

TOWN OF NORTH RIVER

**Financial Statements
For the Year Ended December 31, 2017**

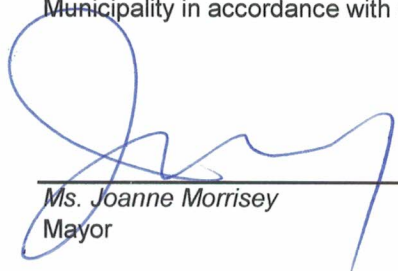
STATEMENT OF RESPONSIBILITY

The accompanying Financial Statements are the responsibility of the management of the Town of North River and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

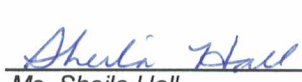
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Council of the Municipality met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

Clarified Professional Corporation Inc., as the Municipality's appointed external auditors, have audited the Financial Statements. The Auditors' report is addressed to the Mayor and members of Council and appears on the following page. The opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Financial Statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian generally accepted accounting principles.



Ms. Joanne Morrissey
Mayor



Ms. Sheila Hall
Town Clerk

INDEPENDENT AUDITOR'S REPORT

To the Mayor and members of Council of the Town of North River,

We have audited the accompanying financial statements for the Town of North River, which are comprised of the Statement of Financial Position, the Statement of Operations, the Statement of Change in Net Debt, the Statement of Cash Flows, a summary of the significant accounting policies and other explanatory information for the year ended December 31, 2017.

Municipality's Responsibility for the Consolidated Financial Statements

It is the responsibility of the management of the Town of North River to ensure the accompanying Financial Statements have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles as established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. It is also management's responsibility to ensure appropriate systems of internal and administrative controls are maintained to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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, these financial statements present fairly, in all material respects, the financial position of the Town of North River as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with the standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

February 6, 2018

St. John's, NL

Clarified Professional Corporation Inc.

CHARTERED PROFESSIONAL ACCOUNTANTS

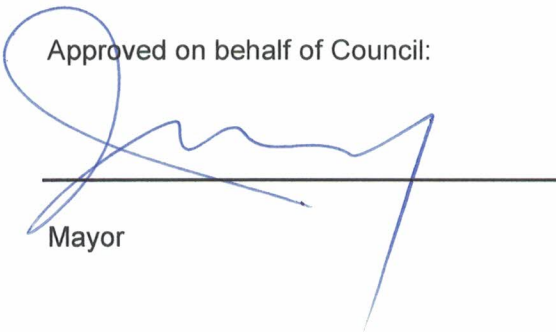
TOWN OF NORTH RIVER
Financial Statements
For the Year Ended December 31, 2017

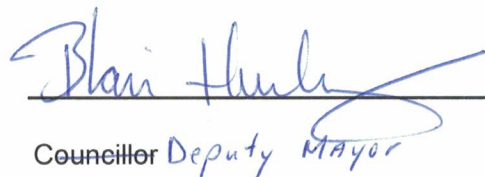
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TOWN OF NORTH RIVER
STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 31,637	\$ 46,686
Amounts receivable (Note 3)	<u>66,753</u>	<u>46,964</u>
	<u>\$ 98,390</u>	<u>\$ 93,650</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	16,129	16,358
Deferred gas tax revenue (Note 5)	-	-
Long-term debt (Note 6)	<u>-</u>	<u>13,855</u>
	<u>16,129</u>	<u>30,213</u>
NET (DEBT) FINANCIAL ASSETS	<u>\$ 82,261</u>	<u>\$ 63,437</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>\$ 682,213</u>	<u>\$ 649,506</u>
ACCUMULATED SURPLUS	<u><u>\$ 764,474</u></u>	<u><u>\$ 712,943</u></u>

Approved on behalf of Council:


 Mayor


 Councillor Deputy Mayor

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
STATEMENT OF OPERATIONS
Year Ended December 31, 2017

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
REVENUE			
Taxation	\$ 273,208	\$ 267,537	\$ 265,371
Grants and transfers	101,615	101,615	182,734
Other revenue	<u>6,000</u>	<u>1,670</u>	<u>2,179</u>
Total revenue (Schedules 2, 4 and 5)	<u>380,823</u>	<u>370,822</u>	<u>450,284</u>
EXPENSES			
General government services	118,925	114,511	101,446
Protective services	27,000	25,540	25,130
Transportation services	99,433	69,468	61,360
Environmental health services	74,443	66,043	65,994
Regional planning and development	18,136	-	-
Recreation and cultural services	9,761	2,561	2,561
Fiscal services	<u>23,000</u>	<u>41,168</u>	<u>32,899</u>
Total expenses (Schedules 3, 4 and 5)	<u>370,698</u>	<u>319,291</u>	<u>289,390</u>
ANNUAL SURPLUS	10,125	51,531	160,894
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>712,943</u>	<u>712,943</u>	<u>552,049</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>\$ 723,068</u></u>	<u><u>\$ 764,474</u></u>	<u><u>\$ 712,943</u></u>

See accompanying notes to financial statements.
Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
STATEMENT OF CHANGE IN NET DEBT (FINANCIAL ASSETS)
Year Ended December 31, 2017

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
ANNUAL SURPLUS	<u>\$ 10,125</u>	<u>\$ 51,531</u>	<u>\$ 160,894</u>
Acquisition of tangible capital assets	(31,373)	(61,007)	(158,602)
Amortization of tangible capital assets	<u>(18,857)</u>	<u>28,300</u>	<u>24,178</u>
	<u>(50,230)</u>	<u>(32,707)</u>	<u>(134,424)</u>
CHANGE IN NET DEBT (FINANCIAL ASSETS)	(40,105)	18,824	26,470
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>63,437</u>	<u>63,437</u>	<u>36,967</u>
NET DEBT (FINANCIAL ASSETS), END OF YEAR	<u><u>\$ 23,332</u></u>	<u><u>\$ 82,261</u></u>	<u><u>\$ 63,437</u></u>

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING TRANSACTIONS		
Annual surplus	\$ 51,531	\$ 160,894
Changes in non-cash items:		
Amounts receivable	(19,789)	(2,990)
Accounts payable and accrued liabilities	(229)	(12,801)
Deferred revenue	-	(12,695)
Amortization of tangible capital assets	<u>28,300</u>	<u>24,178</u>
Cash provided by operating transactions	<u>59,813</u>	<u>156,586</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	<u>(61,007)</u>	<u>(158,602)</u>
FINANCING TRANSACTIONS		
Proceeds of long-term debt	-	-
Repayment of long-term debt	<u>(13,855)</u>	<u>(5,736)</u>
Cash received from (applied to) financing transactions	<u>(13,855)</u>	<u>(5,736)</u>
INCREASE (DECREASE) IN CASH	(15,049)	(7,752)
DEFICIENCY, BEGINNING OF YEAR	<u>46,686</u>	<u>54,438</u>
DEFICIENCY, END OF YEAR	<u><u>\$ 31,637</u></u>	<u><u>\$ 46,686</u></u>
Deficiency, consists of:		
Cash and bank balances	<u>31,637</u>	<u>46,686</u>
	<u><u>31,637</u></u>	<u><u>46,686</u></u>

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2017

1. Status of the Town of North River

The incorporated Town of North River is a municipal government that was incorporated in 1964 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The Municipality provides or funds municipal services such as fire, public works, parks and recreation, library, tourism and other general government operations.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

The Town of North River has adopted the PSAB's recommendations for recording tangible capital assets and financial statement presentation. The tangible asset section, PS 3150, establishes standards on how to account and report tangible capital assets in government financial statements. The financial statement presentation section, PS 1200, establishes general reporting principles and standards for the disclosure of information based on the underlying financial statement concepts and the objectives of the government financial statements.

b) Cash and Temporary Investments

Cash and temporary investments include cash and short-term investments with maturities of twelve months or less from the date of acquisition.

c) Government Transfers

Government transfers are recognized as either expenditures or revenues in the period that the events giving rise to the transfer occurred as long as: a) the transfer is authorized; b) eligibility criteria have been met by the recipient; and c) a reasonable estimate of the amount can be made.

Unearned government transfer amounts received but not earned will be recorded as deferred revenue. Earned government transfer amounts not received are treated as a receivable.

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 ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

TOWN OF NORTH RIVER
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2017

e) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is put into use and one-half of the annual amortization is charged in the year of acquisition and in the year of disposal. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Capital Assets

Land	Indefinite
Buildings	
Buildings	25 years
Recreation facilities	10 - 20 years
Machinery, equipment and furniture	5 - 10 years

Infrastructure Assets

Transportation	
Roads	20 - 25 years
Road surface	5 to 20 years
Road grade	30 years
Bridges	30 to 50 years

f) Revenue Recognition

Revenues are recognized as earned and when collection is reasonably assured. Tax rates are approved annually by Council.

g) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Amounts Receivable

	<u>2017</u>	<u>2016</u>
Taxes receivable	\$ 242,912	\$ 199,460
Grants receivable	-	-
GST rebate receivable	<u>8,841</u>	<u>7,504</u>
	251,753	206,964
Less: allowances for doubtful amounts	<u>(185,000)</u>	<u>(160,000)</u>
	<u>\$ 66,753</u>	<u>\$ 46,964</u>

TOWN OF NORTH RIVER
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2017

4. Accounts Payable and Accrued Liabilities

	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 13,129	\$ 13,358
Refundable tender deposits	-	\$ -
Accrued expenses	<u>3,000</u>	<u>3,000</u>
	<u>\$ 16,129</u>	<u>\$ 16,358</u>

5. Long Term Debt

	<u>2017</u>	<u>2016</u>
Scotiabank loan bearing interest at prime plus 1.25%, repaid in full during the year.		
	-	13,855
	<u>\$ -</u>	<u>\$ 13,855</u>

6. Deferred Revenue

	<u>2017</u>	<u>2016</u>
Deferred gas tax revenue	<u>\$ -</u>	<u>\$ -</u>

7. Financial Instruments

The Municipality, as part of its operations, carries a number of financial instruments. It is management's opinion the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

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 its residents and businesses. 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 residents which minimizes concentration of credit risk.

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 town manages exposure through its normal operating and financing activities. The Municipality is exposed to interest rate risk primarily through its operating line of credit.

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 receipt of funds from its residents and other related sources, accounts payable, and long term debt.

TOWN OF NORTH RIVER
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2017

8. Risk Management

As part of the town's overall risk management, its insurance policy includes crime coverage of \$50,000 per occurrence covering employee dishonesty and various other fraud-related risks.

The town considers its insurance coverages and the manner in which the accounts have been kept and the safeguards against fraud to be satisfactory.

9. Budget

In accordance with the Province of Newfoundland and Labrador's Municipalities Act, every council must adopt a financial plan for each fiscal period in a form approved by the minister. The financial plan is prepared on a revenue and expenditure basis that does not meet the recommendations of PSAB. For comparative purposes, the Town has modified its financial plan to prepare a budget that is consistent with the scope and accounting principles used to report the actual results. The budget figures used in these financial statements have been approved by Council.

The reconciliation between the Municipality's cash based financial plan and the PSAB accrual based budget figures used in these statements is disclosed in Schedule 5 - Reconciliation of the Financial Plan to the Budget.

TOWN OF NORTH RIVER

SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year Ended December 31, 2017

SCHEDULE 1

Cost	General Capital Assets				Infrastructure			Totals	
	Land	Buildings	Vehicles and Equipment	Recreation Facilities	Roads and Bridges	Water and Sewer Systems	2017	2016	
Opening costs	25,000	86,579	21,242	84,016	330,317	283,297	830,451	671,849	
Additions during the year	-	-	-	-	61,007	-	61,007	158,602	
Disposals and write downs	-	-	-	-	-	-	-	-	
Closing costs	25,000	86,579	21,242	84,016	391,324	283,297	891,458	830,451	
Accumulated Amortization									
Opening accum'd amortization	-	51,456	21,242	40,980	49,857	17,410	180,945	156,767	
Amortization	-	1,863	-	2,561	14,433	9,443	28,300	24,178	
Disposals and write downs	-	-	-	-	-	-	-	-	
Closing accum'd amortization	-	53,319	21,242	43,541	64,290	26,853	209,245	180,945	
Net Book Value of Tangible Capital Assets	25,000	33,260	-	40,475	327,034	256,444	682,213	649,506	

Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
SCHEDULE OF REVENUES
Year Ended December 31, 2017

SCHEDULE 2

	<u>2017</u>	<u>2016</u>
Taxation		
Property tax	\$ 244,028	\$ 242,181
Business and utility tax	22,799	22,770
Permits	710	420
	<u>267,537</u>	<u>265,371</u>
Grants and transfers		
Municipal operating grant	53,140	53,140
Gas tax revenue	48,475	56,352
Other provincial grants and/or subsidies	-	73,242
	<u>101,615</u>	<u>182,734</u>
Other revenue		
Miscellaneous	1,670	2,179
	<u>1,670</u>	<u>2,179</u>
Total Revenue	<u><u>370,822</u></u>	<u><u>450,284</u></u>

TOWN OF NORTH RIVER
SCHEDULE OF EXPENSES
Year Ended December 31, 2017

SCHEDULE 3

	<u>2017</u>	<u>2016</u>
General government services		
Legislative	\$ 12,975	\$ 13,000
Administrative salaries and benefits	59,786	55,217
Property assessment services	12,432	12,236
General administrative	25,585	17,404
Amortization - general	1,863	1,863
Insurance	1,870	1,726
	<u>114,511</u>	<u>101,446</u>
Protective services	<u>25,540</u>	<u>25,130</u>
Transportation services		
Road, street and sidewalk maintenance	9,016	14,434
Amortization - Roads	14,433	11,661
Snow Removal	25,449	14,364
Street lighting	20,570	20,901
	<u>69,468</u>	<u>61,360</u>
Environmental health services		
Amortization - Water/sewer system	9,443	8,093
Garbage and waste collection and disposal	56,600	57,901
	<u>66,043</u>	<u>65,994</u>
Recreation and cultural services		
Amortization - Recreation facilities	<u>2,561</u>	<u>2,561</u>
Fiscal Services		
Provision for uncollectible taxes, fees, and charges	36,757	30,445
Other debt charges	4,411	2,454
	<u>41,168</u>	<u>32,899</u>
Total Expenses	<u><u>319,291</u></u>	<u><u>289,390</u></u>

SCHEDULE 4

TOWN OF NORTH RIVER
STATEMENT OF OPERATIONS BY PROGRAM
Year Ended December 31, 2017

	General Government*		Protective Services		Transportation Services		Environmental Health Services	
	2017	2016	2017	2016	2017	2016	2017	2016
REVENUE								
Taxation	\$ 267,537	\$ 265,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and transfers	70,242	65,966	-	-	-	-	-	73,242
Other revenue	1,670	2,179	-	-	31,373	43,526	-	-
Total revenue	<u>\$ 339,449</u>	<u>\$ 333,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,373</u>	<u>\$ 43,526</u>	<u>\$ -</u>	<u>\$ 73,242</u>
EXPENSES								
Personnel services	\$ 59,786	\$ 55,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract services	12,432	12,236	25,540	25,130	25,449	14,364	56,600	57,901
Utilities	10,157	7,295	-	-	20,570	20,901	-	-
Maintenance materials and supplies	1,000	2,052	-	-	9,016	14,434	-	-
Amortization	1,863	1,863	-	-	14,433	11,661	9,443	8,093
Other	29,273	22,783	-	-	-	-	-	-
Total expenses	<u>\$ 114,511</u>	<u>\$ 101,446</u>	<u>\$ 25,540</u>	<u>\$ 25,130</u>	<u>\$ 69,468</u>	<u>\$ 61,360</u>	<u>\$ 66,043</u>	<u>\$ 65,994</u>
Surplus (Deficit)	<u>\$ 224,938</u>	<u>\$ 232,070</u>	<u>\$ (25,540)</u>	<u>\$ (25,130)</u>	<u>\$ (38,095)</u>	<u>\$ (17,834)</u>	<u>\$ (66,043)</u>	<u>\$ 7,248</u>

* The general government category includes revenues and expenses that cannot be attributed to a particular sector.

TOWN OF NORTH RIVER
STATEMENT OF OPERATIONS BY PROGRAM
Year Ended December 31, 2017

SCHEDULE 4 Cont...

	Recreation and Cultural Services		Fiscal Services		Total
	2017	2016	2017	2016	
REVENUE					
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 267,537
Grants and transfers	-	-	-	-	101,615
Other revenue	-	-	-	-	1,670
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ 370,822
					\$ 450,284
EXPENSES					
Personnel services	\$ -	\$ -	\$ -	\$ -	\$ 59,786
Contract services	-	-	-	-	120,021
Utilities	-	-	-	-	30,727
Maintenance materials and supplies	-	-	-	-	10,016
Amortization	2,561	2,561	-	-	28,300
Other	-	-	41,168	32,899	70,441
Total expenses	\$ 2,561	\$ 2,561	\$ 41,168	\$ 32,899	\$ 319,291
Surplus (Deficit)	\$ (2,561)	\$ (2,561)	\$ (41,168)	\$ (32,899)	\$ 51,531

TOWN OF NORTH RIVER

SCHEDULE 5

RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET

Year Ended December 31, 2017

	Financial Plan	Amortization (TCA)	Transfers	PSAB Budget
REVENUE				
Taxation	\$ 273,208	\$ -	\$ -	\$ 273,208
Grants and transfers	101,615	-	-	101,615
Other revenue	6,000	-	-	6,000
Total revenue	<u>\$ 380,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,823</u>
EXPENSES				
General government services	\$ 117,062	\$ 1,863	\$ -	\$ 118,925
Protective services	27,000	-	-	27,000
Transportation services	85,000	14,433	-	99,433
Environmental health services	65,000	9,443	-	74,443
Regional planning and development	18,136	-	-	18,136
Recreation and cultural services	7,200	2,561	-	9,761
Fiscal services:				
Capital expenditures	31,373	-	(31,373)	-
Provision for uncollectible taxes	20,000	-	-	20,000
Other fiscal services	10,052	-	(7,052)	3,000
Amortization of capital assets	-	-	-	-
Total expenses	<u>\$ 380,823</u>	<u>\$ 28,300</u>	<u>\$ (38,425)</u>	<u>\$ 370,698</u>
Surplus (Deficit)	<u>\$ -</u>	<u>\$ (28,300)</u>	<u>\$ 38,425</u>	<u>\$ 10,125</u>