TOWN OF NORTH RIVER

Financial Statements
For the Year Ended December 31, 2018

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 Morrisey
Mayor

Sheila Hall

Ms. Sheila Hall
Town Clerk

CLARIFIED ACCOUNTING

financial clarity for small business

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, 2018.

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, 2018 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.

March 5, 2019

St. John's, NL

Clarified Professional Corporation Inc.

CHARTERED PROFESSIONAL ACCOUNTANTS

5 Hallett Crescent, Unit 1 Second Floor, St. John's NL A1B 4C4
P: 709.700.0086 F: 709.700.0094 W: clarifiedaccounting.ca

TOWN OF NORTH RIVER
Financial Statements
For the Year Ended December 31, 2018

TOWN OF NORTH RIVER
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash (Note 3)	$ 122,971	$ 31,637
Amounts receivable (Note 4)	85,617	66,753
	$ 208,588	$ 98,390
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	15,265	16,129
Deferred gas tax revenue (Note 6)	55,196	-
	70,461	16,129
NET (DEBT) FINANCIAL ASSETS	$ 138,127	$ 82,261
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	$ 699,892	$ 682,213
ACCUMULATED SURPLUS	$ 838,019	$ 764,474

Approved on behalf of Council:

Mayor

Elsie Morrissey
Councillor

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
STATEMENT OF OPERATIONS
Year Ended December 31, 2018

	2018 Budget	**2018 Actual**	2017 Actual
REVENUE			
Taxation	$ 299,500	**$ 294,310**	$ 267,537
Grants and transfers	103,777	**141,609**	101,615
Other revenue	6,000	**462**	1,670
Total revenue (Schedules 2, 4 and 5)	409,277	**436,381**	370,822
EXPENSES			
General government services	123,477	**135,660**	114,511
Protective services	34,600	**26,542**	25,540
Transportation services	92,295	**74,393**	69,468
Environmental health services	74,787	**66,129**	66,043
Regional planning and development	35,000	**-**	-
Recreation and cultural services	9,761	**29,930**	2,561
Fiscal services	21,304	**30,182**	41,168
Total expenses (Schedules 3, 4 and 5)	391,224	**362,836**	319,291
ANNUAL SURPLUS	18,053	**73,545**	51,531
ACCUMULATED SURPLUS, BEGINNING OF YEAR	764,474	**764,474**	712,943
ACCUMULATED SURPLUS, END OF YEAR	$ 782,527	**$ 838,019**	$ 764,474

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, 2018

	2018 Budget	**2018 Actual**	2017 Actual
ANNUAL SURPLUS	$ 18,053	**$ 73,545**	$ 51,531
Acquisition of tangible capital assets	(33,535)	**(48,093)**	(61,007)
Amortization of tangible capital assets	(20,627)	**30,414**	28,300
	(54,162)	**(17,679)**	(32,707)
CHANGE IN NET DEBT (FINANCIAL ASSETS)	(36,109)	**55,866**	18,824
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	82,261	**82,261**	63,437
NET DEBT (FINANCIAL ASSETS), END OF YEAR	$ 46,152	**$ 138,127**	$ 82,261

TOWN OF NORTH RIVER
STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

	2018	2017
OPERATING TRANSACTIONS		
Annual surplus	$ 73,545	$ 51,531
Changes in non-cash items:		
Amounts receivable	(18,864)	(19,789)
Accounts payable and accrued liabilities	(864)	(229)
Deferred revenue	55,196	-
Amortization of tangible capital assets	30,414	28,300
Cash provided by operating transactions	139,427	59,813
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(48,093)	(61,007)
FINANCING TRANSACTIONS		
Proceeds of long-term debt	-	-
Repayment of long-term debt	-	(13,855)
Cash received from (applied to) financing transactions	-	(13,855)
INCREASE (DECREASE) IN CASH	91,334	(15,049)
DEFICIENCY, BEGINNING OF YEAR	31,637	46,686
DEFICIENCY, END OF YEAR	$ 122,971	$ 31,637
Deficiency, consists of:		
Cash and bank balances	122,971	31,637
	122,971	31,637

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.

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. Cash and Temporary Investments

Cash and temporary investments are comprised of the following:

	2018	2017
Bank - Operating	$ 65,532	$ 27,967
Bank - Grants	$ 21,340	$ -
Bank - Gas Tax	36,099	3,670
	$ 122,971	$ 31,637

4. Amounts Receivable

	2018	2017
Taxes receivable	$ 282,983	$ 242,912
Grants receivable	-	-
GST rebate receivable	12,634	8,841
	295,617	251,753
Less: allowances for doubtful amounts	(210,000)	(185,000)
	$ 85,617	$ 66,753

5. Accounts Payable and Accrued Liabilities

		2018		2017
Accounts payable	$	12,265	$	13,129
Refundable tender deposits		-	$	-
Accrued expenses		3,000		3,000
	$	15,265	$	16,129

6. Deferred Revenue

		2018		2017
Deferred gas tax revenue	$	32,454		-
Deferred grant revenue		22,742		-
Total deferred revenue	$	55,196	$	-

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.

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, 2018

SCHEDULE 1

	General Capital Assets			Infrastructure			Totals	
	Land	**Buildings**	**Vehicles and Equipment**	**Recreation Facilities**	**Roads and Bridges**	**Water and Sewer Systems**	**2018**	2017
Cost								
Opening costs	25,000	86,579	21,242	84,016	391,324	283,297	891,458	830,451
Additions during the year	-	5,704	-	-	21,779	20,610	48,093	61,007
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	**25,000**	**92,283**	**21,242**	**84,016**	**413,103**	**303,907**	**939,551**	891,458
Accumulated Amortization								
Opening accum'd amortization	-	53,319	21,242	43,541	64,290	26,853	209,245	180,945
Amortization	-	1,977	-	2,561	16,089	9,787	30,414	28,300
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	-	**55,296**	**21,242**	**46,102**	**80,379**	**36,640**	**239,659**	209,245
Net Book Value of Tangible Capital Assets	**25,000**	**36,987**	-	**37,914**	**332,724**	**267,267**	**699,892**	682,213

TOWN OF NORTH RIVER **SCHEDULE 2**

SCHEDULE OF REVENUES

Year Ended December 31, 2018

	2018	2017
Taxation		
Property tax	$ 270,761	$ 244,028
Business and utility tax	22,709	22,799
Permits	840	710
	294,310	267,537
Grants and transfers		
Municipal operating grant	53,140	53,140
Gas tax revenue	17,102	48,475
Other provincial grants and/or subsidies	71,367	-
	141,609	101,615
Other revenue		
Miscellaneous	462	1,670
	462	1,670
Total Revenue	436,381	370,822

TOWN OF NORTH RIVER **SCHEDULE 3**

SCHEDULE OF EXPENSES

Year Ended December 31, 2018

	2018	2017
General government services		
Legislative	$ 12,900	$ 12,975
Administrative salaries and benefits	66,290	59,786
Property assessment services	12,015	12,432
General administrative	40,524	25,585
Amortization - general	1,977	1,863
Insurance	1,954	1,870
	135,660	114,511
Protective services	26,542	25,540
Transportation services		
Road, street and sidewalk maintenance	9,057	9,016
Amortization - Roads	16,089	14,433
Snow Removal	28,265	25,449
Street lighting	20,982	20,570
	74,393	69,468
Environmental health services		
Amortization - Water/sewer system	9,787	9,443
Garbage and waste collection and disposal	56,342	56,600
	66,129	66,043
Recreation and cultural services		
General costs	27,369	-
Amortization - Recreation facilities	2,561	2,561
	29,930	2,561
Fiscal Services		
Provision for uncollectible taxes, fees, and charges	28,878	36,757
Other debt charges	1,304	4,411
	30,182	41,168
Total Expenses	362,836	319,291

TOWN OF NORTH RIVER

SCHEDULE 4

STATEMENT OF OPERATIONS BY PROGRAM

Year Ended December 31, 2018

	General Government*		Protective Services		Transportation Services		Environmental Health Services	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
REVENUE								
Taxation	**$ 294,310**	$ 267,537	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -
Grants and transfers	**70,242**	65,966	**-**	-	**4,998**	35,649	**18,549**	-
Other revenue	**462**	1,670	**-**	-	**-**	-	**-**	-
Total revenue	**$ 365,014**	$ 335,173	**$ -**	$ -	**$ 4,998**	$ 35,649	**$ 18,549**	$ -
EXPENSES								
Personnel services	**$ 66,290**	$ 59,786	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -
Contract services	**12,015**	12,432	**26,542**	25,540	**28,265**	25,449	**56,342**	56,600
Utilities	**4,923**	4,724	**-**	-	**20,982**	20,570	**-**	-
Maintenance materials and supplies	**13,486**	6,432	**-**	-	**9,057**	9,016	**-**	-
Amortization	**1,977**	1,863	**-**	-	**16,089**	14,433	**9,787**	9,443
Other	**36,969**	29,274	**-**	-	**-**	-	**-**	-
Total expenses	**$ 135,660**	$ 114,511	**$ 26,542**	$ 25,540	**$ 74,393**	$ 69,468	**$ 66,129**	$ 66,043
Surplus (Deficit)	**$ 229,354**	$ 220,662	**$ (26,542)**	$ (25,540)	**$ (69,395)**	$ (33,819)	**$ (47,580)**	$ (66,043)

* 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, 2018

SCHEDULE 4 Cont...

	Recreation and Cultural Services		Fiscal Services		Total	
	2018	2017	**2018**	2017	**2018**	2017
REVENUE						
Taxation	**$ -**	$ -	**$ -**	$ -	**$ 294,310**	$ 267,537
Grants and transfers	**47,820**	-	**-**	-	**141,609**	101,615
Other revenue	**-**	-	**-**	-	**462**	1,670
Total revenue	**$ 47,820**	$ -	**$ -**	$ -	**$ 436,381**	$ 370,822
EXPENSES						
Personnel services	**$ -**	$ -	**$ -**	$ -	**$ 66,290**	$ 59,786
Contract services	**-**	-	**-**	-	**123,164**	120,021
Utilities	**-**	-	**-**	-	**25,905**	25,294
Maintenance materials and supplies	**27,369**	-	**-**	-	**49,912**	15,448
Amortization	**2,561**	2,561	**-**	-	**30,414**	28,300
Other	**-**	-	**30,182**	41,168	**67,151**	70,442
Total expenses	**$ 29,930**	$ 2,561	**$ 30,182**	$ 41,168	**$ 362,836**	$ 319,291
Surplus (Deficit)	**$ 17,890**	$ (2,561)	**$ (30,182)**	$ (41,168)	**$ 73,545**	$ 51,531

TOWN OF NORTH RIVER

SCHEDULE 5

RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET

Year Ended December 31, 2018

	Financial Plan	Amortization (TCA)	Transfers	PSAB Budget
REVENUE				
Taxation	$ 299,500	$ -	$ -	$ 299,500
Grants and transfers	103,777	-	-	103,777
Other revenue	6,000	-	-	6,000
Total revenue	**$ 409,277**	**$ -**	**$ -**	**$ 409,277**
EXPENSES				
General government services	$ 121,500	$ 1,977	$ -	$ 123,477
Protective services	34,600		-	34,600
Transportation services	76,206	16,089	-	92,295
Environmental health services	65,000	9,787	-	74,787
Regional planning and development	35,000		-	35,000
Recreation and cultural services	7,200	2,561	-	9,761
Fiscal services:				
Capital expenditures	33,535		(33,535)	-
Provision for uncollectible taxes	20,000	-	-	20,000
Other fiscal services	16,236	-	(14,932)	1,304
Amortization of capital assets	-	-	-	-
Total expenses	**$ 409,277**	**$ 30,414**	**$ (48,467)**	**$ 391,224**
Surplus (Deficit)	**$ -**	**$ (30,414)**	**$ 48,467**	**$ 18,053**