

RURAL MUNICIPALITY OF MORELL
Consolidated Financial Statements
March 31, 2023

RURAL MUNICIPALITY OF MORELL
Index to Consolidated Financial Statements
March 31, 2023

	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 Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 16
Schedules to the Consolidated Financial Statements	17 - 25

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Rural Municipality of Morell are the responsibility of management and have been prepared in accordance with Canadian Public Sector Accounting Standards. 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 Rural Municipality of Morell. 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 Rural Municipality of Morell:



Mayor

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Rural Municipality of Morell

Opinion

We have audited the consolidated financial statements of Rural Municipality of Morell (the Municipality), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and accompanying 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 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.

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

January 22, 2024

RURAL MUNICIPALITY OF MORELL
Consolidated Statement of Financial Position
March 31, 2023

	2023	2022
Financial assets		
Cash		
Unrestricted cash	\$ 458,192	\$ 504,188
Restricted cash	779,929	666,230
Accounts receivable (Note 3)	103,221	33,437
	<u>1,341,342</u>	<u>1,203,855</u>
Liabilities		
Accounts payable and accrued liabilities	42,947	41,345
Deferred revenue (Note 4)	772,784	658,709
Long term debt (Note 5)	241,623	298,076
	<u>1,057,354</u>	<u>998,130</u>
Net financial assets (Statement 6)	<u>283,988</u>	<u>205,725</u>
Non-financial assets		
Prepaid expense	-	806
Tangible capital assets (Schedules 1 and 2)	2,950,823	2,920,812
	<u>2,950,823</u>	<u>2,921,618</u>
Accumulated surplus (Statement 5)	<u>\$ 3,234,811</u>	<u>\$ 3,127,343</u>

On behalf of Council

 Mayor

 Councillor

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

RURAL MUNICIPALITY OF MORELL
Consolidated Statement of Operations
Year Ended March 31, 2023

	Budget 2023	Actual 2023	Actual 2022
Revenues			
Municipality (Schedule 3)	\$ 232,380	\$ 239,664	\$ 220,975
Sewer (Schedule 5)	51,500	52,389	46,411
Fire Department (Schedule 6)	-	162,536	146,224
	<u>283,880</u>	<u>454,589</u>	<u>413,610</u>
Expenditures			
Municipality (Schedule 3)	231,325	278,317	248,810
Sewer (Schedule 5)	46,150	67,762	52,915
Fire Department (Schedule 6)	-	115,585	109,804
	<u>277,475</u>	<u>461,664</u>	<u>411,529</u>
Operating surplus (deficit)	<u>6,405</u>	<u>(7,075)</u>	<u>2,081</u>
Other revenues (expenditures)			
Government transfers for capital - Municipality (Note 6)	-	98,745	594
Government transfers for capital - Sewer (Note 6)	-	-	68,142
Government transfers for capital - Fire (Note 6)	-	33,578	(2,661)
Loss on disposal of tangible capital assets	-	(17,780)	-
	<u>-</u>	<u>114,543</u>	<u>66,075</u>
Annual surplus	6,405	107,468	68,156
Accumulated surplus - beginning of year	<u>3,127,343</u>	<u>3,127,343</u>	<u>3,059,187</u>
Accumulated surplus - end of year (Note 7)	<u>\$ 3,133,748</u>	<u>\$ 3,234,811</u>	<u>\$ 3,127,343</u>

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

RURAL MUNICIPALITY OF MORELL
Consolidated Statement of Changes in Net Financial Assets
Year Ended March 31, 2023

	Budget 2023	Actual 2023	Actual 2022
Annual Surplus	\$ 6,405	\$ 107,468	\$ 68,156
Amortization of tangible capital assets	-	123,755	121,042
Purchase of tangible capital assets	(596,750)	(191,045)	(111,068)
Proceeds on disposal of tangible capital assets	-	19,500	-
Loss on disposal of tangible capital assets	-	17,780	-
Increase in prepaid expense	-	805	4,247
	(596,750)	(29,205)	14,221
Increase (decrease) in net financial assets	(590,345)	78,263	82,377
Net financial assets - beginning of year	205,725	205,725	123,348
Net financial assets (debt) - end of year	\$ (384,620)	\$ 283,988	\$ 205,725

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

RURAL MUNICIPALITY OF MORELL
Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	2023	2022
Cash flows from operating activities		
Annual Surplus	\$ 107,468	\$ 68,156
Items not affecting cash:		
Amortization of tangible capital assets	123,755	121,042
Loss on disposal of tangible capital assets	17,780	-
	<u>249,003</u>	<u>189,198</u>
Changes in non-cash working capital:		
Accounts receivable	(69,784)	25,965
Prepaid expense	806	4,247
Accounts payable and accrued liabilities	1,601	12,820
Deferred revenue	114,075	205,372
	<u>46,698</u>	<u>248,404</u>
	<u>295,701</u>	<u>437,602</u>
Cash flows from capital activities		
Purchase of tangible capital assets	(191,045)	(111,068)
Proceeds on disposal of property and equipment	19,500	-
	<u>(171,545)</u>	<u>(111,068)</u>
Cash flows from financing activity		
Repayment of long term debt	(56,453)	(54,609)
Increase in cash	<u>67,703</u>	<u>271,925</u>
Cash - beginning of year	<u>1,170,418</u>	<u>898,493</u>
Cash - end of year	<u>\$ 1,238,121</u>	<u>\$ 1,170,418</u>
Cash consists of:		
Unrestricted cash	\$ 458,192	\$ 504,188
Restricted cash	779,929	666,230
	<u>\$ 1,238,121</u>	<u>\$ 1,170,418</u>

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

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements of the Rural Municipality of Morell have been prepared in accordance with Canadian Accounting Standards for the Public Sector.

These 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 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 Rural Municipality of Morell 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 administration of their financial affairs and resources.

The financial activities of certain entities associated with the Rural Municipality of Morell are considered to be separate government business enterprises and are not consolidated. The Municipality's transactions with these entities are not recorded in the consolidated statement of financial activities. These include Morell Community Rink Inc.

Cash

Cash is comprised of cash on hand, cash in banks, restricted cash and temporary investments.

Accounts receivable

Accounts receivable arise from sewer dues, government assistance, property tax, accrued interest, miscellaneous receivables, and Harmonized Sales Tax recoverable. 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.

(continues)

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Buildings	40 years
Equipment	15 years
Furniture and equipment	15 years
Fire trucks	15 years
Computer equipment	5 years
Signage	5 years
Landscaping	10 years
Automobiles	10 years
Fire fighting equipment	15 years
Website	5 years
Paving	10 years
Boat	15 years
Sewer and lagoon	1.2%
Equipment - Sewer	20%
Computer equipment - Sewer	20%

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

Amortization rates for the Sewer Utility were established using the estimated useful life of the asset in accordance with the Island Regulatory and Appeals Commission guidelines.

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.

Asset Retirement Obligations

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, 2023, no asset retirement obligations have been identified by management.

(continues)

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial assets 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.

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 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.

Fire dues are reviewed, established, and approved annually by the Fire District. These revenues are recognized when monthly billings come due.

The Municipality follows the deferral method of accounting for grants and contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred, with recognition of excess amounts being deferred until 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.

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 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)

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Government funding	\$ 72,613	\$ 2,742
Sewer dues	23,852	24,569
HST receivable	5,304	1,835
Interest receivable	1,152	411
Trade	300	3,880
	<u>\$ 103,221</u>	<u>\$ 33,437</u>

4. DEFERRED REVENUE

	<u>2023</u>	<u>2022</u>
Canada Community Building Fund	\$ 768,359	\$ 654,659
Rent	4,425	4,050
	<u>\$ 772,784</u>	<u>\$ 658,709</u>

Under the Canada Community Building Fund, the Municipality is allocated \$100,000 per year for fiscal years ending March 31, 2019 to 2024. These funds, along with interest earned, must be used for eligible infrastructure and capacity building projects. Any funds received under this program, including interest earned but not yet spent, are recognized as deferred revenue at the end of the year.

During the year, the Municipality received Canada Community Building funding of \$100,000 and did not incur any eligible expenditures and earned interest of \$13,699.

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

5. LONG TERM DEBT

	<u>2023</u>	<u>2022</u>
<u>Municipality</u>		
Morell Credit Union Limited - 4.45%; repayable in monthly blended installments of \$2,067. The loan matures on December 15, 2028.	\$ 126,448	\$ 145,166
<u>Sewer</u>		
Morell Credit Union Limited - 3.25%; repayable in annual blended installments of \$8,522. The loan matured on October 31, 2022.	-	8,278
<u>Fire Department</u>		
Morell Credit Union Limited - 3.25%; repayable in quarterly blended installments of \$4,128. The loan matures on October 27, 2026 and is secured by 2012 International fire truck which has a carrying value of \$74,791.	85,446	98,914
Morell Credit Union Limited - 4.2%; repayable in quarterly blended installments of \$4,415. The loan matures on October 1, 2024 and is secured by 2015 Freightliner which has a carrying value of \$69,224.	29,729	45,718
	<u>\$ 241,623</u>	<u>\$ 298,076</u>

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

2024	\$ 50,146
2025	47,879
2026	36,223
2027	37,681
2028	39,201
Thereafter	30,493

6. GOVERNMENT TRANSFERS

	<u>2023</u>	<u>2022</u>
<u>Government transfers for capital</u>		
<u>Municipality</u>		
Investing in Canada Infrastructure Program	\$ 46,835	\$ -
Atlantic Canada Opportunities Agency	35,697	-
Municipal Capital Expenditure Grant	16,213	594
	<u>98,745</u>	<u>594</u>
<u>Sewer</u>		
Investing in Canada Infrastructure Program	-	60,626
Municipal Capital Expenditure Grant	-	7,516
	<u>-</u>	<u>68,142</u>

(continues)

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

6. GOVERNMENT TRANSFERS (continued)

	<u>2023</u>	<u>2022</u>
<u>Government transfers for capital</u>		
<u>Fire Department</u>		
Province of PEI - Emergency Equipment	30,000	-
Province of PEI Community Revitalization Program	2,409	-
Municipal Capital Expenditure Grant	1,169	(2,661)
	<u>33,578</u>	<u>(2,661)</u>
	<u>132,323</u>	<u>66,075</u>
	<u>2023</u>	<u>2022</u>
<u>Government transfers for operations</u>		
<u>Municipality</u>		
EDA Grants	9,249	4,717
JFY Grants - Welcome Centre	4,560	8,653
JFY Grants - Recreation	4,560	4,326
Rural Initiative Grant	3,660	-
Canada Summer Jobs	1,918	-
Welcome Center Grants	1,300	-
Canada Day Grant	840	-
	<u>26,087</u>	<u>17,696</u>
<u>Sewer</u>		
Province of PEI - Fiona Disaster Relief	4,590	-
<u>Fire Department</u>		
Province of PEI - Fiona Disaster Relief	1,761	-
	<u>32,438</u>	<u>17,696</u>
	<u>\$ 164,761</u>	<u>\$ 83,771</u>

7. ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u>
Unrestricted surplus	\$ 451,111	\$ 430,108
Reserve funds (Note 8)	74,500	74,500
Investment in tangible capital assets (Note 9)	2,709,200	2,622,735
	<u>\$ 3,234,811</u>	<u>\$ 3,127,343</u>

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

8. RESERVE FUNDS

	<u>2023</u>	<u>2022</u>
Balance - beginning of year	\$ 74,500	\$ 74,500
Allocation to reserve	-	-
Balance - end of year	<u>74,500</u>	<u>74,500</u>
Comprising of:		
Building reserve	29,500	29,500
General reserve	<u>45,000</u>	<u>45,000</u>
	\$ 74,500	\$ 74,500

9. INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets - Schedules 1 and 2	\$ 5,304,684	\$ 5,151,708
Accumulated amortization - Schedules 1 and 2	(2,353,861)	(2,230,897)
Long term debt (Note 5)	<u>(241,623)</u>	<u>(298,076)</u>
	<u>\$ 2,709,200</u>	<u>\$ 2,622,735</u>

10. LINE OF CREDIT AVAILABILITY

The Municipality has an approved line of credit with Morell Credit Union Limited of \$20,000 which was not utilized at the year end and has a renewal date of September 30, 2023. The Sewer Utility has an approved line of credit with Morell Credit Union Limited of \$250,000 which was not utilized at the year end and has a renewal date of September 30, 2023.

11. BUDGET FIGURES

The budget figures provided on Statement 2 and Schedules 3, 4, 5 and 6 have not been audited or reviewed by the external auditor.

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

12. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, 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, 2023.

(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.

(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.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

13. RATE REGULATION

Sewer Utility

The Municipality 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 price accordingly.

RURAL MUNICIPALITY OF MORELL
Notes to Consolidated Financial Statements
Year Ended March 31, 2023

14. SEGMENT DISCLOSURES

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.

Fire Department

This segment is responsible for the maintenance and operations of the fire department 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, and administration of municipal services.

15. SUBSEQUENT EVENTS

Subsequent to year end, the Municipality approved sale of 15 and 25 Sunset Crescent, Morell, PE for the purchase price of \$150,000 plus HST.

16. COMPARATIVE FIGURES

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

RURAL MUNICIPALITY OF MORELL
Schedules to Consolidated Financial Statements
Tangible Capital Assets
Year Ended March 31, 2023

(Schedule 1)

	Cost beginning of year	Additions	Disposals and contributions	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
Municipality									
Land	\$ 235,976	\$ 1,127	\$ (14,398)	\$ 222,705	\$ -	\$ -	\$ -	\$ -	\$ 222,705
Buildings	2,200,381	107,705	-	2,308,086	1,099,619	50,652	-	1,150,271	1,157,815
Equipment	265,261	70,634	(23,671)	312,224	212,112	11,912	(789)	223,235	88,989
Furniture and equipment	27,286	-	-	27,286	13,084	1,614	-	14,698	12,588
Fire trucks	755,021	-	-	755,021	582,332	28,674	-	611,006	144,015
Computer equipment	5,333	-	-	5,333	5,333	-	-	5,333	-
Signage	2,877	-	-	2,877	2,877	-	-	2,877	-
Landscaping	20,625	-	-	20,625	20,625	-	-	20,625	-
Automobiles	12,669	-	-	12,669	7,968	1,176	-	9,144	3,525
Fire fighting equipment	120,801	11,579	-	132,380	56,567	8,439	-	65,006	67,374
Website	11,136	-	-	11,136	6,120	2,007	-	8,127	3,009
Paving	9,370	-	-	9,370	4,451	937	-	5,388	3,982
Boat	13,199	-	-	13,199	2,200	880	-	3,080	10,119
	\$ 3,679,935	\$ 191,045	\$ (38,069)	\$ 3,832,911	\$ 2,013,288	\$ 106,291	\$ (789)	\$ 2,118,790	\$ 1,714,121
Sewer									
Land	\$ 14,462	-	-	\$ 14,462	\$ -	\$ -	-	\$ -	\$ 14,462
Sewer and lagoon	1,455,212	-	-	1,455,212	215,510	17,462	-	232,972	1,222,240
Equipment	779	-	-	779	779	-	-	779	-
Computer equipment	1,320	-	-	1,320	1,320	-	-	1,320	-
	\$ 1,471,773	\$ -	\$ -	\$ 1,471,773	\$ 217,609	\$ 17,462	\$ -	\$ 235,071	\$ 1,236,702
Total tangible capital assets	\$ 5,151,708	\$ 191,045	\$ (38,069)	\$ 5,304,684	\$ 2,230,897	\$ 123,755	\$ (789)	\$ 2,353,861	\$ 2,950,823

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

RURAL MUNICIPALITY OF MORELL
Schedules to Consolidated Financial Statements
Tangible Capital Assets
Year Ended March 31, 2022

(Schedule 2)

	Cost beginning of year	Additions	Disposals and contributions	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
Municipality									
Land	\$ 234,605	\$ 1,371	-	\$ 235,976	\$ -	\$ -	-	\$ -	\$ 235,976
Buildings	2,188,623	11,758	-	2,200,381	1,050,014	49,605	-	1,099,619	1,100,762
Equipment	241,590	23,671	-	265,261	201,722	10,390	-	212,112	53,149
Furniture and equipment	27,286	-	-	27,286	11,470	1,614	-	13,084	14,202
Fire trucks	755,021	-	-	755,021	553,658	28,674	-	582,332	172,689
Computer equipment	5,333	-	-	5,333	5,222	111	-	5,333	-
Signage	2,877	-	-	2,877	2,652	225	-	2,877	-
Landscaping	20,625	-	-	20,625	20,625	-	-	20,625	-
Automobiles	12,669	-	-	12,669	6,791	1,177	-	7,968	4,701
Fire fighting equipment	118,013	2,788	-	120,801	48,606	7,961	-	56,567	64,234
Website	11,136	-	-	11,136	4,114	2,006	-	6,120	5,016
Paving	9,370	-	-	9,370	3,514	937	-	4,451	4,919
Boat	13,199	-	-	13,199	1,320	880	-	2,200	10,999
	\$ 3,640,347	\$ 39,588	-	\$ 3,679,935	\$ 1,909,708	\$ 103,580	-	\$ 2,013,288	\$ 1,666,647
Sewer									
Land	\$ 14,462	\$ -	-	\$ 14,462	\$ -	\$ -	-	\$ -	\$ 14,462
Sewer and lagoon	1,383,732	71,480	-	1,455,212	198,047	17,463	-	215,510	1,239,702
Equipment	779	-	-	779	779	-	-	779	-
Computer equipment	1,320	-	-	1,320	1,320	-	-	1,320	-
	\$ 1,400,293	\$ 71,480	-	\$ 1,471,773	\$ 200,146	\$ 17,463	-	\$ 217,609	\$ 1,254,164
Total tangible capital assets	\$ 5,040,640	\$ 111,068	-	\$ 5,151,708	\$ 2,109,854	\$ 121,042	-	\$ 2,230,897	\$ 2,920,812

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

RURAL MUNICIPALITY OF MORELL
Statement of Operations - Municipality
Year Ended March 31, 2023

(Schedule 3)

	Budget 2023	Actual 2023	Actual 2022
Revenues			
Property tax	\$ 100,500	\$ 105,668	\$ 100,365
Equalization grant	75,000	61,322	74,363
Government transfers for operations (Note 6)	22,000	26,087	17,696
Rent - professional building	22,680	22,725	21,225
Miscellaneous	4,000	17,769	1,987
Grant in lieu of property tax	4,000	3,618	3,601
Interest	4,200	2,475	1,738
	<u>232,380</u>	<u>239,664</u>	<u>220,975</u>
Expenditures			
Administrative (Schedule 4)	70,200	50,477	47,307
Amortization of tangible capital assets	-	67,723	65,490
Fire Protection (Schedule 4)	15,000	15,000	15,000
General Government (Schedule 4)	22,500	22,900	14,970
Medical Centre (Schedule 4)	25,800	28,373	20,185
Recreation (Schedule 4)	44,000	46,172	37,644
Rink (Schedule 4)	18,300	23,679	23,648
Rossiter Park (Schedule 4)	6,300	5,468	4,364
Welcome Centre (Schedule 4)	29,225	18,525	20,202
	<u>231,325</u>	<u>278,317</u>	<u>248,810</u>
Operating surplus (deficit)	<u>\$ 1,055</u>	<u>\$ (38,653)</u>	<u>\$ (27,835)</u>

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

RURAL MUNICIPALITY OF MORELL
Statement of Expenditures - Municipality
Year Ended March 31, 2023

(Schedule 4)

	Budget 2023	Actual 2023	Actual 2022
Expenditures			
Administrative			
Advertising and promotion	\$ 1,500	\$ 7,474	\$ 6,312
Dues and fees	1,500	975	939
Interest and bank charges	100	270	323
Miscellaneous	3,000	2,553	1,687
Office, postage and sundry	2,000	2,621	3,154
Professional fees	22,000	8,025	8,364
Salaries and honoraria	38,000	26,129	24,663
Telephone	1,800	2,053	1,723
Travel	300	377	142
	<u>70,200</u>	<u>50,477</u>	<u>47,307</u>
Fire Protection			
Contribution to fire department	15,000	15,000	15,000
	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
General Government			
Community gardens	1,000	1,557	-
Electricity	10,000	8,114	8,010
Legal fees	5,000	-	-
Motor vehicle	1,000	5,232	3,761
Repairs and maintenance	3,500	4,756	2,387
Special projects	2,000	3,241	812
	<u>22,500</u>	<u>22,900</u>	<u>14,970</u>
Medical Centre			
Fuel and electricity	9,000	9,167	6,942
Insurance	3,900	4,716	3,846
Property tax	2,000	1,976	1,904
Repairs and maintenance	9,500	11,120	6,099
Sewer taxes	1,400	1,394	1,394
	<u>25,800</u>	<u>28,373</u>	<u>20,185</u>
Recreation			
Bad debts	-	1,600	-
Fuel and electricity	4,800	810	1,688
Property tax	700	680	678
Repairs and maintenance	5,000	2,237	1,228
Salaries and benefits	33,000	40,845	33,999
Supplies	500	-	51
	<u>44,000</u>	<u>46,172</u>	<u>37,644</u>
Rink			
Insurance	15,000	14,513	13,427
Interest on long term debt	-	6,050	6,864
Property tax	3,300	3,116	3,357
	<u>18,300</u>	<u>23,679</u>	<u>23,648</u>

(continues)

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

RURAL MUNICIPALITY OF MORELL
Statement of Expenditures - Municipality *(continued)* **(Schedule 4)**
Year Ended March 31, 2023

	Budget 2023	Actual 2023	Actual 2022
Rossiter Park			
Electricity	1,500	1,201	1,087
Insurance	750	741	691
Property tax	1,100	1,088	1,048
Repairs and maintenance	2,500	2,009	1,109
Sewer	450	429	429
	6,300	5,468	4,364
Welcome Centre			
Electricity	3,700	3,553	3,493
Insurance	325	439	360
Property tax	1,800	1,825	1,787
Repairs and maintenance	13,000	964	4,062
Salaries and benefits	10,000	11,422	10,178
Sewer taxes	400	322	322
	29,225	18,525	20,202
	\$ 231,325	\$ 210,594	\$ 183,320

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

RURAL MUNICIPALITY OF MORELL

Statement of Operations - Sewer

(Schedule 5)

Year Ended March 31, 2023

	Budget 2023	Actual 2023	Actual 2022
Revenues			
Sewer levies	\$ 51,000	\$ 47,720	\$ 46,384
Government transfers for operations (Note 6)	500	4,590	-
Miscellaneous	-	79	27
	<u>51,500</u>	<u>52,389</u>	<u>46,411</u>
Expenditures			
Operating			
Repairs and maintenance	20,000	23,200	9,365
	<u>20,000</u>	<u>23,200</u>	<u>9,365</u>
Administration			
Electricity	-	2,296	3,128
Insurance	3,100	3,897	2,684
Interest and bank charges	1,500	1	592
Island Regulatory and Appeals Commission	1,200	594	563
Office	100	-	-
Property tax	250	243	243
Professional fees	5,000	4,033	3,632
Salaries and honoraria	15,000	15,877	14,827
	<u>26,150</u>	<u>26,941</u>	<u>25,669</u>
Other			
Amortization of tangible capital assets	-	17,463	17,463
Interest on long term debt	-	158	418
	<u>-</u>	<u>17,621</u>	<u>17,881</u>
	<u>46,150</u>	<u>67,762</u>	<u>52,915</u>
Operating surplus (deficit)	<u>\$ 5,350</u>	<u>\$ (15,373)</u>	<u>\$ (6,504)</u>

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

RURAL MUNICIPALITY OF MORELL
Statement of Operations - Fire Department
Year Ended March 31, 2023

(Schedule 6)

	Actual 2023	Actual 2022
Revenues		
Fire dues	\$ 128,668	\$ 126,199
Donations and other	16,986	5,025
Contributions from Rural Municipality of Morell	15,000	15,000
Government transfers for operations (Note 6)	1,761	-
Interest	121	-
	<u>162,536</u>	<u>146,224</u>
Expenditures		
Advertising	363	258
Amortization of tangible capital assets	38,568	38,089
Building repairs and maintenance	1,613	5,312
Dues and fees	1,242	1,000
Entertainment	1,390	1,200
Equipment repairs	2,418	2,505
Insurance	14,106	12,615
Interest and bank charges	217	172
Interest on long term debt	4,534	5,599
Message centre	3,003	2,663
Office	755	1,595
Professional fees	3,569	3,350
Property tax	2,187	2,196
Radio license	376	338
Supplies	4,344	6,348
Telephone	3,830	3,348
Training	6,439	2,675
Utilities	10,997	10,147
Vehicle repairs and gas	15,634	10,394
	<u>115,585</u>	<u>109,804</u>
Operating surplus	<u>\$ 46,951</u>	<u>\$ 36,420</u>

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

RURAL MUNICIPALITY OF MORELL
Schedules to Consolidated Financial Statements (Schedule 7)
Segment Disclosures
Year Ended March 31, 2023

	Municipality	Sewer	Fire Department	Elimination	Consolidated 2023
Revenues					
Property taxes	\$ 105,668	\$ -	\$ -	\$ -	\$ 105,668
Equalization grant	61,322	-	-	-	61,322
Rent	22,725	-	-	-	22,725
Wage Grants	26,087	-	-	-	26,087
Other	23,862	4,669	18,868	-	47,399
Fire dues	-	-	128,668	-	128,668
Sewer	-	47,720	-	(2,483)	45,237
Contributions from Community	-	-	15,000	(15,000)	-
	<u>239,664</u>	<u>52,389</u>	<u>162,536</u>	<u>(17,483)</u>	<u>437,106</u>
Expenditures					
Salaries and benefits	78,396	15,877	-	-	94,273
Goods and services	125,878	34,264	72,266	(17,483)	214,925
Amortization of tangible capital assets	67,723	17,463	38,568	-	123,754
Interest	6,320	158	4,751	-	11,229
	<u>278,317</u>	<u>67,762</u>	<u>115,585</u>	<u>(17,483)</u>	<u>444,181</u>
Operating surplus (deficit)	(38,653)	(15,373)	46,951	-	(7,075)
Government transfers for capital	98,745	-	33,578	-	132,323
Loss on disposal of tangible capital assets	(17,780)	-	-	-	(17,780)
Annual surplus (deficit)	\$ 42,312	\$ (15,373)	\$ 80,529	\$ -	\$ 107,468

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

RURAL MUNICIPALITY OF MORELL
Schedules to Consolidated Financial Statements (Schedule 8)
Segment Disclosures
Year Ended March 31, 2022

	Municipality	Sewer	Fire Department	Elimination	Consolidated 2022
Revenues					
Property taxes	\$ 100,365	\$ -	\$ -	\$ -	\$ 100,365
Equalization grant	74,363	-	-	-	74,363
Rent	21,225	-	-	-	21,225
Wage Grants	17,696	-	-	-	17,696
Other	7,326	27	5,025	-	12,378
Fire dues	-	-	126,199	-	126,199
Sewer	-	46,384	-	(2,483)	43,901
Contributions from Community	-	-	15,000	(15,000)	-
	<u>220,975</u>	<u>46,411</u>	<u>146,224</u>	<u>(17,483)</u>	<u>396,127</u>
Expenditures					
Salaries and benefits	68,840	14,827	-	-	83,667
Goods and services	107,293	19,615	65,944	(17,483)	175,369
Amortization of tangible capital assets	65,490	17,463	38,089	-	121,042
Interest	7,187	1,010	5,771	-	13,968
	<u>248,810</u>	<u>52,915</u>	<u>109,804</u>	<u>(17,483)</u>	<u>394,046</u>
Operating surplus (deficit)	(27,835)	(6,504)	36,420	-	2,081
Govenment transfers for capital	594	68,142	(2,661)	-	66,075
Annual surplus (deficit)	<u>\$ (27,241)</u>	<u>\$ 61,638</u>	<u>\$ (2,661)</u>	<u>\$ -</u>	<u>\$ 68,156</u>

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