

TOWN OF CORMACK
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021

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STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements are the responsibility of the management of the Town of Cormack 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 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 and management have reviewed a draft of the consolidated financial statements to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Brian N. Hillier, CPA, CA, 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. His opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as he considers 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.

Mayor

Town Clerk

Brian N. Hillier

Chartered Professional Accountant

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P. O. Box 783
Corner Brook, NL
A2H 6G7

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INDEPENDENT AUDITOR'S REPORT

The Mayor and Councillors
Town of Cormack
Cormack, NL

I have audited the consolidated financial statements of the Town of Cormack, 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, 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 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

7 October 2022

A handwritten signature in black ink, appearing to read "Brian Hill", with a horizontal line extending to the right.

CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF CORMACK
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2021

	<u>2021</u>	<u>2020</u>
<u>FINANCIAL ASSETS</u>		
Cash (Note 3)	\$ 187,447	39,757
Accounts receivable (Note 4)	185,096	161,849
Gas tax funds receivable	<u> --</u>	<u>35,520</u>
	<u>372,543</u>	<u>237,126</u>
<u>LIABILITIES</u>		
Due to bank (Note 5)	--	3,837
Accounts payable and accrued liabilities (Note 6)	60,368	63,033
Long-term debt (Note 7)	200,573	227,135
Deferred credits (Note 8)	<u>802,600</u>	<u>860,531</u>
	<u>1,063,541</u>	<u>1,154,536</u>
<u>NET FINANCIAL ASSETS (NET DEBT)</u>	(690,998)	(917,410)
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Schedule I)	<u>1,288,273</u>	<u>1,454,523</u>
<u>ACCUMULATED SURPLUS</u>	<u>\$ 597,275</u>	<u>537,113</u>

ON BEHALF OF THE COUNCIL:

_____ Mayor

_____ Town Clerk

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

TOWN OF CORMACK
 CONSOLIDATED STATEMENT OF SURPLUS
 Year ended December 31, 2021

	<u>Budget</u>	<u>2021</u>	<u>2020</u>
<u>REVENUE</u>	\$831,110	908,248	884,700
<u>EXPENDITURES</u>	<u>874,424</u>	<u>849,662</u>	<u>787,815</u>
<u>ANNUAL SURPLUS (DEFICIT)</u>	<u>\$(43,314)</u>	58,586	96,885
<u>SURPLUS</u> , beginning of year		<u>497,356</u>	<u>400,471</u>
		555,942	497,356
<u>ADD: Equity - Committees</u>		<u>41,333</u>	<u>39,757</u>
<u>SURPLUS</u> , end of year		<u>\$597,275</u>	<u>537,113</u>

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

TOWN OF CORMACK
 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	\$383,182	387,675	367,212
Poll tax	6,120	8,558	6,840
Business tax	110,987	131,843	131,109
Utility tax	<u>29,000</u>	<u>31,827</u>	<u>29,630</u>
	<u>529,289</u>	<u>559,903</u>	<u>534,791</u>
<u>GOVERNMENT CONTRIBUTIONS</u>			
Province of Newfoundland Labrador:			
Municipal assistance grants	68,371	68,372	68,372
Provincial gas tax	17,371	17,433	17,433
Gas tax funding - federal	57,357	57,357	35,520
Municipal capital works	--	--	62,900
Other	<u>35,082</u>	<u>67,278</u>	<u>37,482</u>
	<u>178,181</u>	<u>210,440</u>	<u>221,707</u>
<u>OTHER</u>			
Garbage	60,000	61,268	61,298
Rentals	1,200	3,955	1,255
Snowclearing	59,340	59,680	62,023
Miscellaneous	<u>3,100</u>	<u>13,002</u>	<u>3,626</u>
	<u>123,640</u>	<u>137,905</u>	<u>128,202</u>
	<u>\$831,110</u>	<u>908,248</u>	<u>884,700</u>

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

TOWN OF CORMACK
 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>			
General administration	\$ 97,790	92,772	82,068
Insurance	27,500	27,635	26,451
Assessment services	<u>17,300</u>	<u>17,290</u>	<u>17,264</u>
	<u>142,590</u>	<u>137,697</u>	<u>125,783</u>
<u>PROTECTIVE SERVICES</u>			
Fire protection	32,400	36,987	59,529
Other	3,350	3,069	2,511
Stimulus upgrade	<u>--</u>	<u>28,350</u>	<u>--</u>
	<u>35,750</u>	<u>68,406</u>	<u>62,040</u>
<u>TRANSPORTATION SERVICES</u>			
Road maintenance	233,726	174,274	181,288
Street lighting	<u>28,300</u>	<u>24,264</u>	<u>23,706</u>
	<u>262,026</u>	<u>198,538</u>	<u>204,994</u>
<u>ENVIRONMENTAL HEALTH SERVICES</u>			
Garbage collection	<u>66,000</u>	<u>62,523</u>	<u>60,564</u>
<u>RECREATION AND COMMUNITY SERVICES</u>			
Supplies and services	<u>46,301</u>	<u>68,174</u>	<u>40,241</u>
<u>FISCAL SERVICES</u>			
Amortization	108,319	108,319	111,346
Provision for uncollectible taxes, fees and charges	40,000	20,000	20,000
Discounts and exemptions	107,000	112,702	108,858
Gas tax expenditures	57,357	57,357	36,463
Other debt charges	<u>9,081</u>	<u>15,946</u>	<u>17,526</u>
	<u>321,757</u>	<u>314,324</u>	<u>294,193</u>
	<u>\$874,424</u>	<u>849,662</u>	<u>787,815</u>

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

TOWN OF CORMACK
 CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
 Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
Annual surplus	\$ 58,586	96,885
Acquisition of tangible capital assets	--	(64,231)
Increase in committee funds	1,576	7,698
Amortization of tangible capital assets	<u>166,250</u>	<u>169,277</u>
<u>CHANGE IN NET FINANCIAL ASSETS</u>	226,412	209,629
<u>NET FINANCIAL ASSETS (DEBT), beginning of year</u>	<u>(917,410)</u>	<u>(1,127,039)</u>
<u>NET FINANCIAL ASSETS (DEBT), end of year</u>	<u>\$ (690,998)</u>	<u>(917,410)</u>

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

TOWN OF CORMACK
 CONSOLIDATED STATEMENT OF CASH FLOW
 Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
<u>OPERATING TRANSACTIONS:</u>		
Annual surplus	\$ 58,586	96,885
Change in non-cash items:		
Accounts receivable	12,273	(47,621)
Accounts payable and accrued liabilities	(2,665)	(76,149)
Amortization	166,250	169,277
Deferred credits	(57,931)	(57,931)
Committee account	<u>1,576</u>	<u>7,698</u>
	<u>178,089</u>	<u>92,159</u>
 <u>CAPITAL TRANSACTIONS:</u>		
Acquisition of tangible capital assets	<u>--</u>	<u>(64,231)</u>
 <u>FINANCING TRANSACTIONS:</u>		
Repayment of long-term debt	<u>(26,562)</u>	<u>(83,426)</u>
 <u>INCREASE (DECREASE) IN CASH</u>	151,527	(55,498)
 <u>CASH, beginning of year</u>	<u>35,920</u>	<u>91,418</u>
 <u>CASH, end of year</u>	<u>\$187,447</u>	<u>35,920</u>
 <u>CASH</u> consists of:		
Cash (Note 3)	\$187,447	39,757
Due to bank (Note 5)	<u>--</u>	<u>(3,837)</u>
	<u>\$187,447</u>	<u>35,920</u>

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

TOWN OF CORMACK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021

1. BUSINESS OF THE TOWN

The Town of Cormack 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, library, tourism 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. These statements account for the assets of the Recreation Committee and the Fire Department, based upon amounts provided by the various committees and have not been audited.

(b) Cash

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

(c) 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:

General

Land	Indefinite
Land improvements	10 to 50 years
Buildings	25 to 40 years
Leasehold improvements	Term of lease
Vehicles	5 years
Machinery and equipment	5 years
Maintenance and road construction equipment	10 years
Computer hardware and software	4 years
Furniture and 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
Marina structures	25 years

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TOWN OF CORMACK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES

Tangible capital assets (Cont'd)

Infrastructure assets

Water and sewer	Indefinite
Land	50 years
Land improvements	25 to 40 years
Buildings	15 to 100 years
Underground networks	15 years
Machinery and equipment	
Dams and other surface water structures	25 to 50 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.

(f) Fidelity bond coverage of \$50,000 is carried on employees who are in a position of trust; the amount is considered adequate.

(g) The municipality is a non-profit entity not subject to income taxes.

(h) The manner in which the accounts have been kept and the safeguards against fraud are considered satisfactory.

(i) The comparative figures have been modified to conform to the current year presentation.

3. CASH

	<u>2021</u>	<u>2020</u>
Municipal funds	\$143,341	--
Committee funds	<u>44,106</u>	<u>39,757</u>
	<u>\$187,447</u>	<u>39,757</u>

TOWN OF CORMACK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021

4. ACCOUNTS RECEIVABLE		<u>2021</u>	<u>2020</u>
		\$218,833	180,230
Taxes and rates		<u>71,070</u>	<u>76,978</u>
Other		289,903	257,208
Less: Allowance for doubtful accounts		<u>104,807</u>	<u>95,359</u>
		<u>\$185,096</u>	<u>161,849</u>
5. DUE TO BANK		<u>2021</u>	<u>2020</u>
Current account overdraft		\$ --	<u>3,837</u>
6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		<u>2021</u>	<u>2020</u>
Accounts payable - trade		\$ 53,513	57,511
Government liabilities		<u>6,855</u>	<u>5,522</u>
		<u>\$ 60,368</u>	<u>63,033</u>
7. LONG-TERM DEBT		<u>2021</u>	<u>2020</u>
<u>Bank of Montreal</u>			
3.8% loan at prime plus 1.75%, repayable in blended monthly installments of \$2,512, maturing in 2029		\$200,200	222,286
Loan at prime plus 1.75%, repayable in monthly installments of \$373 plus interest, maturing in 2022		<u>373</u>	<u>4,849</u>
		<u>\$200,573</u>	<u>227,135</u>
Principal repayments required in each of the next five years are as follows:			
2022			\$ 21,751
2023			22,295
2024			22,852
2025			23,309
2026			23,775

TOWN OF CORMACK
SCHEDULE OF TANGIBLE CAPITAL ASSETS
December 31, 2021

	Cost		Accumulated Amortization		Net Book Value December 31, 2021
	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	
Land and improvements	\$ 22,184	22,184	--	--	22,184
Computer equipment	6,022	6,022	6,022	6,022	--
Buildings and improvements	2,185,607	2,185,607	1,583,833	1,637,370	548,237
Vehicles	10,093	10,093	10,093	10,093	--
Equipment	341,159	341,159	132,114	158,233	182,926
Heavy equipment	614,996	614,996	597,655	614,996	--
Transportation infrastructure	1,546,515	1,546,515	942,336	1,011,589	534,926
	<u>\$4,726,576</u>	<u>4,726,576</u>	<u>3,272,053</u>	<u>3,438,303</u>	<u>1,288,273</u>

	Cost		Accumulated Amortization		Net Book Value December 31, 2020
	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	
Land and improvements	\$ 22,184	22,184	--	--	22,184
Computer equipment	6,022	6,022	6,022	6,022	--
Buildings and improvements	2,010,116	2,010,116	1,537,316	1,583,833	426,283
Vehicles	10,093	10,093	10,093	10,093	--
Equipment	341,159	341,159	105,996	132,114	209,045
Heavy equipment	614,996	614,996	570,266	597,655	17,341
Transportation infrastructure	1,546,515	1,546,515	873,083	942,336	604,179
Work in progress	111,260	175,491	--	--	175,491
	<u>\$4,662,345</u>	<u>4,726,576</u>	<u>3,102,776</u>	<u>3,272,053</u>	<u>1,454,523</u>

TOWN OF CORMACK
RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
Revenue per Municipal Budget	\$773,753	732,740
Revisions:		
Municipal Capital Works funding	--	62,900
Federal Gas Tax funding	<u>57,357</u>	<u>35,520</u>
Revenue per PSAB Budget	<u>\$831,110</u>	<u>831,160</u>
Expenditures per Municipal Budget	\$735,310	732,740
Revisions:		
Gas tax expenditures	57,357	36,463
Net amortization of tangible capital assets	108,319	111,346
Debt charges - principal	<u>(26,562)</u>	<u>(52,532)</u>
Expenditures per PSAB Budget	<u>\$874,424</u>	<u>828,017</u>