

**RESORT MUNICIPALITY OF STANLEY BRIDGE,
HOPE RIVER, BAYVIEW, CAVENDISH AND
NORTH RUSTICO
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019**

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS


The accompanying 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 notes 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 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.

The council met 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 MEMBERS OF COUNCIL

Opinion

We have audited the consolidated financial statements of the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in net debt and cash flow for the 15 months then ended, and notes 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 Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico as at March 31, 2019, and the results of its operations and its cash flows for the 15 months 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 Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico 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 these 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.

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 Accountant d.c.

CHARLOTTETOWN, P.E.I.

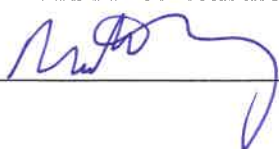

JULY 15, 2019

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**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019**

| | 2019 | December 31, 2017 |
|---|---------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents | | |
| Unrestricted | \$ 623,232 | \$ 446,714 |
| Restricted | 261,200 | 299,176 |
| Accounts receivable | 288,104 | 181,012 |
| Funds held in trust | 53,300 | 18,578 |
| Recreation fund - Restricted - Note 3 | 40,472 | 37,283 |
| Contingency fund - Restricted - Note 4 | 17,020 | 16,850 |
| | 1,283,328 | 999,613 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 104,322 | 118,830 |
| Deferred revenue - Note 5 | 343,110 | 266,797 |
| Security deposits payable | 53,300 | 18,578 |
| Trust fund payable - Note 6 | 130,116 | 139,620 |
| Long term debt - Note 7 | 1,263,815 | 1,356,893 |
| | 1,894,663 | 1,900,718 |
| Net Debt - Statement 3 | (611,335) | (901,105) |
| Lease Commitments - Note 8 | | |
| Non-Financial Assets | | |
| Tangible capital assets - Schedules 1 and 2 | 6,119,033 | 5,978,285 |
| Prepaid expense | 4,200 | 8,767 |
| | 6,123,233 | 5,987,052 |
| Accumulated Surplus | \$ 5,511,898 | \$ 5,085,947 |
| Municipal Position | | |
| Accumulated surplus - Statement 2 | \$ 5,511,898 | \$ 5,085,947 |

ON BEHALF OF THE MUNICIPALITY:

Mayor

Councilor

(Notes 1 to 16 are an integral part of these consolidated financial statements)

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**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
CONSOLIDATED STATEMENT OF OPERATIONS
15 MONTHS ENDED MARCH 31, 2019**

| | Budget 2019 | Actual 2019 | Actual 2017 (12 months) |
|--|-------------------|---------------------|-------------------------------|
| Revenues | | | |
| Resort Municipality - Schedule 3 | \$ 377,817 | \$ 840,646 | \$ 616,007 |
| Sewer Utility - Schedule 4 | <u>512,500</u> | <u>440,822</u> | <u>335,160</u> |
| | <u>890,317</u> | <u>1,281,468</u> | <u>951,167</u> |
| Expenditures | | | |
| Resort Municipality - Schedule 3 | 390,087 | 420,551 | 447,802 |
| Sewer Utility - Schedule 4 | <u>202,700</u> | <u>438,325</u> | <u>366,792</u> |
| | <u>592,787</u> | <u>858,876</u> | <u>814,594</u> |
| Change in Fund Balances | <u>\$ 297,530</u> | 422,592 | 136,573 |
| Accumulated Surplus - Beginning of Period | | 5,085,947 | 4,946,106 |
| Change in restricted funds | | <u>3,359</u> | <u>3,268</u> |
| Accumulated Surplus - End of Period - Note 10 | | <u>\$ 5,511,898</u> | <u>\$ 5,085,947</u> |

(Notes 1 to 16 are an integral part of these consolidated financial statements)

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**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
15 MONTHS ENDED MARCH 31, 2019**

| | Budget 2019 | Actual 2019 | Actual 2017 (12 months) |
|---|-------------------------|----------------------------|-------------------------------|
| Change in fund balances | \$ 297,530 | \$ 422,592 | \$ 136,573 |
| Amortization of tangible capital assets | - | 196,531 | 161,503 |
| Purchase of tangible capital assets | (270,200) | (337,278) | (195,375) |
| Decrease in prepaid expense | - | 4,566 | 584 |
| Increase in recreation fund | | 3,189 | 3,162 |
| Increase in contingency fund | | 170 | 102 |
| Decrease (Increase) in Net Debt | <u>\$ 27,330</u> | 289,770 | 106,549 |
| Net Debt - Beginning of Period | | <u>(901,105)</u> | (1,007,654) |
| Net Debt - End of Period | | <u>\$ (611,335)</u> | \$ (901,105) |

(Notes 1 to 16 are an integral part of these consolidated financial statements)

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**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
CONSOLIDATED STATEMENT OF CASH FLOW
15 MONTHS ENDED MARCH 31, 2019**

| | 2019 | 2017 (12 months) |
|---|-------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Change in fund balances | \$ 422,592 | \$ 136,573 |
| Amortization of tangible capital assets | 196,531 | 161,503 |
| Increase in accounts receivable | (107,092) | (33,119) |
| (Increase) decrease in funds held in trust | (34,722) | 33,990 |
| Decrease in prepaid expense | 4,566 | 584 |
| Increase (decrease) in accounts payable and accrued liabilities | (14,508) | 29,760 |
| Increase (decrease) in deferred revenue | 76,313 | (75,812) |
| Increase (decrease) in security deposits payable | 34,722 | (33,990) |
| | 578,402 | 219,489 |
| Cash Flows From Capital Activity | | |
| Purchase of tangible capital assets | (337,278) | (195,375) |
| Cash Flows From Financing Activities | | |
| Repayment of long term debt | (93,078) | (91,918) |
| Decrease in trust fund payable | (9,504) | - |
| | (102,582) | (91,918) |
| Increase (Decrease) in Cash and Cash Equivalents | 138,542 | (67,804) |
| Cash and Cash Equivalents - Beginning of Period | 745,890 | 813,694 |
| Cash and Cash Equivalents - End of Period | \$ 884,432 | \$ 745,890 |
| Cash and Cash Equivalents Consists of: | | |
| Unrestricted | \$ 623,232 | \$ 446,714 |
| Restricted | 261,200 | 299,176 |
| | \$ 884,432 | \$ 745,890 |

(Notes 1 to 16 are an integral part of these consolidated financial statements)

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

1. Description of Business

The Resort Municipality ("the Municipality") is incorporated under the PEI Municipalities Act. The Municipality is a non-profit organization under the Income Tax Act.

2. Accounting Policies

Basis of Preparation

These consolidated financial statements for the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico have been 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 records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs and in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services are performed or the tangible capital assets are acquired.

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, revenue, expenditures, and changes in fund balances 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 and Cash Equivalents

Cash is comprised of cash in banks.

Accounts Receivable

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

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

2. Accounting Policies (cont'd)

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 period, together with the annual surplus, provides the consolidated change in net debt for the period.

Tangible Capital Assets

Commencing January 1, 2009, tangible capital assets of the Municipality are stated at cost and amortized using the straight-line method at the following rates:

| | |
|------------------------|----------|
| Land improvements | 20 years |
| Equipment | 10 years |
| Street lights | 25 years |
| Boardwalk | 15 years |
| Leasehold improvements | 20 years |
| Fencing | 10 years |
| Computer equipment | 5 years |
| Sidewalks and trails | 20 years |
| Signage | 5 years |
| Heritage Park | 20 years |

Heritage Park was not in use during the period and no amortization has been recorded for the period.

Tangible capital assets of the Sewer Utility are stated at cost and amortized using the straight-line method at the following rates set out in accordance with the Island Regulatory and Appeals Commission's guidelines:

| | |
|-----------------|------|
| Equipment | 10% |
| Sewer mains | 1.2% |
| Sewer equipment | 5% |
| Retention pond | 1.2% |
| Signage | 20% |

Interest expense on capital debt incurred during the construction or renovation of an asset is included in the capitalized value.

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 period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates on the amounts can be determined.

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

2. Accounting Policies (cont'd)

Revenue Recognition

Property tax billings are assessed based on the market 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 monthly billings come due.

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.

The Municipality follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized on a time proportion basis.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

Use of Estimates

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

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

3. Recreation Fund

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

| | March 31, 2019 | December 31, 2017 |
|-------------------------------|---------------------------|----------------------|
| Balance - beginning of period | \$ 37,283 | \$ 34,121 |
| Subdivision fees | 2,981 | 2,944 |
| Interest | 208 | 218 |
| | <u>\$ 40,472</u> | <u>\$ 37,283</u> |
| Balance - end of period | <u>\$ 40,472</u> | <u>\$ 37,283</u> |

4. 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 period, the Members of Council did not approve the release of any funds for the purpose of funding general operating activities.

| | | |
|-------------------------------|------------------|------------------|
| Balance - beginning of period | \$ 16,850 | \$ 16,748 |
| Interest | 170 | 102 |
| | <u>\$ 17,020</u> | <u>\$ 16,850</u> |
| Balance - end of period | <u>\$ 17,020</u> | <u>\$ 16,850</u> |

5. Deferred Revenue

| | | |
|-------------------|-------------------|-------------------|
| New Deals Gas Tax | \$ 341,310 | \$ 266,797 |
| Advertising | 1,800 | - |
| | <u>\$ 343,110</u> | <u>\$ 266,797</u> |
| | <u>\$ 343,110</u> | <u>\$ 266,797</u> |

During the year, the Municipality was allocated \$100,000 under the New Deal Gas Tax Funding for Incorporated Communities and the New Deal for Cities & Communities and earned interest of \$2,484. Total funds expended for projects during the year totalled \$27,971. The Municipality must use its allocation of the New Deal Gas Tax funds and New Deal for Cities & Communities for eligible infrastructure and capacity building projects.

6. 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, 2019, 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 THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

7. Long Term Debt

| | March 31, 2019 | December 31, 2017 |
|--|----------------------------|----------------------------|
| Provincial Credit Union Limited - 3.65%; repayable in blended semi-annual installments of \$22,138; renewable November 16, 2023. | \$ 520,172 | \$ 546,681 |
| BMO - 2.9%; loan repayable in semi-annual installments of \$11,325; maturing August 18, 2041. | 366,436 | 378,201 |
| Canada Mortgage and Housing Corporation - 4.15%; repayable in blended annual installments of \$35,169; due May 1, 2025. | 209,925 | 235,328 |
| BMO - 3.04%; mortgage repayable in blended semi-annual installments of \$14,873; due April 30, 2023. | 136,157 | 161,186 |
| BMO - 2.44%; loan repayable in semi-annual installments of \$2,606; maturing August 31, 2025. | 31,125 | 35,497 |
| | <u>\$ 1,263,815</u> | <u>\$ 1,356,893</u> |

Principal portion of long term debt is scheduled to be repaid over the next five years as follows:

| | |
|------|-----------|
| 2020 | \$ 94,369 |
| 2021 | 97,661 |
| 2022 | 101,070 |
| 2023 | 104,601 |
| 2024 | 107,263 |

As security for the loans, the Municipality has provided a borrowing resolution signed by directors.

8. 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, 2020 and will be renewed for another five year term at an annual fixed rate of \$7,247.

The Municipality has entered into a lease agreement with RCAP leasing for the lease of a photocopier. The lease payments due over the next three years are as follows:

| | |
|------|----------|
| 2020 | \$ 1,610 |
| 2021 | 1,610 |
| 2022 | 1,208 |

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

9. Government Transfers

Resort

| | March 31, 2019 | December 31, 2017 |
|--|-------------------|----------------------|
| Transfers for Capital | | |
| ACOA | \$ 301,257 | \$ - |
| PEI Department of Rural and Regional Development | 72,000 | - |
| Municipal Capital Expenditures Grant | 27,518 | 7,427 |
| Tourism PEI | 25,000 | - |
| Innovation PEI | 8,000 | - |
| New Deals Gas Tax | - | 177,072 |
| | <u>\$ 433,775</u> | <u>\$ 184,499</u> |

Transfers for Operations

| | | |
|----------------|-------------|------------------|
| ACOA | \$ - | \$ 59,782 |
| Innovation PEI | - | 19,908 |
| | <u>\$ -</u> | <u>\$ 79,690</u> |

Utility

Transfers for Capital

| | | |
|--------------------------------------|------------------|------------------|
| New Deals Gas Tax | \$ 27,971 | \$ - |
| Municipal Capital Expenditures grant | 3,189 | 62 |
| Build Canada Fund | - | 11,594 |
| | <u>\$ 31,160</u> | <u>\$ 11,656</u> |

10. Accumulated Surplus

| | | |
|---|---------------------|---------------------|
| Unrestricted surplus | \$ 599,188 | \$ 410,422 |
| Restricted surplus | | |
| Recreation fund - Note 3 | 40,472 | 37,283 |
| Contingency fund - Note 4 | 17,020 | 16,850 |
| Investment in tangible capital assets - Note 11 | 4,855,218 | 4,621,392 |
| | <u>\$ 5,511,898</u> | <u>\$ 5,085,947</u> |

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

11. Investment in Tangible Capital Assets

| | March 31, 2019 | December 31, 2017 |
|--------------------------|----------------------------|----------------------|
| Tangible capital assets | \$ 9,316,708 | \$ 8,979,430 |
| Accumulated amortization | (3,197,675) | (3,001,145) |
| Long term debt - Note 7 | (1,263,815) | (1,356,893) |
| | <u>\$ 4,855,218</u> | <u>\$ 4,621,392</u> |

12. Budget Figures

A reconciliation of the 2019 fiscal operating budget prepared by Council to the budget figures disclosed in the consolidated financial statements is as follows:

| | |
|---------------------------------------|--------------------------|
| Sewer Utility budgeted annual deficit | \$ (4,700) |
| Add: Capital expenditures | 270,200 |
| Add: Debt retirement | 114,500 |
| Less: Surplus carry-forward | <u>(82,470)</u> |
| | <u>\$ 297,530</u> |

The budget figures presented on Statements 2 and 3 and Schedules 3 and 4 of the consolidated financial statements were not subject to review or audit by the external auditor.

13. 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 THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

14. Financial Instruments

The Municipality's financial instruments consist of cash and cash equivalents, accounts receivable, funds held in trust, accounts payable and accrued liabilities, security deposit, 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, 2019.

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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Municipality is exposed to this risk mainly in respect of its receipt of funds, long term debt and accounts payable.

15. 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:

Sewer Utility

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

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, operations of the fire department, and administration of municipal services.

16. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF TANGIBLE CAPITAL ASSETS
15 MONTHS ENDED MARCH 31, 2019**

| Resort | Schedule 1 | | | | | | | | | |
|--------------------------------------|--------------------------------|------------|-----------|--------------------------|--------------------------------|------------|--------------------------------|---------------------|--|--|
| | Cost Beginning of Period | Additions | Disposals | Cost End of Period | Accum Amort Dec 31, 2017 | Amort | Accum Amort Mar 31, 2019 | NBV Mar 31, 2019 | | |
| Land | \$ 58,200 | \$ - | \$ - | \$ 58,200 | \$ - | \$ - | \$ - | \$ 58,200 | | |
| Land improvements | 4,500 | - | - | 4,500 | 2,138 | 281 | 2,419 | 2,081 | | |
| Equipment | 4,061 | - | - | 4,061 | 1,746 | 465 | 2,211 | 1,850 | | |
| Street lights | 99,915 | - | - | 99,915 | 89,949 | 4,996 | 94,945 | 4,970 | | |
| Boardwalk | 808,221 | - | - | 808,221 | 789,638 | 7,117 | 796,755 | 11,466 | | |
| Leasehold improvements | 61,166 | - | - | 61,166 | 61,166 | - | 61,166 | - | | |
| Fencing | 2,850 | - | - | 2,850 | 1,710 | 356 | 2,066 | 784 | | |
| Computer equipment | 3,466 | - | - | 3,466 | 1,988 | 867 | 2,855 | 611 | | |
| Sidewalks and trails | 354,552 | - | - | 354,552 | 26,629 | 22,160 | 48,789 | 305,763 | | |
| Signage | 7,530 | 440 | - | 7,970 | 6,492 | 746 | 7,238 | 732 | | |
| Heritage Park | - | 301,761 | - | 301,761 | - | - | - | 301,761 | | |
| | \$ 1,404,461 | \$ 302,201 | \$ - | \$ 1,706,662 | \$ 981,456 | \$ 36,988 | \$ 1,018,444 | \$ 688,218 | | |
| Sewer Utility | | | | | | | | | | |
| Land | \$ 277,450 | \$ - | \$ - | \$ 277,450 | \$ - | \$ - | \$ - | \$ 277,450 | | |
| Equipment | 13,140 | - | - | 13,140 | 11,213 | 442 | 11,655 | 1,485 | | |
| Sewer mains | 5,036,207 | 3,454 | - | 5,039,661 | 1,055,569 | 75,595 | 1,131,164 | 3,908,497 | | |
| Sewer equipment | 1,006,862 | 31,623 | - | 1,038,485 | 794,272 | 64,906 | 859,178 | 179,307 | | |
| Retention pond | 1,239,972 | - | - | 1,239,972 | 157,296 | 18,600 | 175,896 | 1,064,076 | | |
| Signage | 1,338 | - | - | 1,338 | 1,338 | - | 1,338 | - | | |
| | \$ 7,574,969 | \$ 35,077 | \$ - | \$ 7,610,046 | \$ 2,019,688 | \$ 159,543 | \$ 2,179,231 | \$ 5,430,815 | | |
| Total Tangible Capital Assets | \$ 8,979,430 | \$ 337,278 | \$ - | \$ 9,316,708 | \$ 3,001,144 | \$ 196,531 | \$ 3,197,675 | \$ 6,119,033 | | |

(Notes 1 to 16 are an integral part of these consolidated financial statements)



**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2017**

| Resort | Schedule 2 | | | | | | | | | |
|--|------------------------------|------------|-----------|------------------------|--------------------------------|------------|--------------------------------|---------------------|--|--|
| | Cost Beginning of Year | Additions | Disposals | Cost End of Year | Accum Amort Dec 31, 2016 | Amort | Accum Amort Dec 31, 2017 | NBV Dec 31, 2017 | | |
| Land | \$ 58,200 | \$ - | \$ - | \$ 58,200 | \$ - | \$ - | \$ - | \$ 58,200 | | |
| Land improvements | 4,500 | - | - | 4,500 | 1,913 | 225 | 2,138 | 2,362 | | |
| Equipment | 3,896 | 165 | - | 4,061 | 1,375 | 371 | 1,746 | 2,315 | | |
| Street lights | 99,915 | - | - | 99,915 | 85,953 | 3,996 | 89,949 | 9,966 | | |
| Boardwalk | 808,221 | - | - | 808,221 | 777,951 | 11,687 | 789,638 | 18,583 | | |
| Leasehold improvements | 61,166 | - | - | 61,166 | 61,166 | - | 61,166 | - | | |
| Fencing | 2,850 | - | - | 2,850 | 1,425 | 285 | 1,710 | 1,140 | | |
| Computer equipment | 3,466 | - | - | 3,466 | 1,295 | 693 | 1,988 | 1,478 | | |
| Sidewalks and trails | 178,031 | 176,521 | - | 354,552 | 8,902 | 17,727 | 26,629 | 327,923 | | |
| Signage | 6,980 | 550 | - | 7,530 | 5,986 | 507 | 6,493 | 1,037 | | |
| | \$ 1,227,225 | \$ 177,236 | \$ - | \$ 1,404,461 | \$ 945,966 | \$ 35,491 | \$ 981,457 | \$ 423,004 | | |
| Sewer Utility | | | | | | | | | | |
| Land | \$ 277,450 | \$ - | \$ - | \$ 277,450 | \$ - | \$ - | \$ - | \$ 277,450 | | |
| Equipment | 13,140 | - | - | 13,140 | 10,859 | 354 | 11,213 | 1,927 | | |
| Sewer equipment | 1,006,175 | 687 | - | 1,006,862 | 743,929 | 50,343 | 794,272 | 212,590 | | |
| Sewer mains | 5,018,755 | 17,452 | - | 5,036,207 | 995,134 | 60,435 | 1,055,569 | 3,980,638 | | |
| Retention pond | 1,239,972 | - | - | 1,239,972 | 142,416 | 14,880 | 157,296 | 1,082,676 | | |
| Signage | 1,338 | - | - | 1,338 | 1,338 | - | 1,338 | - | | |
| | \$ 7,556,830 | \$ 18,139 | \$ - | \$ 7,574,969 | \$ 1,893,676 | \$ 126,012 | \$ 2,019,688 | \$ 5,555,281 | | |
| Total Tangible Capital Assets | \$ 8,784,055 | \$ 195,375 | \$ - | \$ 8,979,430 | \$ 2,839,642 | \$ 161,503 | \$ 3,001,145 | \$ 5,978,285 | | |

(Notes 1 to 16 are an integral part of these consolidated financial statements)

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO**
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS - RESORT MUNICIPALITY
15 MONTHS ENDED MARCH 31, 2019

| | Budget 2019 | Actual 2019 | Schedule 3 Actual 2017 (12 months) |
|--|--------------------|-------------------|---|
| Revenues | | | |
| Government transfers for capital - Note 9 | \$ - | \$ 433,775 | \$ 184,499 |
| Municipal tax | 347,937 | 360,645 | 271,924 |
| Administration fees | 20,480 | 23,110 | 21,140 |
| Building permits | 1,800 | 10,706 | 11,525 |
| Miscellaneous | 6,500 | 10,646 | 12,566 |
| Interest | 1,100 | 897 | 788 |
| Wage subsidies | - | 867 | 3,375 |
| Government transfers for operations - Note 9 | - | - | 79,690 |
| Internet servicing contributions | - | - | 30,500 |
| | <u>377,817</u> | <u>840,646</u> | <u>616,007</u> |
| Expenditures | | | |
| Advertising | 8,000 | 2,082 | 7,270 |
| Amortization of tangible capital assets | - | 36,986 | 35,493 |
| Community projects | 39,000 | 9,451 | 25,753 |
| Farm rebates | 900 | 483 | 658 |
| Federation dues | 2,000 | 652 | 522 |
| Fire protection | 70,000 | 89,300 | 66,129 |
| Honorariums | 10,000 | 9,689 | 9,682 |
| Insurance | 6,000 | 7,223 | 5,254 |
| Interest and bank charges | 1,500 | 767 | 586 |
| Internet project | - | - | 119,565 |
| Meeting and miscellaneous | 3,200 | 5,579 | 6,366 |
| Miscellaneous | 6,500 | - | - |
| Newsletters | 2,200 | - | - |
| Office | 8,000 | 10,257 | 6,816 |
| Professional fees | 70,787 | 77,417 | 22,267 |
| Property tax | 1,300 | 765 | 750 |
| Recreation rebate | 800 | 150 | 600 |
| Rent | 7,000 | 5,715 | 5,527 |
| Street lighting and maintenance | 50,000 | 42,043 | 41,107 |
| Telephone | 2,900 | 3,287 | 2,714 |
| Travel | 8,000 | 5,591 | 5,223 |
| Wages and wage levies | 92,000 | 113,114 | 85,520 |
| | <u>390,087</u> | <u>420,551</u> | <u>447,802</u> |
| Change in Fund Balance | <u>\$ (12,270)</u> | <u>\$ 420,095</u> | <u>\$ 168,205</u> |

(Notes 1 to 16 are an integral part of these consolidated financial statements)

M|R|S|B

**RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH
AND NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS - SEWER UTILITY
15 MONTHS ENDED MARCH 31, 2019**

| | Budget 2019 | Actual 2019 | Schedule 4 Actual 2017 (12 months) |
|---|------------------------|------------------------|---|
| Revenues | | | |
| Sewer fees | \$ 304,000 | \$ 396,779 | \$ 316,875 |
| Government transfers for capital - Note 9 | 200,000 | 31,160 | 11,656 |
| Interest | 7,000 | 8,239 | 4,172 |
| Other | 1,500 | 4,644 | 2,457 |
| | 512,500 | 440,822 | 335,160 |
| Expenditures | | | |
| Administration | 20,300 | 23,110 | 21,539 |
| Amortization of tangible capital assets | - | 159,542 | 126,011 |
| Bad debts | - | - | 1,160 |
| Dues and fees | 3,600 | 3,884 | 3,803 |
| Electricity | 35,000 | 43,152 | 40,448 |
| Insurance | 11,100 | 13,446 | 10,077 |
| Interest and bank charges | 5,500 | 282 | 248 |
| Interest on long term debt | - | 53,814 | 44,092 |
| Maintenance | 108,250 | 118,392 | 108,959 |
| Miscellaneous | 2,400 | 2,247 | 657 |
| Professional fees | 15,000 | 19,111 | 8,464 |
| Property tax | 1,550 | 1,345 | 1,334 |
| | 202,700 | 438,325 | 366,792 |
| Change in Fund Balance | \$ 309,800 | \$ 2,497 | \$ (31,632) |

(Notes 1 to 16 are an integral part of these consolidated financial statements)

M|R|S|B