

TOWN OF SPANIARD'S BAY
Financial Statements
December 31, 2019

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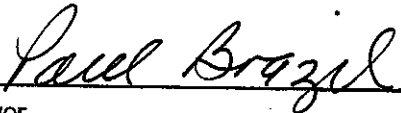
STATEMENT OF RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the management of the TOWN OF SPANIARD'S BAY and have been prepared in compliance with legislation, and in accordance with Canadian accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

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 Consolidated Financial Statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized Consolidated Financial Statements.

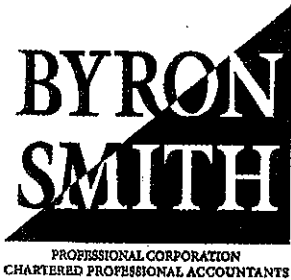
Byron Smith, Chartered Professional Accountant as the Municipality's appointed external auditor, has audited the Consolidated Financial Statements. The Auditor's report is addressed to the Mayor and members of Council and appears on the following page. The Auditor's opinion is based upon an examination 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 Consolidated 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.



Mayor



Town Clerk



BYRON D. SMITH
B. Comm., C.F.E., FCPA, FCA

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of:
Town of Spaniard's Bay

Opinion

I have audited the financial statements of the Town of Spaniard's Bay (Town), which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Operations, the Consolidated Statement of Change in Net Financial Assets (Net Debt), the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis for Opinion

I conducted my 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 my 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 my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matters

In compliance with the requirements of Section 91 of the Municipalities Act, 1999, my report on statutory requirements is included herewith.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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 relating 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.

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

My 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 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 will exercise professional judgment and maintain professional skepticism throughout the audit. I will 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, 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 Town's internal control.

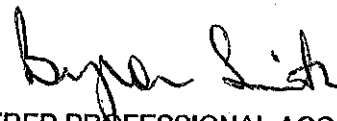
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 will 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 our audit.

Spaniard's Bay, NL
April 30, 2020



CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF SPANIARD'S BAY
Consolidated Statement of Financial Position

As at December 31,

2019

2018

FINANCIAL ASSETS

Cash (Note 5)	\$ 526,136	\$ 401,927
Accounts receivable (Note 6)	<u>669,557</u>	<u>556,447</u>
	<u>\$ 1,195,693</u>	<u>\$ 958,374</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 7)	\$ 149,681	\$ 147,418
Severance pay (Note 2)	20,750	21,448
Pension liability fund (Note 12)	50,149	57,465
Long term debt (Note 8)	1,588,660	1,445,943
Deferred revenue - gas tax funding	<u>129,416</u>	<u>47,877</u>
	<u>1,938,656</u>	<u>1,720,151</u>

NET FINANCIAL ASSETS (NET DEBT)

\$ (742,963) \$ (761,777)

NON-FINANCIAL ASSETS

Tangible Capital Assets (Schedule 1)	\$ 8,877,012	\$ 8,536,347
Prepaid expenses	<u>86,396</u>	<u>71,452</u>
	<u>8,963,408</u>	<u>8,607,799</u>

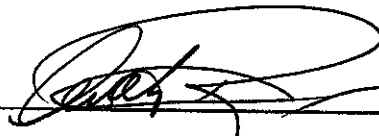
ACCUMULATED SURPLUS

\$ 8,220,445 \$ 7,846,022

On Behalf of the Town:

Paul Brazil

Mayor



Town Treasurer

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

TOWN OF SPANIARD'S BAY
Consolidated Statement of Operations

For the Year Ended December 31,	PSAB Budget 2019	Actual	
		2019	2018
REVENUE			
Taxation	\$ 1,900,321	\$ 1,912,786	\$ 1,850,326
Sale of goods and services	93,756	99,129	62,805
Grants and transfers	<u>457,200</u>	<u>500,370</u>	<u>661,371</u>
Total revenue (Schedule 2)	<u>2,451,277</u>	<u>2,512,285</u>	<u>2,574,502</u>
EXPENSES			
General government services (Schedule 3)	602,445	508,683	550,489
Protective services (Schedule 3)	140,552	114,707	100,708
Transportation services (Schedule 3)	760,088	731,652	680,075
Environmental health (Schedule 3)	591,390	608,554	710,656
Recreation, Cultural and Museum (Schedule 3)	82,502	69,081	102,084
Fiscal services (Schedule 3)	<u>101,028</u>	<u>105,185</u>	<u>128,890</u>
Total expenses	<u>2,278,005</u>	<u>2,137,862</u>	<u>2,272,902</u>
ANNUAL SURPLUS	<u>\$ 173,272</u>	<u>\$ 374,423</u>	<u>\$ 301,600</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
		\$ 7,846,022	\$ 7,544,422
ANNUAL SURPLUS			
		<u>374,423</u>	<u>301,600</u>
ACCUMULATED SURPLUS, END OF YEAR			
		<u>\$ 8,220,445</u>	<u>\$ 7,846,022</u>

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

TOWN OF SPANIARD'S BAY**Consolidated Statement of Change in Net Financial Assets (Net Debt)**

For the Year Ended December 31,	PSAB Budget	Actual	
		2019	2018
ANNUAL SURPLUS	\$ <u>173,272</u>	\$ <u>374,423</u>	\$ <u>301,600</u>
Acquisition of tangible capital assets	(861,284)	(861,284)	(474,458)
Amortization of tangible capital assets	520,619	520,619	525,602
Decrease (increase) in prepaid expenses	<u> </u>	<u>(14,944)</u>	<u>1,272</u>
	<u>(340,665)</u>	<u>(355,609)</u>	<u>52,416</u>
CHANGE IN NET FINANCIAL ASSETS	(167,393)	18,814	354,016
NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR	<u>(761,777)</u>	<u>(761,777)</u>	<u>(1,115,793)</u>
NET FINANCIAL ASSETS (NET DEBT), END OF YEAR	\$ <u>(929,170)</u>	\$ <u>(742,963)</u>	\$ <u>(761,777)</u>

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

TOWN OF SPANIARD'S BAY
Consolidated Statement of Cash Flows

For the Year Ended December 31,	2019	2018
OPERATING TRANSACTIONS		
Annual surplus	\$ 374,423	\$ 301,600
Amortization of capital assets	520,619	525,602
Changes in non-cash working capital:		
Accounts receivable	(113,110)	27,189
Prepays	(14,944)	1,272
Accounts payable and accrued liabilities	2,263	(105,016)
Severance payable	(698)	(39,024)
Deferred revenue	81,539	(37,881)
Pension liability fund	(7,316)	(6,653)
Cash provided by operating transactions	<u>842,776</u>	<u>667,089</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	<u>(861,284)</u>	<u>(474,458)</u>
FINANCING TRANSACTIONS		
Debt repayment	<u>142,717</u>	<u>(252,715)</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS	124,209	(60,084)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>401,927</u>	<u>462,011</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u>\$ 526,136</u>	<u>\$ 401,927</u>

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

1. Status of the TOWN OF SPANIARD'S BAY

The incorporated TOWN OF SPANIARD'S BAY is a municipal government that was incorporated in 1965 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The Municipality provides and funds municipal services such as fire, public works, parks and recreation, library, tourism and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian accepted accounting standards as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the following significant accounting policies:

Basis of Accounting

The consolidated 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.

Investments

Temporary investments are accounted for at the lower of cost and market. Portfolio investments are accounted for at cost.

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.

Real estate properties and inventories held for sale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year of the reporting date.

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:

TOWN OF SPANIARD'S BAY
Notes to the Consolidated Financial Statements
December 31, 2019

Tangible Capital Assets Continued

General Tangible Capital Assets

Land	Indefinite
Land Improvements	10 to 50 years
Buildings and leasehold improvements	
Buildings	25 to 40 years
Leasehold improvements	Term of lease
Vehicles and Equipment	
Vehicles	5 years
Machinery, equipment and furniture	5 years
Maintenance and road construction equipment	10 years
Computer Hardware and Software	4 years
Furniture & Fixtures	5 years

Infrastructure Assets

Transportation	
Land	Indefinite
Road surface	5 to 20 years
Road grade	30 years
Bridges	30 to 50 years
Traffic lights and equipment	10 to 15 years
Marine structures	25 years
Water and Sewer	
Land	Indefinite
Land improvements	50 years
Buildings	25 to 40 years
Underground networks	15 to 100 years
Machinery and equipment	15 years
Dams and other surface water structures	25 to 50 years

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Revenue Recognition

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

Expenditure Recognition

Expenditures are recorded on an accrual basis. Outstanding commitments for goods and services relating to the current year are accrued at the balance sheet date.

Principal repayments of long term debt are recorded as an expense when repaid. Interest on long term debt is accrued at year end.

Use of Estimates

The preparation of the Municipality's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories held for sale are recorded at the lower of cost and net realizable value. Inventories held for consumption are recorded at the lower of cost and replacement value.

Severance Pay

The terms of the collective agreement with employees of Council allowed severance pay to be paid out on termination to a maximum of \$11,000 per employee, with the exception of the Town Clerk the maximum is \$18,000. As of December 31, 2018, severance has been paid out to most staff with the exception of the former Town Clerk who has agreed to take it out over of a period of 5 years and one employee who is still accruing severance. The estimated accrued liability to December 31, 2019 is \$20,750. Cash in the amount of \$21,321 has been held in reserve to fund the liability.

Donated Materials

Donated materials are recorded at fair market value at the date of receipt.

3. The manner in which the accounts have been kept and the safeguards against fraud

The Municipality's position in these respects was considered satisfactory.

4. Sufficiency of Bonds

Fidelity bond coverage of \$75,000 is carried on employees of the municipality who are in a position of trust and this coverage is considered to be "adequate" for a town of this size.

5. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash - current	\$ 361,749	\$ 292,854
Cash - severance	21,321	59,908
Cash - garbage contract	17,887	17,618
Cash - gas tax	124,263	25,376
Cash - capital projects	<u>916</u>	<u>6,171</u>
	<u>\$ 526,136</u>	<u>\$ 401,927</u>

TOWN OF SPANIARD'S BAY
Notes to the Consolidated Financial Statements
December 31, 2019

6. Accounts Receivable	<u>2019</u>	<u>2018</u>
Taxes:		
Business	\$ 51,256	\$ 54,229
Other	23,422	17,025
Property	447,446	421,449
Water and sewer	<u>177,012</u>	<u>185,213</u>
	<u>699,136</u>	<u>677,916</u>
Due from Province - long term debt	133,150	17,340
HST Receivable	75,117	76,496
Sundry	<u>57</u>	<u>167</u>
	<u>208,324</u>	<u>94,003</u>
	907,460	771,919
Allowance for doubtful accounts	<u>(237,903)</u>	<u>(215,472)</u>
	<u>\$ 669,557</u>	<u>\$ 556,447</u>
7. Accounts Payable and Accrued Liabilities	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 122,813	\$ 92,926
Accrued interest	562	3,317
Capital payables	<u>26,306</u>	<u>51,175</u>
	<u>\$ 149,681</u>	<u>\$ 147,418</u>
8. Long Term Debt	<u>2019</u>	<u>2018</u>
Newfoundland and Labrador Municipal Financing Corporation		
Various loans with payments fully granted by the Government of Newfoundland and Labrador.	<u>\$ 3,561</u>	<u>\$ 10,177</u>
Canadian Imperial Bank of Commerce		
4.45% loan repayable in monthly principle instalments of \$1,343, maturing 2026.		128,939
4.45% loan repayable in monthly principle instalments of \$466, maturing 2020.		<u>45,203</u>
	<u>NIL</u>	<u>174,142</u>

TOWN OF SPANIARD'S BAY
Notes to the Consolidated Financial Statements
December 31, 2019

8. Long Term Debt (continued)	<u>2019</u>	<u>2018</u>
Balance Forward	\$ NIL	\$ 174,142
4.45% loan repayable in monthly principle installments of \$358, paid 2019.		1,792
4.45% loan repayable in monthly principle installments of \$1,667, refianced in 2019.		116,650
4.45% loan repayable in monthly principle installments of \$2,873, paid 2019.		37,352
4.45% loan repayable in monthly principle installments of \$317, paid 2019.		11,096
4.45% loan repayable in monthly principle installments of \$1,000, paid 2019.		9,345
4.45% loan repayable in monthly principle installments of \$7,877, refianced in 2019.		1,039,769
4.45% loan repayable in monthly principle installments of \$463, refianced in 2019.		37,037
4.45% loan repayable in principle monthly installments of \$778 , paid 2019.		<u>8,583</u>
Total CIBC	<u>NIL</u>	<u>1,435,766</u>
Scotiabank		
3.45% loan repayable in monthly principle installments of \$2,494, maturing 2024.	137,159	
3.45% loan repayable in monthly principle installments of \$3,980, maturing 2024 and secured by 2019 dump truck having a carrying value of \$216,571.	214,935	
3.45% loan repayable in monthly principle installments of \$7,698, maturing 2029.	950,114	
3.45% loan repayable in monthly principle installments of \$5,281, maturing 2024.	<u>282,891</u>	
Total Scotiabank	<u>1,585,099</u>	<u>NIL</u>
Total long xterm debt	<u>\$ 1,588,660</u>	<u>\$ 1,445,943</u>

TOWN OF SPANIARD'S BAY
Notes to the Consolidated Financial Statements
December 31, 2019

The annual repayments required over next 5 years on existing long term debt are as follows:

2020	\$207,069
2021	\$208,127
2022	\$208,127
2023	\$150,297
2024	\$ 96,995

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current years presentation.

10. Financial Instruments

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values. Transactions in financial instruments may result in the Municipality assuming or transferring to another party one or more of the financial risks described below. The disclosures below provide information that assists users of these financial statements in assessing the extent of risk related to financial instruments.

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 on the accounts receivable from its customers. The Municipality has a significant number of customers 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 changes 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.

Fair Value

The carrying value of the Municipality's financial assets and financial liabilities as at December 31, 2019 approximate their fair value.

11. 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. The budget figures used in these financial statements have been approved by Council.

12. Pension Plan Obligation

The Town is a member of a multi-employer pension plan. During 2009 the Town was invoiced by the pension plan administrators for its portion of an unfunded pension liability. The Town is required to contribute special payments in the amount of \$ 610 monthly for eight years remaining at December 31, 2019.

13. CREDIT FACILITIES

The company has a \$100,000 revolving demand credit arrangement with CIBC. This line of credit was unused at year-end. All outstanding amounts can be converted to a promissory note and registered either under relevant government legislation or a Financing Statement/ Financing Change Statement under the Personal Property Security Act or equivalent at the discretion of CIBC.

TOWN OF SPANIARD'S BAY
Consolidated Schedule of Tangible Capital Assets
December 31, 2019

Schedule 1

	General Capital Assets					Infrastructure			Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Asset Under Construction	Roads, Streets and Bridges	Water and Sewer	Assets Under Construction	2019	2018
Cost										
Opening Costs	\$ 142,145	\$ 2,219,499	\$ 1,215,865	\$ 64,960		\$ 7,132,129	\$ 10,641,488		\$ 21,416,066	\$ 20,941,628
Additions during the year		80,169	251,820			518,377	10,918		861,284	474,458
Disposals and write downs										
Closing Costs	142,145	2,299,668	1,467,685	64,960		7,650,506	10,652,406		22,277,370	21,416,086
Accumulated Amortization										
Opening accum'd amortization	72,177	1,391,431	930,596	63,588		4,610,417	5,811,530		12,879,739	12,354,137
Amortization	3,123	13,901	47,337	907		235,927	219,424		520,619	525,602
Disposals and write downs										
Closing accum'd amortization	75,300	1,405,332	977,933	64,495		4,846,344	6,030,954		13,400,358	12,879,739
Net Book Value of Tangible Capital Assets	\$ 66,845	\$ 894,336	\$ 489,752	\$ 465	\$ NIL	\$ 2,804,162	\$ 4,621,452	\$ NIL	\$ 8,877,012	\$ 8,536,347



TOWN OF SPANIARD'S BAY
Consolidated Schedule of Revenues

Schedule 2

For the Year Ended December 31,

2019
Financial Plan

2019
Actual

2018
Actual

Taxation			
Property tax	\$ 1,241,192	\$ 1,245,653	\$ 1,183,108
Business tax	197,877	204,907	199,961
Water and sewer tax	<u>461,252</u>	<u>462,226</u>	<u>467,257</u>
	<u>1,900,321</u>	<u>1,912,786</u>	<u>1,850,326</u>
Sales of goods and services			
Tax certificates	1,000	1,100	1,100
Permits	3,000	2,190	5,585
Connection fees	12,000	8,000	2,000
Miscellaneous	36,440	34,283	27,161
Rent	22,000	32,470	16,150
Sale of assets		1,770	
Interest		<u>19,316</u>	<u>10,809</u>
	<u>74,440</u>	<u>99,129</u>	<u>62,805</u>
Grants and transfers			
Government of Newfoundland and Labrador			
Municipal operating grant	150,358	150,358	150,358
Provincial debt charges	34,580	554	1,579
Gas tax revenue	142,191	158,317	261,419
Capital Grants		147,607	163,103
Other provincial grants and/or subsidies	<u>16,490</u>	<u>43,534</u>	<u>84,912</u>
	<u>343,619</u>	<u>500,370</u>	<u>661,371</u>
Total Revenue	\$ <u>2,318,380</u>	\$ <u>2,512,285</u>	\$ <u>2,574,502</u>

TOWN OF SPANIARD'S BAY
Consolidated Schedule of Expenses

Schedule 3

For the Year Ended December 31,

	<u>2019, Financial Plan</u>	<u>2019 Actual</u>	<u>2018 Actual</u>
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General government

General administrative:

Salaries and benefits	\$ 224,876	\$ 249,767	\$ 272,436
Computer system	10,500	12,419	9,727
Amortization of tangible capital assets		1,088	1,088
Heat and light	26,000	23,121	23,018
Telephone	5,700	6,244	5,560
Supplies	42,900	30,514	41,720
Building maintenance	45,400	12,994	10,715
Sundry	30,000		4,220
Professional fees	37,000	30,095	39,291
Municipal plan	22,000		
Public relations	5,000	2,352	4,575
Travel	19,800	11,223	10,967
	<u>469,176</u>	<u>379,817</u>	<u>423,317</u>

Common services:

Assessment fees	47,216	47,216	47,385
Insurance	42,965	39,650	42,338
	<u>90,181</u>	<u>86,866</u>	<u>89,723</u>

Legislative:

Councillors' remuneration	42,000	42,000	37,449
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Other general government services:

	<u>\$ 601,357</u>	<u>\$ 508,683</u>	<u>\$ 550,489</u>
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Protective services

Fire protection:

Purchased services	\$ 59,850	\$ 41,552	\$ 25,814
Supplies	10,000	10,000	10,000
Amortization of tangible capital assets		27,462	29,620
	<u>69,850</u>	<u>79,014</u>	<u>65,434</u>

Animal control

	<u>43,240</u>	<u>35,693</u>	<u>35,274</u>
	<u>\$ 113,090</u>	<u>\$ 114,707</u>	<u>\$ 100,708</u>

TOWN OF SPANIARD'S BAY
Consolidated Schedule of Expenses

Schedule 3

For the Year Ended December 31,

	2019 Financial Plan	2019 Actual	2018 Actual
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Environmental health

Water supply

Salaries and benefits	\$ 96,900	\$ 81,609	\$ 163,993
Supplies	95,100	143,968	161,007
Amortization of tangible capital assets		<u>223,214</u>	<u>225,620</u>
	<u>192,000</u>	<u>448,791</u>	<u>550,620</u>

Garbage, waste collection and disposal

Contracts	<u>176,176</u>	<u>159,763</u>	<u>160,036</u>
	<u>\$ 368,176</u>	<u>\$ 608,554</u>	<u>\$ 710,656</u>

Transportation services

Street lighting

Purchased services	<u>\$ 105,000</u>	<u>\$ 107,553</u>	<u>\$ 104,932</u>
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Vehicle and fleet operation

Supplies	<u>63,500</u>	<u>64,442</u>	<u>84,425</u>
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Road transport

Salaries and benefits	138,025	173,877	52,928
Amortization of tangible capital assets		263,763	264,181
Supplies	<u>57,200</u>	<u>56,105</u>	<u>73,490</u>
	<u>195,225</u>	<u>493,745</u>	<u>390,599</u>

Snow removal

Salaries and benefits	95,100	34,942	67,773
Purchased services	<u>37,500</u>	<u>30,970</u>	<u>32,346</u>
	<u>132,600</u>	<u>65,912</u>	<u>100,119</u>
	<u>\$ 496,325</u>	<u>\$ 731,652</u>	<u>\$ 680,075</u>

Recreation, cultural and museum

Recreation and community centres

Salaries and benefits	\$ 33,610	\$ 38,040	\$ 68,926
Amortization of tangible capital assets		5,092	5,092
Supplies	<u>43,800</u>	<u>25,949</u>	<u>28,066</u>
	<u>\$ 77,410</u>	<u>\$ 69,081</u>	<u>\$ 102,084</u>

Fiscal services

Debt charges from all sources	\$ 370,481	\$ 58,454	\$ 64,790
Allowance for uncollectable accounts(recovery)	15,500	24,739	35,193
Interest and bank charges	27,074	21,992	28,907
Capital expenditures from revenue	<u>248,967</u>		
	<u>\$ 662,022</u>	<u>\$ 105,185</u>	<u>\$ 128,890</u>

**Town of Spaniard's Bay
Reconciliation of Financial Plan to Budget (PSAB)
For The Year Ended December 31, 2019**

	Financial Plan	Amortization - Town	Interest	Transfers	Long Term Accruals	Actual Amounts Consolidated Entities	PSAB Budget
REVENUE							
Taxation	\$ 1,900,321						\$ 1,900,321
Sales of goods and services	74,440		19,316				93,756
Grants and transfers	<u>343,619</u>		<u>(34,026)</u>	<u>147,607</u>			<u>457,200</u>
Total revenue	\$ <u>2,318,380</u>		<u>(14,710)</u>	<u>147,607</u>			<u>2,451,277</u>
EXPENSES							
General government services	\$ 601,357	\$ 1,088					602,445
Protective services	113,090	27,462					140,552
Transportation services	496,325	283,763					780,088
Environmental health services	368,176	223,214					591,390
Regional planning and cultural services	77,410	5,092					82,502
Fiscal Services - Capital expenditures	248,967			(248,967)			
Debt charges and doubtful accounts	<u>413,055</u>		<u>(312,027)</u>				<u>101,028</u>
Total expenses	\$ <u>2,318,380</u>	<u>520,619</u>	<u>(312,027)</u>	<u>(248,967)</u>			<u>2,278,005</u>
Surplus(Deficit)		\$ <u>(520,619)</u>	\$ <u>297,317</u>	\$ <u>396,574</u>	\$ <u>NIL</u>	\$ <u>NIL</u>	\$ <u>173,272</u>



April 30, 2020

To the Mayor and Councillors of:
TOWN OF SPANIARD'S BAY

In compliance with the requirements of section 91 of the Municipalities Act, my report as follows on the audit of the accounts of the Council for the year ended December 31, 2019.

Expenditures in relation to budget:

Actual expenditures of \$2,137,862 were within the limits of the adopted budget by \$180,518. Section 81 of the Act provides that except with the approval of the Minister, the Council's expenditures shall not exceed the estimated amount of expenditures set out in an approved budget. These expenditures include the amortization expense which was not budgeted for.

Arrears on revenue:

Taxes and rates receivable totaled \$699,136 at December 31, 2019. Of this amount, \$376,895 has been outstanding for one year or longer, while the balance of \$292,241 represents arrears on account of taxes and rates levied in 2019.

There was an allowance for doubtful accounts of \$237,903 at December 31, 2019. In my opinion this allowance is considered adequate to cover any potential uncollectable accounts.

The manner in which the accounts have been kept and the adequacy of safeguards against fraud:

The council's performance in these areas is adequate.

Sufficiency of bonds:

Fidelity bond coverage is carried on employees of the municipality who are in a position of trust. Coverage amounts are considered adequate for a municipality this size.

BYRON D. SMITH
CHARTERED PROFESSIONAL ACCOUNTANT
Spaniard's Bay, Newfoundland

BYRON SMITH

PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

BYRON D. SMITH

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Auditor's Report On Compliance with Federal Gas Tax Funding Agreement

To the Mayor and members of Council of the
Town of Spaniard's Bay

Opinion

I have audited the 2019 Ultimate Recipient Annual Expenditure Report (the "Report") for the Town of Spaniard's Bay ("the Municipality") for the year ended December 31, 2019.

In my opinion, this financial statement presents fairly, in all material respects, the results of operations in respect to the receipt and disbursement of Gas Tax funding for the year then ended, in accordance with the standards as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In my opinion, the Town of Spaniard's Bay has complied in all material respects, to the terms and conditions of the Ultimate Recipient Gas Tax Agreement, as prescribed under the Canada - Newfoundland and Labrador Administrative Agreement on the Federal Gas Tax Fund 2014-2024.

Basis for Opinion

I conducted my 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 2019 Ultimate Recipient Annual Expenditure Report section of my report. I am independent of the Municipality in accordance with the ethical requirements that are relevant to my audit of the Report in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I 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 2019 Ultimate Recipient Annual Expenditure Report

Management is responsible for the preparation and fair presentation of the Report in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of a Report that is free from material misstatement, whether due to fraud or error.

In preparing the Report, 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.

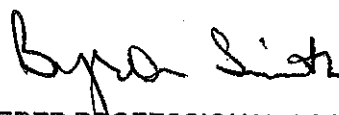
Auditor's Responsibilities for the Audit of the 2019 Ultimate Recipient Annual Expenditure Report

My objectives are to obtain reasonable assurance about whether the Report as a whole is 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 the Report. 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 will also:

- Identify and assess the risks of material misstatement of the Report, 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, 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 the 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual expenditure report 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Report, including the disclosures, and whether the Report represents the underlying transactions and events in a manner that achieves fair presentation.

I will 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.

Spaniard's Bay, NL
April 30, 2020



CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF SPANIARD'S BAY

**Appendix A: Summary of Ultimate Recipients Funding and Certification
2019 Annual Expenditure Report
Town of Spaniard's Bay**

For the Year Ended December 31,

	2019	
	Current year	Cumulative
Opening balance of unspent funding	\$ 47,877	
Received from Newfoundland and Labrador	239,856	\$ 1,147,484
Interest earned on projects 2019	NIL	NIL
Interest spent on projects in 2019	NIL	NIL
Net interest earned on gas tax funds	NIL	NIL
Spent on eligible projects in 2019	<u>158,317</u>	<u>1,018,068</u>
Closing balance of unspent funding	<u>\$ 129,416</u>	<u>\$ 129,416</u>

Certification by Municipality

I, Paul Brazil, Mayor of the Town of Spaniard's Bay certify that the information reported is a true and accurate representation of the Municipality's position with respect to its federal gas tax revenues. I acknowledge and understand that any contravention of the terms and conditions of the Ultimate Recipient Gas Tax Funding Agreement may result in funding being withheld.

The Municipality does maintain a separate bank account for Gas Tax Funding.

Paul Brazil
Signature Mayor

June 2, 2020
Date