Net Debt
Year Ended March 31, 2026**

	Budget 2026	Actual 2026	Actual 2025
Annual surplus	\$ 661,734	\$ 397,668	\$ 29,169
Amortization of tangible capital assets	181,317	205,832	190,193
Amortization of intangible assets	-	18,665	19,049
Purchase of tangible capital assets	(200,000)	(546,912)	(231,694)
Purchase of intangible assets	-	-	(26,486)
Increase (decrease) in prepaid expense	-	(4,548)	(1,532)
Loss on disposal of tangible capital assets	-	76	-
Increase in recreation fund	-	3,019	2,189
Increase in contingency fund	-	123	247
	<u>(18,683)</u>	<u>(323,745)</u>	<u>(48,034)</u>
(Increase) decrease in net debt	643,051	73,923	(18,865)
Net debt - beginning of year	(185,104)	(185,104)	(166,239)
Net assets (debt) - end of year	\$ 457,947	\$ (111,181)	\$ (185,104)

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Consolidated Statement of Cash Flows

Year Ended March 31, 2026

	2026	2025
Cash flows from operating activities		
Annual surplus	\$ 397,668	\$ 29,169
Items not affecting cash:		
Amortization of tangible capital assets	205,832	190,193
Amortization of intangible assets	18,665	19,049
Loss on disposal of tangible capital assets	76	-
	<u>622,241</u>	<u>238,411</u>
Changes in non-cash working capital:		
Accounts receivable	(244,537)	69,807
Funds held in trust	(35,984)	756
Prepaid expense	(4,547)	(1,533)
Accounts payable and accrued liabilities	85,009	(4,412)
Security deposits payable	35,984	(756)
Deferred revenue	61,425	81,490
	<u>(102,650)</u>	<u>145,352</u>
	<u>519,591</u>	<u>383,763</u>
Cash flows from capital activities		
Purchase of tangible capital assets	(546,912)	(231,694)
Purchase of intangible assets	-	(26,486)
	<u>(546,912)</u>	<u>(258,180)</u>
Cash flows from financing activities		
Proceeds from long term debt	-	369,585
Repayment of long term debt	(65,235)	(70,678)
	<u>(65,235)</u>	<u>298,907</u>
Increase (decrease) in cash	<u>(92,556)</u>	<u>424,490</u>
Cash - beginning of year	<u>1,076,326</u>	<u>651,836</u>
Cash - end of year	<u>\$ 983,770</u>	<u>\$ 1,076,326</u>
Cash consists of:		
Unrestricted cash	\$ 961,908	\$ 991,394
Restricted cash	21,862	84,932
	<u>\$ 983,770</u>	<u>\$ 1,076,326</u>

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

1. DESCRIPTION OF BUSINESS

The Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico (the "Municipality") was incorporated under the Municipalities Act of Prince Edward Island. The Municipality is a non-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Its principal activities include the provision of local government services to residents of the incorporated area.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico are the representations of management prepared in accordance with Canadian Accounting Standards for the Public Sector.

The consolidated 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 year when the related expenditures are incurred, services are performed or the tangible capital assets are acquired.

Basis of consolidation

These consolidated financial statements for the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico reflect the assets, liabilities, revenues, expenditures, and annual surplus of all funds of the Municipality. The Municipality is comprised of all organizations and committees accountable to the Municipality for the administration of their financial affairs and resources. Included with the municipality are the following:

Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico
Cavendish Sewer Utility

Cash

Cash is comprised of unrestricted, internally restricted and restricted balances on deposits with banks.

(continues)

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounts receivable

Accounts receivable arise from sewer dues, government funding receivable, Harmonized Sales Tax receivable and other miscellaneous receivables. 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 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 over the useful life on a straight-line basis as follows:

Street lights	25 years
Land improvements	20 years
Leasehold improvements	20 years
Sidewalks and trails	20 years
Heritage Park	20 years
Boardwalk	15 years
Fencing	10 years
Equipment	10 years
Signage	5 years
Computer equipment	5 years
Motor vehicles	10 years
Sewer system	83 1/3 years
Retention pond	83 1/3 years
Sewer equipment	20 years

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

The Municipality regularly reviews its tangible capital assets to eliminate obsolete items.

Intangible assets

The official plan and water study are recorded at cost and amortized on a straight-line basis over their estimated useful life of ten years.

The trail management plan is recorded at cost and amortized on a straight-line basis over its estimated useful live of five years.

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.

(continues)

RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset retirement obligation

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Consolidated Statement of Operations. As at March 31, 2026, no asset retirement obligations have been identified by management.

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 consolidated change in net debt 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 consolidated financial statements as revenue in the year 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.

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 surplus. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issuance of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

(continues)

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Property tax billings are based on the assessed value of real property in the Municipality and are payable in each calendar year. Municipal tax rates are reviewed, established, and approved annually by the Council. These revenues are recognized when received monthly from Province.

Sewer dues are charged based on rates approved by the Island Regulatory and Appeals Commission (IRAC). These charges are assessed annually and are recognized when billings come due.

Revenue from transactions with performance obligations are recognized when (or as) the Municipality satisfies a performance obligation. Revenue from transactions with no performance obligations are recognized when the Municipality has the authority to claim or retain an inflow of economic resources and a past transaction has given rise to an asset.

Interest revenue is recognized on a time proportion basis.

Measurement uncertainty

The presentation of the consolidated 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 consolidated 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 and schedules is subject to management's assessment of the estimated useful life of the Municipality's tangible capital assets;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

3. ACCOUNTS RECEIVABLE

	<u>2026</u>	<u>2025</u>
Government funding receivable	\$ 193,534	\$ 3,334
Sewer receivable	127,712	121,536
Miscellaneous receivables	39,141	9,392
HST receivable	31,148	12,979
Allowance for doubtful accounts	-	(243)
	<u>\$ 391,535</u>	<u>\$ 146,998</u>

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

4. RECREATION FUND

The Members of Council have internally restricted the purpose for which recreation funds arising from subdivision fees may be used. During the year, the Members of Council did not approve the release of funds for the purpose of funding general operating activities.

	<u>2026</u>	<u>2025</u>
Balance - beginning of year	\$ 64,333	\$ 62,145
Subdivision fees	2,818	1,568
Interest	201	620
	<u>67,352</u>	<u>64,333</u>
Balance - end of year	\$ 67,352	\$ 64,333

5. CONTINGENCY FUND

The Members of Council have internally restricted the purpose for which contingency funds set aside in an earlier fiscal year may be used. During the year, the Members of Council did not approve the release of any funds for the purpose of funding general operating activities.

	<u>2026</u>	<u>2025</u>
Balance - beginning of year	\$ 17,944	\$ 17,696
Interest	122	248
	<u>18,066</u>	<u>17,944</u>
Balance - end of year	\$ 18,066	\$ 17,944

6. DEFERRED REVENUE

	<u>2026</u>	<u>2025</u>
Canada Community Building Fund	\$ 221,863	\$ 21,688
Permit fees	5,000	-
Government of PEI - Active Transportation	-	143,750
	<u>226,863</u>	<u>165,438</u>
	\$ 226,863	\$ 165,438

During the year, the Municipality was allocated \$200,000 under the Canada Community Building Fund and earned interest of \$175. Total funds expended for projects during the year totaled \$Nil. The Municipality must use its allocation for eligible infrastructure and capacity building projects.

7. TRUST FUND PAYABLE

In exchange for land transferred to the Utility from Parks Canada for the lagoon site, the Cavendish Sewer Utility was obligated to establish a trust fund of \$250,000 to be administered by the Utility. The proceeds of the trust fund are to be used to satisfy the original land transfer for the P.E.I. National Park. At March 31, 2026, the Utility has purchased land totaling \$110,380 and incurred \$9,504 in costs towards the satisfaction of this trust obligation.

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

8. LONG TERM DEBT

	<u>2026</u>	<u>2025</u>
<u>Municipality</u>		
Canada Mortgage and Housing Corporation - 4.15%, repaid during the year.	\$ -	\$ 33,768
<u>Utility</u>		
BMO - 5.17%; repayable in semi-annual blended installments of \$15,255. The loan matures on December 31, 2028; secured by borrowing resolution.	407,420	416,539
BMO - 5.35%; repayable in semi-annual blended installments of \$13,490. The loan matures on March 31, 2029; secured by borrowing resolution.	353,592	361,347
BMO - 2.9%; repayable in semi-annual blended installments of \$11,325. The loan matures on August 31, 2026; secured by borrowing resolution.	266,884	281,477
	<u>1,027,896</u>	<u>1,059,363</u>
	<u>\$ 1,027,896</u>	<u>\$ 1,093,131</u>

Principal repayments of long term debt are expected to be repaid over the next three years as follows:

2027	\$ 284,621
2028	18,682
2029	724,593

9. INTANGIBLE ASSETS

	<u>2026</u>	<u>2025</u>
Official plan	\$ 143,005	\$ 143,005
Water study	33,502	33,502
Trail management plan	18,150	18,150
Accumulated amortization	<u>(97,623)</u>	<u>(78,958)</u>
	<u>\$ 97,034</u>	<u>\$ 115,699</u>

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

10. LEASE COMMITMENTS

The Municipality has entered into a lease agreement with the Department of Transportation and Public Works for the lease of office space. The lease is due to expire February 28, 2027 at an annual fixed rate of \$10,290 plus taxes.

The Municipality has entered into a lease agreement with RCAP leasing for the lease of a photocopier. The lease is due to expire August 29, 2030 at an annual quarterly rate of \$690 plus taxes.

Future minimum lease payments due over the next five years are as follows:

2027	\$ 14,021
2028	3,174
2029	3,174
2030	3,174
2031	1,587
	<u>\$ 25,130</u>

11. ACCUMULATED SURPLUS

	<u>2026</u>	<u>2025</u>
Unrestricted surplus	\$ 790,571	\$ 561,976
Restricted surplus		
Recreation fund (Note 4)	67,352	64,333
Contingency fund (Note 5)	18,066	17,944
Reserves (Note 12)	66,007	284,508
Investment in tangible capital assets (Note 13)	6,195,402	5,789,164
Investment in intangible assets (Note 9)	97,034	115,699
	<u>\$ 7,234,432</u>	<u>\$ 6,833,624</u>

12. RESERVES

	<u>2026</u>	<u>2025</u>
HR Contingency Reserve	\$ 30,000	\$ 30,000
Infrastructure Reserve	16,007	-
Planning Reserve	10,000	-
Community Hub / Municipal Building Reserve	5,000	25,000
Extended Year Round Activities Reserve	5,000	20,000
Maintenance Truck Reserve	-	29,508
Land Acquisition and Suitability Reserve	-	20,000
Bylaw Review Reserve	-	5,000
Active Transportation Reserve	-	125,000
Wayfinding Reserve	-	30,000
	<u>\$ 66,007</u>	<u>\$ 284,508</u>

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

13. INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2026</u>	<u>2025</u>
Tangible capital assets (Schedules 1 and 2)	\$ 11,595,425	\$ 11,048,705
Accumulated amortization (Schedules 1 and 2)	(4,372,127)	(4,166,410)
Long term debt (Note 8)	(1,027,896)	(1,093,131)
	<u>\$ 6,195,402</u>	<u>\$ 5,789,164</u>

14. GOVERNMENT TRANSFERS

	<u>2026</u>	<u>2025</u>
<u>Government transfers for operations</u>		
Municipality		
Province of PEI - Rural Municipality Grant	\$ 15,000	\$ -
Province of PEI Transportation and Infrastructure	6,613	6,694
Government of Canada - MCH Day	1,210	1,920
Province of PEI - Seniors' Secretariat Grant	-	1,000
	<u>22,823</u>	<u>9,614</u>
 <u>Government transfers for capital</u>		
Municipality		
Province of PEI Transportation and Infrastructure	287,500	-
Municipal Capital Expenditure Grant	48,170	7,483
	<u>335,670</u>	<u>7,483</u>
 <u>Government transfers for capital</u>		
Utility		
Municipal Capital Expenditure Grant	1,589	15,995
Canada Community Building Fund	-	63,244
	<u>1,589</u>	<u>79,239</u>
	<u>337,259</u>	<u>86,722</u>
	<u>\$ 360,082</u>	<u>\$ 96,336</u>

15. RATE REGULATION

The Sewer Utility is subject to rate regulation on sewer utility rates in Prince Edward Island in accordance with the Water and Sewerage Act. The purpose of this Act, which is administered by the Island Regulatory and Appeals Commission (IRAC), is to regulate the water and wastewater utility rates within the Province of Prince Edward Island.

Utility rates and charges are fixed and determined in accordance with the generally accepted public utility practices after taking into consideration local conditions and circumstances. Municipalities may apply for changes to sewer utility rates with IRAC. The commission will review these requests and adjust the rates accordingly.

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

16. BUDGET FIGURES

A reconciliation of the 2026 fiscal operating budget prepared by Council to the budget figures disclosed in the consolidated financial statements is as follows:

	<u>2026</u>
Resort Municipality budgeted annual surplus	\$ -
Sewer Utility budgeted annual surplus	-
Deduct: Prior year surplus	(138,266)
Add: Capital funding	<u>800,000</u>
	<u>\$ 661,734</u>

17. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash, restricted cash, accounts receivable, funds held in trust, accounts payable and accrued liabilities, security deposits payable, trust fund payable and long term debt.

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, 2026.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The 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 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 funds from its customers and other related sources, long term debt, and accounts payable.

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Notes to Consolidated Financial Statements

Year Ended March 31, 2026

18. 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 segments are 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 audited consolidated financial statements, development of the annual budget, human resource functions for the entire municipality, maintenance of bylaws and policies, oversight of public works, maintenance of municipal facilities and administration of municipal services.

Sewer Utility

This segment is responsible for the maintenance and operations of sewer services provided to residents and other customers.

RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND NORTH RUSTICO

Schedules to Consolidated Financial Statements (Schedule 1)

Tangible Capital Assets

Year Ended March 31, 2026

	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
Resort Municipality									
Land	\$ 58,300	\$ -	\$ -	\$ 58,300	\$ -	\$ -	\$ -	\$ -	\$ 58,300
Street lights	138,036	-	-	138,036	107,447	1,525	-	108,972	29,064
Land									
improvements	4,500	-	-	4,500	3,769	225	-	3,994	506
Leasehold									
improvements	61,166	-	-	61,166	61,166	-	-	61,166	-
Sidewalks and									
trails	964,709	520,934	-	1,485,643	289,917	61,259	-	351,176	1,134,467
Heritage Park	823,435	-	-	823,435	237,800	41,172	-	278,972	544,463
Boardwalk	616,806	-	-	616,806	581,270	2,958	-	584,227	32,579
Fencing	53,021	-	-	53,021	24,873	5,017	-	29,890	23,131
Equipment	16,290	8,780	-	25,069	7,430	1,678	-	9,108	15,961
Signage	10,487	-	-	10,487	9,565	254	-	9,819	668
Computer									
equipment	11,073	407	(190)	11,290	9,035	1,062	(114)	9,983	1,307
Motor vehicles	54,153	-	-	54,153	2,708	5,415	-	8,123	46,030
	\$ 2,811,976	\$ 530,121	\$ (190)	\$ 3,341,906	\$ 1,334,980	\$ 120,565	\$ (114)	\$ 1,455,430	\$ 1,886,476
Sewer Utility									
Land	\$ 277,450	\$ -	\$ -	\$ 277,450	\$ -	\$ -	\$ -	\$ -	\$ 277,450
Sewer system	5,652,063	16,791	-	5,668,854	1,509,007	68,027	-	1,577,034	4,091,820
Retention pond	1,239,972	-	-	1,239,972	265,174	14,879	-	280,053	959,918
Sewer equipment	1,043,342	-	-	1,043,342	1,039,999	105	-	1,040,104	3,237
Equipment	22,563	-	-	22,563	15,912	2,256	-	18,168	4,395
Signage	1,338	-	-	1,338	1,338	-	-	1,338	-
	\$ 8,236,728	\$ 16,791	\$ -	\$ 8,253,519	\$ 2,831,430	\$ 85,267	\$ -	\$ 2,916,697	\$ 5,336,820
Total	\$ 11,048,704	\$ 546,912	\$ (190)	\$ 11,595,425	\$ 4,166,410	\$ 205,832	\$ (114)	\$ 4,372,127	\$ 7,223,296

Notes 1 - 18 are an integral part of these consolidated financial statements

RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND NORTH RUSTICO

(Schedule 2)

Schedules to Consolidated Financial Statements

Tangible Capital Assets

Year Ended March 31, 2025

	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
Resort Municipality									
Land	\$ 58,300	\$ -	\$ -	\$ 58,300	\$ -	\$ -	\$ -	\$ -	\$ 58,300
Street lights	138,036	-	-	138,036	105,923	1,524	-	107,447	30,589
Land									
improvements	4,500	-	-	4,500	3,544	225	-	3,769	731
Leasehold									
improvements	61,166	-	-	61,166	61,166	-	-	61,166	-
Sidewalks and									
trails	964,709	-	-	964,709	241,682	48,236	-	289,917	674,790
Heritage Park	823,435	-	-	823,435	196,629	41,171	-	237,800	585,635
Boardwalk	844,090	-	(227,284)	616,806	805,597	2,957	(227,284)	581,270	35,536
Fencing	53,021	-	-	53,021	19,856	5,017	-	24,873	28,148
Equipment	15,519	771	-	16,290	6,122	1,308	-	7,430	8,860
Signage	9,662	825	-	10,487	9,144	421	-	9,565	922
Computer									
equipment	11,073	-	-	11,073	7,551	1,484	-	9,035	2,038
Motor Vehicles	-	54,153	-	54,153	-	2,708	-	2,708	51,445
	\$ 2,983,511	\$ 55,749	\$ (227,284)	\$ 2,811,976	\$ 1,457,214	\$ 105,051	\$ (227,284)	\$ 1,334,980	\$ 1,476,994
Sewer Utility									
Land	\$ 277,450	\$ -	\$ -	\$ 277,450	\$ -	\$ -	\$ -	\$ -	\$ 277,450
Sewer system	5,477,643	174,421	-	5,652,064	1,441,183	67,824	-	1,509,007	4,143,057
Retention pond	1,239,972	-	-	1,239,972	250,294	14,880	-	265,174	974,798
Sewer equipment	1,041,818	1,524	-	1,043,342	1,039,817	182	-	1,039,999	3,343
Equipment	22,563	-	-	22,563	13,656	2,256	-	15,912	6,651
Signage	1,338	-	-	1,338	1,338	-	-	1,338	-
	\$ 8,060,784	\$ 175,945	\$ -	\$ 8,236,729	\$ 2,746,288	\$ 85,142	\$ -	\$ 2,831,430	\$ 5,405,299
Total	\$ 11,044,295	\$ 231,694	\$ (227,284)	\$ 11,048,705	\$ 4,203,502	\$ 190,193	\$ (227,284)	\$ 4,166,410	\$ 6,882,293

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Statement of Operations - Resort Municipality

(Schedule 3)

Year Ended March 31, 2026

	Budget 2026	Actual 2026	Actual 2025
Revenues			
Municipal tax	\$ 483,884	\$ 565,349	\$ 394,589
Building permits	15,000	31,797	20,556
Government transfers for operations (Note 14)	-	22,823	9,614
Administration fees	21,000	20,480	20,480
Miscellaneous	5,000	6,000	11,300
Interest	7,500	5,003	9,077
	532,384	651,452	465,616
Expenditures			
Advertising	6,000	223	4,486
Amortization of intangible assets	-	18,665	19,049
Amortization of tangible capital assets	100,600	120,565	105,051
Bad debts	-	-	243
Community engagement	10,000	6,667	6,427
Community projects	30,000	9,742	8,604
Election	-	435	12,786
Fire protection	125,000	124,059	103,593
Honorariums	21,000	16,693	16,744
Insurance	19,000	18,258	14,170
Interest and bank charges	900	609	1,022
Meetings and seminars	1,700	170	40
Memberships and dues	1,600	1,463	1,234
Office supplies and equipment	14,000	12,971	10,491
Professional fees	72,000	55,425	26,427
Property tax and sewer	600	539	537
Recreation rebate	250	250	-
Rent	13,000	11,319	11,319
Street lighting and maintenance	45,000	49,985	43,982
Telephone	6,000	5,202	4,906
Travel	9,000	2,299	2,770
Wages and wage levies	195,000	180,386	138,803
	670,650	635,925	532,684
Operating surplus (deficit)	(138,266)	15,527	(67,068)
Other revenues (expenditures)			
Government transfers for capital (Note 14)	800,000	335,670	7,483
Loss on disposal of tangible capital assets	-	(76)	-
	800,000	335,594	7,483
Annual surplus (deficit)	\$ 661,734	\$ 351,121	\$ (59,585)

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**

Statement of Operations - Sewer Utility

(Schedule 4)

Year Ended March 31, 2026

	Budget 2026	Actual 2026	Actual 2025
Revenues			
Sewer fees	\$ 393,000	\$ 401,843	\$ 386,478
Interest	7,000	9,085	7,798
Other	1,800	1,661	1,855
	<u>401,800</u>	<u>412,589</u>	<u>396,131</u>
Expenditures			
Administration	21,000	20,480	20,480
Amortization of tangible capital assets	80,717	85,268	85,142
Bad debts	-	2,940	-
Dues and fees	6,000	4,781	4,781
Electricity	48,000	48,576	40,500
Insurance	17,000	16,372	15,759
Interest and bank charges	-	372	544
Interest on long term debt	45,000	45,849	50,567
Maintenance	167,783	136,208	157,304
Miscellaneous	500	500	2,774
Professional fees	15,000	5,459	8,014
Property tax	800	826	751
	<u>401,800</u>	<u>367,631</u>	<u>386,616</u>
Operating surplus	-	44,958	9,515
Other revenues			
Government transfers for capital (Note 14)	-	1,589	79,239
Annual surplus	<u>\$ -</u>	<u>\$ 46,547</u>	<u>\$ 88,754</u>

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND
NORTH RUSTICO**

Schedules to Consolidated Financial Statements

(Schedule 5)

Segment Disclosures

Year Ended March 31, 2026

	Municipality	Cavendish Sewer	Elimination	Consolidated 2026
Revenues				
Property taxes	\$ 565,349	\$ -	\$ -	\$ 565,349
Administration fees	20,480	-	(20,480)	-
Buidling permits	31,797	-	-	31,797
Government transfers for operations	22,823	-	-	22,823
Interest	5,003	9,085	-	14,088
Miscellaneous	6,000	1,661	-	7,661
Sewer fees	-	401,843	(539)	401,304
	651,452	412,589	(21,019)	1,043,022
Expenditures				
Salaries and benefits	197,079	-	-	197,079
Goods and services	299,007	236,142	(21,019)	514,130
Amortization of tangible capital assets	120,565	85,268	-	205,833
Amortization of intangible assets	18,665	-	-	18,665
Interest	609	46,221	-	46,830
	635,925	367,631	(21,019)	982,537
Operating surplus	15,527	44,958	-	60,485
Loss on disposal of tangible assets	(76)	-	-	(76)
Government transfers for capital	335,670	1,589	-	337,259
Annual surplus	\$ 351,121	\$ 46,547	\$ -	\$ 397,668

Notes 1 - 18 are an integral part of these consolidated financial statements

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND
NORTH RUSTICO**

**Schedules to Consolidated Financial Statements
Segment Disclosures
Year Ended March 31, 2025**

(Schedule 6)

	Municipality	Cavendish Sewer	Elimination	Consolidated 2025
Revenues				
Property taxes	\$ 394,589	\$ -	\$ -	\$ 394,589
Government transfers for operations	9,614	-	-	9,614
Administration fees	20,480	-	(20,480)	-
Building permits	20,556	-	-	20,556
Miscellaneous	11,300	1,855	-	13,155
Interest	9,077	7,798	-	16,875
Sewer fees	-	386,478	(538)	385,940
	<u>465,616</u>	<u>396,131</u>	<u>(21,018)</u>	<u>840,729</u>
Expenditures				
Salaries and benefits	155,547	-	-	155,547
Goods and services	252,015	250,363	(21,018)	481,360
Amortization of tangible capital assets	105,051	85,142	-	190,193
Amortization of intangible capital assets	19,049	-	-	19,049
Interest	1,022	51,111	-	52,133
	<u>532,684</u>	<u>386,616</u>	<u>(21,018)</u>	<u>898,282</u>
Operating surplus (deficit)	(67,068)	9,515	-	(57,553)
Government transfers for capital	7,483	79,239	-	86,722
Annual surplus (deficit)	<u>\$ (59,585)</u>	<u>\$ 88,754</u>	<u>\$ -</u>	<u>\$ 29,169</u>

Notes 1 - 18 are an integral part of these consolidated financial statements