

TOWN OF HUMBER ARM SOUTH  
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

TOWN OF HUMBER ARM SOUTH  
CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021  
TABLE OF CONTENTS

	<u>Page</u>
STATEMENT OF RESPONSIBILITY	1
AUDITOR'S REPORT	2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF SURPLUS	6
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE - REVENUE	7
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE - EXPENDITURE	8
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS	9
CONSOLIDATED STATEMENT OF CASH FLOW	10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	11
SCHEDULE I - SCHEDULE OF TANGIBLE CAPITAL ASSETS	14
SCHEDULE II - RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET	15

# **Brian N. Hillier**

Chartered Professional Accountant

Telephone: (709) 634-6431  
Facsimile: (709) 634-2769

**57 Humber Road  
P. O. Box 783  
Corner Brook, NL  
A2H 6G7**

email: [bahillier.ca@gmail.com](mailto:bahillier.ca@gmail.com)

## INDEPENDENT AUDITOR'S REPORT

The Mayor and Councillors  
Town of Humber Arm South  
Humber Arm South, NL

I have audited the consolidated financial statements of the Town of Humber Arm South, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of revenue and expenditures, surplus, changes in net financial assets and cash flow for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

### **Opinion**

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Sector Accounting Standards.

### **Basis for Opinion**

I conducted our audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. I am independent of the Town in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 financial statements in accordance with Public Sector Accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

..... Cont'd

INDEPENDENT AUDITOR'S REPORT (Cont'd)

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

My objective is to obtain reasonable assurance about whether the 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 my 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the 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 my 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, international 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 Town'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 Town's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

..... Cont'd

INDEPENDENT AUDITOR'S REPORT (Cont'd)

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

CORNER BROOK,  
NEWFOUNDLAND LABRADOR

13 December 2022

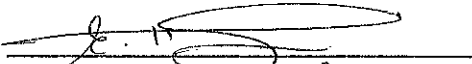


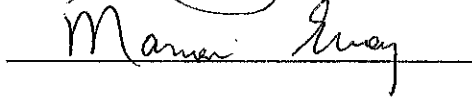
CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF HUMBER ARM SOUTH  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
December 31, 2021

	<u>2021</u>	<u>2020</u>
<u>FINANCIAL ASSETS</u>		
Cash	\$ 116,030	--
Accounts receivable (Note 5)	<u>774,292</u>	<u>193,555</u>
	<u>890,322</u>	<u>193,555</u>
<u>LIABILITIES</u>		
Due to bank - current account overdraft	24,027	19,527
Accounts payable and accrued liabilities	772,842	241,730
Long-term debt (Note 6)	<u>1,181,116</u>	<u>1,282,869</u>
	<u>1,977,985</u>	<u>1,544,126</u>
<u>NET FINANCIAL ASSETS (DEBT)</u>	(1,087,663)	(1,350,571)
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Schedule I)	<u>9,110,482</u>	<u>8,930,175</u>
	<u>\$ 8,022,819</u>	<u>7,579,604</u>

ON BEHALF OF THE COUNCIL:

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Maura Gray  
Town Clerk

The accompanying notes are an integral part of this financial statement.

TOWN OF HUMBER ARM SOUTH  
 CONSOLIDATED STATEMENT OF SURPLUS  
 Year ended December 31, 2021

	<u>Budget</u>	<u>2021</u>	<u>2020</u>
<u>REVENUE</u>	\$1,982,005	2,130,867	1,576,615
<u>EXPENDITURES</u>	<u>1,726,325</u>	<u>1,687,652</u>	<u>1,929,471</u>
<u>ANNUAL SURPLUS (DEFICIT)</u>	<u>\$ 255,680</u>	443,215	(352,856)
<u>EQUITY</u> , beginning of year		<u>7,579,604</u>	<u>7,932,460</u>
<u>EQUITY</u> , end of year		<u>\$8,022,819</u>	<u>7,579,604</u>

The accompanying notes are an integral part of this financial statements.

TOWN OF HUMBER ARM SOUTH  
 CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE - REVENUE  
 Year ended December 31, 2021

REVENUE

	<u>Budget</u> (Schedule II)	<u>2021</u>	<u>2020</u>
<u>TAXATION</u>			
Property tax	\$ 642,738	659,184	635,429
Water and sewer tax	375,295	383,467	328,490
Service fees	--	--	8,982
Business tax	63,000	79,611	83,131
Tax agreement grant	<u>76,000</u>	<u>76,000</u>	<u>74,000</u>
	<u>1,157,033</u>	<u>1,198,262</u>	<u>1,130,032</u>
<u>GOVERNMENT CONTRIBUTIONS</u>			
Province of Newfoundland Labrador:			
Municipal assistance grants	99,380	99,380	99,380
Grants regarding debt	--	--	57,278
Special assistance grants	--	--	11,383
Federal gas tax funding	78,422	78,422	113,293
Provincial gas tax	25,727	25,727	25,727
Safe Restart Program/Stimulus	--	135,000	93,964
Municipal capital works	<u>533,829</u>	<u>533,829</u>	<u>--</u>
	<u>737,358</u>	<u>872,358</u>	<u>401,025</u>
<u>OTHER</u>			
Licences and permits	3,500	2,897	3,795
Rentals	32,000	44,620	26,585
Miscellaneous	<u>52,114</u>	<u>12,730</u>	<u>15,178</u>
	<u>87,614</u>	<u>60,247</u>	<u>45,558</u>
<u>TOTAL - MUNICIPAL OPERATIONS</u>	<u>\$1,982,005</u>	<u>2,130,867</u>	<u>1,576,615</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF HUMBER ARM SOUTH  
 CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE - EXPENDITURE  
 Year ended December 31, 2021

<u>EXPENDITURE</u>	<u>Budget</u> (Schedule II)	<u>2021</u>	<u>2020</u>
<u>GENERAL GOVERNMENT</u>			
Salaries and benefits	\$ 135,000	153,058	158,461
Administration	47,400	87,521	86,661
Insurance	32,000	31,876	33,259
Assessment	26,000	24,362	24,388
Council	30,000	24,431	26,120
Tax allowance and discounts	45,000	46,609	44,733
Interest on long-term debt	86,818	55,497	55,673
Amortization	48,909	48,909	49,372
	<u>451,127</u>	<u>472,263</u>	<u>478,667</u>
<u>PROTECTIVE SERVICES</u>			
Supplies and services	43,000	34,537	73,075
Amortization	34,514	34,514	34,514
	<u>77,514</u>	<u>69,051</u>	<u>107,589</u>
<u>TRANSPORTATION SERVICES</u>			
Road maintenance	50,000	47,159	39,886
Snow clearing	100,000	90,911	93,837
Street lighting	57,000	51,863	60,298
Equipment operations	70,000	50,548	43,387
Amortization	98,881	98,881	92,740
	<u>375,881</u>	<u>339,362</u>	<u>330,148</u>
<u>ENVIRONMENTAL SERVICES</u>			
Sanitation	140,000	159,843	157,494
Water and sewer	210,000	204,576	222,407
Amortization	385,094	385,094	372,603
	<u>735,094</u>	<u>749,513</u>	<u>752,504</u>
<u>RECREATION AND COMMUNITY SERVICES</u>			
Supplies and service	65,000	19,794	52,534
Amortization	9,612	9,612	9,612
	<u>74,612</u>	<u>29,406</u>	<u>62,146</u>
<u>OTHER</u>			
Gas tax expenditures	12,097	12,097	182,412
Programs (Note 7)	--	15,960	16,059
	<u>12,097</u>	<u>28,057</u>	<u>198,471</u>
	<u>\$1,726,325</u>	<u>1,687,652</u>	<u>1,929,525</u>

The accompanying notes are an integrated part of this financial statement.

TOWN OF HUMBER ARM SOUTH  
 CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
 Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
Annual surplus (deficit)	\$ 443,215	(352,856)
Acquisition of tangible capital assets	(757,317)	--
Amortization of tangible capital assets	<u>577,010</u>	<u>558,841</u>
<u>CHANGE IN NET FINANCIAL ASSETS</u>	262,908	205,985
<u>NET FINANCIAL ASSETS (DEBT), beginning of year</u>	<u>(1,350,571)</u>	<u>(1,556,556)</u>
<u>NET FINANCIAL ASSETS (DEBT), end of year</u>	<u>\$ (1,087,663)</u>	<u>(1,350,571)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF HUMBER ARM SOUTH  
CONSOLIDATED STATEMENT OF CASH FLOW  
Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
<u>OPERATING TRANSACTIONS:</u>		
Annual surplus (deficit)	\$ 443,215	(352,856)
Change in non-cash items:		
Accounts receivable	(580,737)	6,708
Accounts payable and accrued liabilities	531,112	54,230
Amortization	577,010	558,841
Net change in severance accrual	<u>    --</u>	<u>(28,097)</u>
	<u>970,600</u>	<u>238,826</u>
<u>CAPITAL TRANSACTIONS:</u>		
Acquisition of tangible capital assets	<u>(757,317)</u>	<u>    --</u>
<u>FINANCING TRANSACTIONS:</u>		
Repayment of long-term debt	<u>(101,753)</u>	<u>(240,692)</u>
<u>INCREASE (DECREASE) IN CASH</u>	111,530	(1,866)
<u>CASH (DEFICIENCY), beginning of year</u>	<u>(19,527)</u>	<u>(17,661)</u>
<u>CASH DEFICIENCY, end of year</u>	<u>\$ 92,003</u>	<u>(19,527)</u>
 <u>CASH DEFICIENCY</u> consists of:		
Cash	\$ 116,030	--
Due to bank - current account overdraft	<u>(24,027)</u>	<u>(19,527)</u>
	<u>\$ 92,003</u>	<u>(19,527)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF HUMBER ARM SOUTH  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 2021

1. **BUSINESS OF THE TOWN**

The Town of Humber Arm South is a municipal government incorporated pursuant to the Province of Newfoundland Labrador's Municipalities Act. The Town provides and funds municipal services including fire, public works, recreation and other general government operations.

2. **SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Professional Accountants of Canada and reflect the following significant accounting policies:

(a) **Basis of Consolidation**

The consolidated financial statements include the assets, liabilities, revenue and expenses of the reporting entity, including, where material, local boards and committees, based upon information provided by the committees which has not been audited. There were no controlled entities reflected in these financial statements.

(b) **Cash**

Cash includes cash balances, bank balances and short-term investments.

© **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 in use. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful life as follows:

Buildings	25 years
Recreation facilities	5-25 years
General equipment	5-40 years
Transportation infrastructure	20-30 years
Water and sewer infrastructure	25-60 years
Fire fighting	5-40 years

(d) **Revenue Recognition**

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

(e) **Use of Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

..... Cont'd

TOWN OF HUMBER ARM SOUTH  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 2021

2. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

(f) The municipality is a non-profit entity not subject to federal or provincial income taxes.

3. The manner in which the accounts have been kept and the safeguards against fraud are considered satisfactory, subject to my comment in my management letter.

4. **Sufficiency of Bonds**

Fidelity bond coverage in the amount of \$50,000 is carried on employees of the Town who are in positions of trust. This coverage is considered adequate.

5. **ACCOUNTS RECEIVABLE**

	<u>2021</u>	<u>2020</u>
Taxes and levies	\$223,849	219,945
Tax rebate	126,154	81,273
Due from Province	<u>579,099</u>	<u>33,100</u>
	929,102	334,318
Less: Allowance for doubtful accounts	<u>154,810</u>	<u>140,763</u>
	<u>\$774,292</u>	<u>193,555</u>

6. **Long-term debt**

	<u>2021</u>	<u>2020</u>
(a) Term loans		
3.98% bank loan, repayable in blended monthly installments of \$12,979, maturing in 2030	<u>\$1,181,116</u>	<u>1,282,869</u>

..... Cont'd

TOWN OF HUMBER ARM SOUTH  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 2021

6. Long-term debt (Cont'd)

The aggregate principal amount of payments required in each of the next five years to meet retirement provisions is approximately as follows:

2022	\$104,292
2023	106,899
2024	109,037
2025	111,218
2026	113,749

7. OTHER PROGRAMS

	<u>2021</u>			<u>2020</u>
	<u>Revenue</u>	<u>Expenditures</u>	<u>Net</u>	<u>Net</u>
Employment programs	\$ 55,762	69,482	13,720	4,378
Tourism	--	--	--	3,189
Municipal capital works	<u>5,170</u>	<u>7,410</u>	<u>2,240</u>	<u>8,492</u>
	<u>\$ 60,932</u>	<u>76,892</u>	<u>15,960</u>	<u>16,059</u>

8. FINANCIAL INSTRUMENTS

The Town, as part of its operations, carries a number of financial instruments. It is management's opinion the Town 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.

TOWN OF HUMBER ARM SOUTH  
SCHEDULE OF TANGIBLE CAPITAL ASSETS  
December 31, 2021

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2021
Community hall	\$ 1,089,666	1,224,521	577,001	625,910	598,611
Recreation facilities	194,763	194,763	144,188	153,800	40,963
Fire fighting	519,485	519,485	434,636	469,150	50,335
General equipment	289,507	289,507	289,507	289,507	--
Transportation					
Infrastructure	2,613,175	2,735,986	2,237,193	2,336,074	399,912
Water and sewer					
Infrastructure	15,173,112	15,672,763	7,267,008	7,652,102	8,020,661
	<u>\$19,879,708</u>	<u>20,637,025</u>	<u>10,949,533</u>	<u>11,526,543</u>	<u>9,110,482</u>

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2020
Community hall	\$ 1,089,666	1,089,666	533,486	577,001	512,665
Recreation facilities	194,763	194,763	134,576	144,188	50,575
Fire fighting	519,485	519,485	400,122	434,636	84,849
General equipment	289,507	289,507	283,650	289,507	--
Transportation					
Infrastructure	2,613,175	2,613,175	2,144,453	2,237,193	375,982
Water and sewer					
Infrastructure	15,173,112	15,173,112	6,894,405	7,267,008	7,906,104
	<u>\$19,879,708</u>	<u>19,879,708</u>	<u>10,390,692</u>	<u>10,949,533</u>	<u>8,930,175</u>

TOWN OF HUMBER ARM SOUTH  
RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET  
Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
Revenue per Municipal Budget	\$1,369,754	1,430,145
Revisions:		
Municipal capital works	533,829	--
Federal gas tax	<u>78,422</u>	<u>113,293</u>
Revenue per PSAB Budget	<u>\$1,982,005</u>	<u>1,543,438</u>
Expenditures per Municipal Budget	\$1,238,971	1,350,145
Revisions:		
Gas tax expenditures	12,097	182,412
Amortization of tangible capital assets	577,010	558,841
Debt charges - principal	<u>(101,753)</u>	<u>(240,691)</u>
Expenditures per PSAB Budget	<u>\$1,726,325</u>	<u>1,850,707</u>