TOWN OF NORTH RIVER

Financial Statements
For the Year Ended December 31, 2020

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Town of North River (the Municipality), which comprise the consolidated statement of financial position at December 31, 2020, and the consolidated statements of operations, changes in net financial assets, changes in annual surplus and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2020, 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 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 these 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 PSAS, 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 related 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)

Independent Auditor's Report to the Mayor and members of Council of Town of North River (continued)

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.

DATE
St. John's, Newfoundland and Labrador

Clarified Professional Corporation Inc.
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF NORTH RIVER
Financial Statements
For the Year Ended December 31, 2020

TOWN OF NORTH RIVER
STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (Note 3)	$ 201,096	$ 154,720
Amounts receivable (Note 4)	119,129	94,395
	$ 320,225	$ 249,115
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	28,359	17,782
Deferred gas tax revenue (Note 6)	44,814	61,370
	73,173	79,152
NET (DEBT) FINANCIAL ASSETS	$ 247,052	$ 169,963
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	$ 1,052,798	$ 843,607
ACCUMULATED SURPLUS	$ 1,299,850	$ 1,013,570

Approved on behalf of Council:

Sheila Hall

Mayor

Town Clerk

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
STATEMENT OF OPERATIONS
Year Ended December 31, 2020

	2020 Budget	**2020 Actual**	2019 Actual
REVENUE			
Taxation	$ 271,703	**$ 300,036**	$ 296,881
Grants and transfers	119,771	**349,062**	272,491
Other revenue	4,000	**2,001**	867
Total revenue (Schedules 2, 4 and 5)	395,474	**651,099**	570,239
EXPENSES			
General government services	155,938	**144,329**	136,327
Protective services	34,600	**26,930**	26,520
Transportation services	85,727	**82,962**	87,722
Environmental health services	75,130	**72,585**	68,480
Regional planning and development	10,000	**-**	-
Recreation and cultural services	5,511	**22,634**	55,333
Fiscal services	20,379	**15,379**	20,306
Total expenses (Schedules 3, 4 and 5)	387,285	**364,819**	394,688
ANNUAL SURPLUS	8,189	**286,280**	175,551
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,013,570	**1,013,570**	838,019
ACCUMULATED SURPLUS, END OF YEAR	$ 1,021,759	**$1,299,850**	$ 1,013,570

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, 2020

	2020 Budget	2020 Actual	2019 Actual
ANNUAL SURPLUS	$ 8,189	**$ 286,280**	$ 175,551
Acquisition of tangible capital assets	(49,527)	**(252,890)**	(178,593)
Amortization of tangible capital assets	(33,329)	**43,699**	34,878
	(82,856)	**(209,191)**	(143,715)
CHANGE IN NET DEBT (FINANCIAL ASSETS)	(74,667)	**77,089**	31,836
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	169,963	**169,963**	138,127
NET DEBT (FINANCIAL ASSETS), END OF YEAR	$ 95,296	**$ 247,052**	$ 169,963

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF NORTH RIVER
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

	2020	2019
OPERATING TRANSACTIONS		
Annual surplus	$ 286,280	$ 175,551
Changes in non-cash items:		
Amounts receivable	(24,734)	(8,778)
Accounts payable and accrued liabilities	10,577	2,517
Deferred revenue	(16,556)	6,174
Amortization of tangible capital assets	43,699	34,878
Cash provided by operating transactions	299,266	210,342
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(252,890)	(178,593)
FINANCING TRANSACTIONS		
Proceeds of long-term debt	-	-
Repayment of long-term debt	-	-
Cash received from (applied to) financing transactions	-	-
INCREASE (DECREASE) IN CASH	46,376	31,749
DEFICIENCY, BEGINNING OF YEAR	154,720	122,971
DEFICIENCY, END OF YEAR	$ 201,096	$ 154,720
Deficiency, consists of:		
Cash and bank balances	201,096	154,720
	201,096	154,720

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

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 revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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

Tax revenues are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are reported net of an allowance for anticipated uncollectable amounts.

Sales of services and other revenues are recognized in the period in which events giving rise to the revenue occur and the consideration can be practicably measured.

g) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 management's best estimates as additional information becomes available. Management has made significant estimates regarding the useful lives of tangible capital assets, determination of its allowance for doubtful accounts and deferred revenue.

3. Cash and Temporary Investments

Cash and temporary investments are comprised of the following:

	2020	2019
Bank - Operating	$ 87,406	$ 48,909
Bank - Grants	24,193	23,456
Bank - Gas Tax	40,879	42,355
Guaranteed Investment Certificate, bearing interest at 1.48%, maturing June 12, 2020	48,618	40,000
	$ 201,096	$ 154,720

4. Amounts Receivable

	2020	2019
Taxes receivable	$ 328,819	$ 309,033
Other amounts receivable	540	
HST rebate receivable	34,770	15,362
	364,129	324,395
Less: allowance for doubtful amounts	(245,000)	(230,000)
	$ 119,129	$ 94,395

5. Accounts Payable and Accrued Liabilities

	2020	2019
Accounts payable	$ 25,359	$ 14,782
Accrued expenses	3,000	3,000
	$ 28,359	$ 17,782

6. Deferred Revenue

	2020	2019
Deferred gas tax revenue	$ 33,371	$ 38,468
Deferred grant revenue	11,443	22,902
	$ 44,814	$ 61,370

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.

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 and accounts payable.

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 municipality's insurance coverages and the manner in which the accounts have been kept and the safeguards against fraud are considered 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, 2020

SCHEDULE 1

	General Capital Assets			Infrastructure			Totals	
	Land	**Buildings**	**Vehicles and Equipment**	**Recreation Facilities**	**Roads and Bridges**	**Water and Sewer Systems**	**2020**	2019
Cost								
Opening costs	25,000	92,283	21,242	84,016	591,696	303,907	**1,118,144**	939,551
Additions during the year	-	-	2,398	47,543	202,949	-	**252,890**	178,593
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	**25,000**	**92,283**	**23,640**	**131,559**	**794,645**	**303,907**	**1,371,034**	1,118,144
Accumulated Amortization								
Opening accum'd amortization	-	57,387	21,242	48,663	100,475	46,770	**274,537**	239,659
Amortization	-	2,091	240	3,511	27,727	10,130	**43,699**	34,878
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	-	**59,478**	**21,482**	**52,174**	**128,202**	**56,900**	**318,236**	274,537
Net Book Value of Tangible Capital Assets	**25,000**	**32,805**	**2,158**	**79,385**	**666,443**	**247,007**	**1,052,798**	843,607

TOWN OF NORTH RIVER

SCHEDULE OF REVENUES

Year Ended December 31, 2020

SCHEDULE 2

	2020	2019
Taxation		
Property tax	$ 273,276	$ 271,857
Business and utility tax	25,940	24,634
Permits	820	390
	300,036	296,881
Government transfers		
Municipal operating grant	53,140	53,140
Gas tax revenue	65,987	69,102
Municipal capital works	148,364	94,210
Other provincial grants and/or subsidies	81,571	56,039
	349,062	272,491
Other revenue		
Miscellaneous	2,001	867
	2,001	867
Total Revenue	$ 651,099	$ 570,239

TOWN OF NORTH RIVER

SCHEDULE 3

SCHEDULE OF EXPENSES

Year Ended December 31, 2020

	2020	2019
General government services		
Legislative	$ 12,900	$ 12,900
Administrative salaries and benefits	82,676	69,899
Property assessment services	11,622	11,596
General administrative	30,498	38,022
Amortization - general	2,331	2,091
Insurance	4,302	1,819
	144,329	136,327
Protective services	26,930	26,520
Transportation services		
Road, street and sidewalk maintenance	1,105	20,647
Amortization - Roads	27,727	20,096
Snow Removal	32,128	25,144
Street lighting	22,002	21,835
	82,962	87,722
Environmental health services		
Amortization - Water/sewer system	10,130	10,130
Garbage and waste collection and disposal	62,455	58,350
	72,585	68,480
Recreation and cultural services		
General costs	19,123	52,772
Amortization - Recreation facilities	3,511	2,561
	22,634	55,333
Fiscal Services		
Provision for uncollectible taxes, fees, and charges	15,000	20,000
Other debt charges	379	306
	15,379	20,306
Total Expenses	364,819	394,688

TOWN OF NORTH RIVER

SCHEDULE 4

STATEMENT OF OPERATIONS BY PROGRAM

Year Ended December 31, 2019

	General Government*		Protective Services		Transportation Services		Environmental Health Services	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
REVENUE								
Taxation	**$ 300,036**	$ 296,881	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -
Grants and transfers	**103,738**	70,242	**-**	-	**197,249**	146,210	**-**	-
Other revenue	**2,001**	867	**-**	-	**-**	-	**-**	-
Total revenue	**$ 405,775**	$ 367,990	**$ -**	$ -	**$ 197,249**	$ 146,210	**$ -**	$ -
EXPENSES								
Personnel services	**$ 95,576**	$ 82,799	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -
Contract services	**11,622**	11,596	**26,930**	26,520	**32,128**	25,144	**62,455**	58,350
Utilities	**5,125**	5,125	**-**	-	**22,002**	21,835	**-**	-
Maintenance materials and supplies	**15,984**	15,984	**-**	-	**1,105**	20,647	**-**	-
Amortization	**2,091**	2,091	**-**	-	**27,727**	20,096	**10,130**	10,130
Other	**13,931**	18,732	**-**	-	**-**	-	**-**	-
Total expenses	**$ 144,329**	$ 136,327	**$ 26,930**	$ 26,520	**$ 82,962**	$ 87,722	**$ 72,585**	$ 68,480
Surplus (Deficit)	**$ 261,446**	$ 231,663	**$ (26,930)**	$ (26,520)	**$ 114,287**	$ 58,488	**$ (72,585)**	$ (68,480)

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

STATEMENT OF OPERATIONS BY PROGRAM

Year Ended December 31, 2019

	Recreation and Cultural Services		Fiscal Services		Total	
	2019	2018	2019	2018	2019	2018
REVENUE						
Taxation	$ -	$ -	$ -	$ -	$ 300,036	$ 296,881
Grants and transfers	48,075	56,039	-	-	349,062	272,491
Other revenue	-	-	-	-	2,001	867
Total revenue	$ 48,075	$ 56,039	$ -	$ -	$ 651,099	$ 570,239
EXPENSES						
Personnel services	$ -	$ -	$ -	$ -	$ 95,576	$ 82,799
Contract services	-	-	-	-	133,135	121,610
Utilities	-	-	-	-	27,127	26,960
Maintenance materials and supplies	19,123	52,772	-	-	36,212	89,403
Amortization	3,511	2,561	-	-	43,459	34,878
Other	-	-	15,379	20,306	29,310	39,038
Total expenses	$ 22,634	$ 55,333	$ 15,379	$ 20,306	$ 364,819	$ 394,688
Surplus (Deficit)	$ 25,441	$ 706	$ (15,379)	$ (20,306)	$ 286,280	$ 175,551

TOWN OF NORTH RIVER

SCHEDULE 5

RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
Year Ended December 31, 2019

	Financial Plan	Amortization (TCA)	Transfers	PSAB Budget
REVENUE				
Taxation	$ 271,703	$ -	$ -	$ 271,703
Grants and transfers	119,771	-	-	119,771
Other revenue	4,000	-	-	4,000
Total revenue	$ 395,474	$ -	$ -	$ 395,474
EXPENSES				
General government services	$ 153,847	$ 2,091	$ -	$ 155,938
Protective services	34,600		-	34,600
Transportation services	58,000	27,727	-	85,727
Environmental health services	65,000	10,130	-	75,130
Regional planning and development	10,000		-	10,000
Recreation and cultural services	2,000	3,511	-	5,511
Fiscal services:				
Capital expenditures	49,527		(49,527)	-
Provision for uncollectible taxes	20,000	-	-	20,000
Other fiscal services	3,000	-	(2,621)	379
Amortization of capital assets	-	-	-	-
Total expenses	$ 395,974	$ 43,459	$ (52,148)	$ 387,285
Surplus (Deficit)	$ (500)	$ (43,459)	$ 52,148	$ 8,189