



# Consolidated Financial Statements

Village of Murray Harbour

December 31, 2015

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# Village of Murray Harbour

## Management's responsibility for financial reporting

December 31, 2015

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The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited consolidated financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Village of Murray Harbour and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Village of Murray Harbour

Administrator \_\_\_\_\_

Village Chair \_\_\_\_\_

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## Independent auditors' report

Grant Thornton LLP  
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To the Council of

Village of Murray Harbour

We have audited the accompanying consolidated financial statements of Village of Murray Harbour, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, cash flows and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Murray Harbour as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Montague, PE

March 21, 2016

Chartered Professional Accountants

## Village of Murray Harbour Consolidated statement of operations

Year ended December 31	Budget	2015	2014
Revenue			
Property taxes (Note 4)	\$ 74,568	\$ 76,849	\$ 74,907
Government transfers			
Equalization	19,952	19,952	19,952
Infrastructure	37,500	11,190	48,269
Wages	12,652	11,696	6,089
Rent and other	45,850	53,337	12,420
Gain/loss on sale of assets	-	1,000	(383)
Interest	2,500	2,547	4,257
Sewer charges	60,000	59,856	60,241
Fire dues	32,772	36,204	34,224
	<u>285,794</u>	<u>272,631</u>	<u>259,978</u>
Expenses			
General government	133,783	92,155	87,215
Village centre and recreation	48,370	57,005	37,972
Sewer	59,800	50,514	67,527
Fire department	57,475	43,418	46,523
	<u>299,428</u>	<u>243,092</u>	<u>239,237</u>
Annual surplus	\$ (13,634)	\$ 29,539	\$ 20,741
Accumulated surplus, beginning of year		\$ 1,905,152	\$ 1,884,411
Annual surplus		<u>29,539</u>	<u>20,741</u>
Accumulated surplus, end of year		<u>\$ 1,934,691</u>	<u>\$ 1,905,152</u>

See accompanying notes and schedules to the consolidated financial statements.

# Village of Murray Harbour

## Consolidated statement of financial position

Year ended December 31

2015

2014

**Financial assets**

Cash and cash equivalents		
Unrestricted	\$ 76,722	\$ 22,410
Receivables		
Sewer	2,377	3,267
Grants	1,114	6,089
HST	5,829	10,505
Other	1,212	622
Restricted (Note 2)	<u>120,318</u>	<u>124,577</u>
	<u>207,573</u>	<u>167,470</u>

**Liabilities**

Payables and accruals	24,369	18,337
Deferred revenue – gas tax (Note 2)	120,318	124,577
Long-term debt (Note 3)	<u>86,618</u>	<u>110,811</u>
	<u>231,305</u>	<u>253,725</u>

**Net debt** (23,733) (86,255)

**Non-financial assets**

Prepays	6,106	8,643
Tangible capital assets (Page 8)	<u>1,952,318</u>	<u>1,982,764</u>
	<u>1,958,424</u>	<u>1,991,407</u>

**Accumulated surplus** \$ 1,934,691 \$ 1,905,152

On behalf of the Council

\_\_\_\_\_  
Village Chair

\_\_\_\_\_  
Councilor

See accompanying notes and schedules to the consolidated financial statements.

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## Village of Murray Harbour Consolidated statement of cash flows

Year ended December 31	2015	2014
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Annual surplus	\$ 29,538	\$ 20,741
Gain/loss on sale of assets	(1,000)	383
Amortization	<u>66,286</u>	<u>65,404</u>
	<b>94,824</b>	<b>86,528</b>
Change in non-cash working capital		
Receivables	9,950	45,269
Prepays	2,553	(6,230)
Deferred revenue	(4,259)	53,801
Payables and accruals	<u>6,017</u>	<u>(49,316)</u>
	<b>109,086</b>	<b>130,051</b>
<b>Financing activities</b>		
Change in restricted cash	4,259	(58,231)
Proceeds from issuance of long term debt	-	75,000
Principal payment of long term debt	<u>(24,193)</u>	<u>(38,400)</u>
	<b>(19,934)</b>	<b>(21,631)</b>
<b>Investing activities</b>		
Proceeds on disposal	1,000	18,870
Purchase of tangible capital assets	<u>(35,840)</u>	<u>(160,705)</u>
	<b>(34,840)</b>	<b>(141,835)</b>
Net increase (decrease) in cash and cash equivalents	<b>54,312</b>	<b>(33,415)</b>
Cash and cash equivalents		
Beginning of year	<u>22,410</u>	<u>55,825</u>
End of year	<b>\$ 76,722</b>	<b>\$ 22,410</b>

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See accompanying notes and schedules to the consolidated financial statements.



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## Village of Murray Harbour

### Consolidated statement of changes in net debt

Year ended December 31	Budget	2015	2014
Annual surplus	\$ (13,634)	\$ 29,538	\$ 20,741
Amortization	65,365	66,286	65,404
Loss on disposal of assets	-	(1,000)	383
Proceeds on disposition	-	1,000	18,870
Acquisition of tangible capital assets	-	<u>(35,840)</u>	<u>(160,705)</u>
	51,731	59,984	(55,307)
Change in prepaid expenses	<u>-</u>	<u>2,538</u>	<u>(6,229)</u>
Change in net debt	<u>\$ 51,731</u>	<u>62,522</u>	(61,536)
Net financial (debt) assets, beginning of year		<u>(86,255)</u>	<u>(24,719)</u>
Net debt, end of year		<u>\$ (23,733)</u>	<u>\$ (86,255)</u>

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See accompanying notes and schedules to the consolidated financial statements.

## Village of Murray Harbour Schedule of tangible capital assets

Year ended December 31, 2015

	Land & Land Improvements	Buildings	Street Lights & Equipment	Fire Equipment	Sewer System	<u>2015</u>	<u>2014</u>
<b>Cost:</b>							
Opening balance	\$ 57,152	\$ 623,549	\$ 56,891	\$ 289,236	\$ 1,672,094	\$ <b>2,698,922</b>	\$ 2,587,442
Acquisition of tangible capital assets	6,456	18,234	7,144	4,006	-	<b>35,840</b>	160,705
Disposal of tangible capital assets	-	-	-	-	-	-	(49,225)
Balance, end of year	<u>63,608</u>	<u>641,783</u>	<u>64,035</u>	<u>293,242</u>	<u>1,672,094</u>	<u><b>2,734,762</b></u>	<u>2,698,922</u>
<b>Accumulated amortization</b>							
Opening balance	-	(217,382)	(25,726)	(92,602)	(380,448)	<b>(716,158)</b>	680,723
Adjustments	-	-	-	-	-	-	(29,969)
Annual amortization	<u>(323)</u>	<u>(14,947)</u>	<u>(3,524)</u>	<u>(19,863)</u>	<u>(27,629)</u>	<u><b>(66,286)</b></u>	<u>65,404</u>
Balance, end of year	<u>(323)</u>	<u>(232,329)</u>	<u>(29,250)</u>	<u>(112,465)</u>	<u>(408,077)</u>	<u><b>(782,444)</b></u>	<u>716,158</u>
<b>Net book value of tangible capital assets</b>	<u><b>\$ 63,285</b></u>	<u><b>\$ 409,454</b></u>	<u><b>\$ 34,785</b></u>	<u><b>\$ 180,777</b></u>	<u><b>\$ 1,264,017</b></u>	<u><b>\$ 1,952,318</b></u>	<u><b>\$ 1,982,764</b></u>

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# Village of Murray Harbour

## Notes to the consolidated financial statements

December 31, 2015

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### 1. Summary of significant accounting policies

The consolidated financial statements of the Village of Murray Harbour are prepared by management in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Village are as follows:

#### **Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in net debt and in financial position of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the Village for administration of their financial affairs and resources, and which are owned or controlled by the Village. Interdepartmental and organizational transactions and balances are eliminated.

#### **Consolidated entities**

The organizations included in the consolidated financial statements are as follows:

Village of Murray Harbour  
Murray Harbour Fire Department  
Village of Murray Harbour Sewage Utility

#### **Basis of accounting**

The basis of accounting followed in the consolidated financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred.

#### **Revenue recognition**

- (a) Tax revenue is property tax billings which are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates set by the Village. Taxation revenue is recorded as it is received in monthly instalments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The Village's revenue is adjusted for any of these appeals using a yearly statement.
- (b) Revenue from provincial or federal governments without eligibility criteria or stipulations is recognized as revenue by the Village when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Village when the transfer is authorized and all eligibility criteria have been met. Revenue with stipulations is recognized as revenue by the Village when the transfer is authorized and all stipulations have been met.
- (c) Other revenue is recorded when it is earned.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and unrestricted and restricted balances on deposit with banks. Bank borrowings are considered to be a financing activity.

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# Village of Murray Harbour

## Notes to the consolidated financial statements

December 31, 2015

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### 1. Summary of significant accounting policies (cont'd)

#### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for 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.

#### Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development and betterment of the asset. The cost of the tangible capital assets is amortized on a straight line basis over the estimated useful life as follows:

Multi purpose buildings	2.5%
Buildings	4.0%
Automotive equipment	10.0%
Equipment and street lighting	10.0%
Fire department equipment	10.0%
Computers	20.0%
Sewer system	1.2%
Sewer treatment plant equipment	5.0%

All costs associated with placing an asset in service, including freight, installation costs, site preparation costs, alterations, and professional fees are included in the capitalized value.

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

#### Management estimates

The presentation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

## Village of Murray Harbour

### Notes to the consolidated financial statements

December 31, 2015

<b>2. Deferred revenue</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Deferred revenue, beginning of year	\$ 124,577	\$ 66,346
Received	-	100,000
Interest income	431	-
Spent	<u>(4,690)</u>	<u>(41,769)</u>
Deferred revenue, end of year	<b><u>\$ 120,318</u></b>	<b><u>\$ 124,577</u></b>

During the year the Village was allocated NIL (2014 - \$100,000) under the New Deal Gas Tax Funding for Incorporated Communities Agreement. The Village must use their allocation of the New Deal Gas Tax funds for eligible infrastructure and capacity building.

Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities, the Village has received grants which are restricted for expenditure on eligible projects. During the year \$4,690 (2014 - \$41,769) was spent on eligible projects. The Village has prepared, and the governmental regulating body has accepted, a Capital Investment Plan which details determined expenditures.

<b>3. Long-term debt</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Village of Murray Harbour General		
Prime plus 1.50%, Canadian Imperial Bank of Commerce loan, maturing April 2029, payable in monthly instalments of \$417 plus accrued interest.	\$ 66,667	\$ 71,667
Village of Murray Harbour Fire department		
Prime plus 1.5%, Canadian Imperial Bank of Commerce loan, maturing September 2018, payable in monthly instalments of \$604, plus accrued interest.	19,951	27,206
Debt retired during the year	<u>-</u>	<u>11,938</u>
	<b><u>\$ 86,618</u></b>	<b><u>\$ 110,811</u></b>

Prime at December 31, 2015 was 2.70%.

Principal repayments in each of the next five years are due as follows: 2016 - \$12,255; 2017 - \$12,255; 2018 - \$10,442; 2019 - \$5,000; 2020 - \$5,000.

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# Village of Murray Harbour

## Notes to the consolidated financial statements

December 31, 2015

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<b>4. Property taxes</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Commercial property tax	\$ 5,211	\$ 5,174
Non-commercial property tax	<u>71,638</u>	<u>69,733</u>
	<b><u>\$ 76,849</u></b>	<b><u>\$ 74,907</u></b>

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### **5. Rate regulation**

The Village is subject to rate regulation on the Sewer utilities provided to residents in Prince Edward Island under *The Island Regulatory & Appeals Commission Act*. The purpose of this Act, which is administered by The Island Regulatory & Appeals Commission (IRAC), is to regulate the rate municipalities may charge for sewer utilities provided to residents within Prince Edward Island and to ensure at all times a just and reasonable price for sewer services. Changes in sewer utility rates can only be implemented with the approval from IRAC.

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### **6. Segment disclosure**

The Village provides various services to its citizens. For management reporting purposes the Village's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Community services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

#### General government services

This department is responsible for the overall financial and local government administration. It's tasks include accounts payable and receivables, budgets and financial statements, administration and maintenance of bylaws.

#### Village centre and recreation

This department is responsible for rental and maintenance of the Village community centre and parks.

#### Sewer utility

This department is responsible for sewage utility services provided to the residents.

#### Fire protection services

This department is responsible for fire protection for its residents.

Internally generated revenues and expenses are eliminated on a consolidated basis.

## Village of Murray Harbour

### Consolidated schedule of segment disclosures

Year ended December 31

	General Government	Village center & Recreation	Sewer	Fire Department	Elimination	Consolidated 2015
<b>Revenues</b>						
Property taxes	\$ 76,849	\$ -	\$ -	\$ -	\$ -	\$ 76,849
Government transfer						
Municipal Support Grant Program	19,952	-	-	-	-	19,952
Infrastructure	11,190	-	-	-	-	11,190
Wages	-	11,696	-	-	-	11,696
Rent and other	38,992	16,661	-	1,284	(3,600)	53,337
Interest	289	-	2,258	-	-	2,547
Gain/loss on sale of assets	1,000	-	-	-	-	1,000
Sewer	-	-	59,856	-	-	59,856
Fire dues	-	-	-	55,027	(18,823)	36,204
	<u>148,272</u>	<u>28,357</u>	<u>62,114</u>	<u>56,311</u>	<u>(22,423)</u>	<u>272,631</u>
<b>Expenditures</b>						
Salaries and Benefits	28,686	20,831	5,758	1,825	-	57,100
Goods and Services	63,412	28,815	20,376	24,950	(22,423)	115,130
Amortization	15,795	7,359	27,629	15,506	-	66,289
Interest	3,085	-	351	1,137	-	4,573
	<u>110,978</u>	<u>57,005</u>	<u>54,114</u>	<u>43,418</u>	<u>(22,423)</u>	<u>243,092</u>
<b>Annual surplus (deficit)</b>	\$ <u>37,294</u>	\$ <u>(28,648)</u>	\$ <u>8,000</u>	\$ <u>12,893</u>	\$ <u>-</u>	\$ <u>29,539</u>

# Village of Murray Harbour

## Consolidated schedule of segment disclosures

Year ended December 31

	<u>General Government</u>	<u>Village center &amp; Recreation</u>	<u>Sewer</u>	<u>Fire Department</u>	<u>Elimination</u>	<u>Consolidated 2014</u>
<b>Revenues</b>						
Property taxes	\$ 74,907	\$ -	\$ -	\$ -	\$ -	\$ 74,907
Government transfer						
Municipal Support Grant Program	19,952	-	-	-	-	19,952
Infrastructure	22,432	-	19,337	6,500	-	48,269
Wages	-	6,089	-	-	-	6,089
Rent and other	4,810	9,885	-	1,325	(3,600)	12,420
Interest	221	-	4,037	-	-	4,258
Gain/loss on sale of assets	(383)	-	-	-	-	(383)
Sewer	-	-	60,241	-	-	60,241
Fire dues	-	-	-	52,872	(18,648)	34,224
	<u>121,939</u>	<u>15,974</u>	<u>83,616</u>	<u>60,697</u>	<u>(22,248)</u>	<u>259,978</u>
<b>Expenditures</b>						
Salaries and Benefits	24,903	6,831	7,440	1,975	-	41,149
Goods and Services	64,644	24,615	32,215	27,260	(22,248)	126,486
Amortization	13,459	6,526	30,157	15,262	-	65,404
Interest	2,857	-	1,315	1,491	-	5,663
Other	-	-	-	534	-	534
	<u>105,863</u>	<u>37,972</u>	<u>71,127</u>	<u>46,523</u>	<u>(22,248)</u>	<u>239,237</u>
<b>Annual surplus (deficit)</b>	<u>\$ 16,076</u>	<u>\$ (21,998)</u>	<u>\$ 12,489</u>	<u>\$ 14,174</u>	<u>\$ -</u>	<u>\$ 20,741</u>