TOWN OF POUCH COVE
Financial Statements
December 31, 2018

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

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BYRON SMITH

PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

STATEMENT OF RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the management of the TOWN OF POUCH COVE 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 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 it's 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 Auditors opinion is based upon an examination conducted in accordance with Canadian generally accepted accounting 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 SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of:
Town of Pouch Cove

Qualified Opinion

I have audited the financial statements of the Town of Pouch Cove, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Operations, The Consolidated Statement of Change in Net Financial Assets, the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph and adjustments, if any, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis for Qualified Opinion

The Town's consolidated entities, including the Volunteer Fire Department derives revenue from various sources the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of revenue was limited to the amounts recorded in the records of these entities, and I was not able to determine whether any adjustments might be necessary for revenue, surplus for the year and net assets of the Volunteer Fire Department.

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 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 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 our 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 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 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 financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional scepticism 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 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, 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, we are 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.

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.

Spaniard's Bay, NL
August 13, 2019

Byron Smith

CHARTERED PROFESSIONAL ACCOUNTANT

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF POUCH COVE
Consolidated Statement of Financial Position

As at December 31,	2018	2017
FINANCIAL ASSETS		
Cash (Note 5)	$ 1,483,329	$ 635,259
Accounts receivable (Note 6)	1,125,277	541,069
Due from Province - share of long term debt	13,322	21,531
	$ 2,621,928	$ 1,197,859
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	$ 1,165,655	$ 213,158
Severance payable (Note 2)	17,399	35,693
Deferred revenue - gas tax	141,069	93,068
Deferred revenue	4,000	
Long term debt (Note 8)	284,686	366,073
	1,612,809	707,992
NET FINANCIAL ASSETS (NET DEBT)	$ 1,009,119	$ 489,867
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule 1)	$ 7,872,244	$ 6,764,285
Inventory and prepaid expenses	21,121	18,440
	7,893,365	6,782,725
ACCUMULATED SURPLUS	$ 8,902,484	$ 7,272,592

On Behalf of the Town:

Judy Noll ________ Mayor   Brian Peach ________ Town Treasurer

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

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF POUCH COVE

Consolidated Statement of Operations

For the Year Ended December 31,	PSAB Budget	Actual 2018	Actual 2017
REVENUE			
Taxation (Schedule 2)	$ 1,633,014	$ 1,751,532	$ 1,610,787
Sale of goods and services (Schedule 2)	115,165	133,326	125,180
Grants and transfers (Schedule 2)	1,669,772	1,561,083	453,764
Revenue - Consolidated Entities (Schedule 2)	289,407	289,407	172,667
Total revenue	3,707,358	3,735,348	2,362,398
EXPENSES			
General government services (Schedule 3)	837,949	654,221	662,827
Protective services (Schedule 3)	170,800	182,526	119,243
Transportation services (Schedule 3)	482,386	433,548	476,700
Environmental health (Schedule 3)	378,762	332,868	342,745
Planning and development (Schedule 3)	33,500	53,701	9,329
Recreation, Cultural and Museum(Schedule 3)	154,629	147,276	143,989
Fiscal services (Schedule 3)	85,502	101,532	146,772
Expenses - Consolidated Entities (Schedule 3)	199,784	199,784	246,114
Total expenses	2,343,312	2,105,456	2,147,719
ANNUAL SURPLUS	$ 1,364,046	$ 1,629,892	$ 214,679

	2018	2017
ACCUMULATED SURPLUS, BEGINNING OF YEAR	$ 7,272,592	$ 7,057,913
ANNUAL SURPLUS	1,629,892	214,679
ACCUMULATED SURPLUS, END OF YEAR	$ 8,902,484	$ 7,272,592

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

BYRON SMITH

PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF POUCH COVE
Consolidated Statement of Change in Net Financial Assets

For the Year Ended December 31,	2018	2017
ANNUAL SURPLUS	$ 1,629,892	$ 214,679
Acquisition of tangible capital assets - Net	(1,550,675)	(400,609)
Amortization of tangible capital assets	442,716	427,841
Decrease (increase) in prepaid expenses	(2,681)	(3,499)
	(1,110,640)	23,733
CHANGE IN NET FINANCIAL ASSETS	519,252	238,412
NET FINANCIAL ASSETS, BEGINNING OF YEAR	489,867	251,455
NET FINANCIAL ASSETS, END OF YEAR	$ 1,009,119	$ 489,867

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

TOWN OF POUCH COVE
Consolidated Statement of Cash Flows

For the Year Ended December 31,	2018	2017
OPERATING TRANSACTIONS		
Annual surplus	$ 1,629,892	$ 214,679
Changes in non-cash items:		
Amortization of capital assets	442,716	427,841
Changes in current assets and currect liabilities:		
Amounts receivable	(584,208)	(141,809)
Due from Province	8,209	19,682
Inventories and prepaids	(2,681)	(3,499)
Amounts payable and accrued liabilities	952,497	(159,111)
Severance payable	(18,294)	1,597
Deferred revenue	52,001	(99,401)
Cash provided by operating transactions	2,480,132	259,979
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(1,550,675)	(400,609)
FINANCING TRANSACTIONS		
Proceeds of long-term debt		35,695
Debt repayment	(81,387)	(92,908)
Repayment of obligation under capital lease		(4,229)
	(81,387)	(61,442)
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	848,070	(202,072)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	635,259	837,331
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	$ 1,483,329	$ 635,259

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

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

1. Status of the TOWN OF POUCH COVE

The incorporated TOWN OF POUCH COVE is a municipal government that was incorporated in 1970 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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended 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.

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.

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.

2. Significant Accounting Policies (continued)

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:

<u>General Tangible Capital Assets</u>

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

<u>Infrastructure Assets</u>

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

2. Significant Accounting Policies (continued)

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 Company'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 Town records severance pay liability for both management and union employees.

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 $50,000 is carried on employees of the municipality who are in a position of trust and this coverage is considered to be adequate.

5. Cash and cash equivalents	2018	2017
Cash and cash equivalents are comprised of the following:		
Cash	$ 1,404,111	$ 521,199
Cash - capital	79,218	114,060
	$ 1,483,329	$ 635,259

6. Accounts Receivable	2018	2017
Taxes:		
Business	$ 138,827	$ 91,202
Property	367,830	304,940
Water and sewer	90,847	73,183
Interest	175,359	125,966
	772,863	595,291
Due from Province	443,775	132,572
Government of Canada	125,560	142,535
Sundry	243,266	64,846
	812,601	339,953
	1,585,464	935,244
Allowance for doubtful accounts	(460,187)	(394,175)
	$ 1,125,277	$ 541,069

7. Accounts Payable and Accrued Liabilities	2018	2017
Accounts payable	$ 115,366	$ 83,876
Accounts payable - capital	1,008,487	85,260
Other - share of consolidated entities	41,802	44,022
	$ 1,165,655	$ 213,158

8. Long Term Debt	**2018**	**2017**
Newfoundland Municipal Financing Corporation		
$90,439, 6.375% repayable in thirty blended semi-annual instalments of $4,726, maturing in 2020.	$ 13,322	$ 21,531
Total Newfoundland Municipal Financing Corporation Loans	13,322	21,531
Royal Bank of Canada		
Fixed rate loan at 3.32%, repayable in blended monthly instalments of $2,215, maturing 2021	68,882	93,203
Fixed rate term loan at 3.31%, repayable in blended monthly instalments of $801, maturing 2021.	27,831	34,814
Fixed rate term loan at 2.91%, repayable in blended monthly instalments of $2,254, maturing 2021.	26,098	34,578
Fixed rate term loan at 3.90%, repayable in monthly instalments of $592 plus interest, maturing 2019. Secured by a vehicle.	4,607	11,387
Government guaranteed loan at 3.51%, repayable in monthly blended instalments of $ 2,680, maturing in 2022.	143,946	170,560
Total Royal Bank of Canada Loans	271,364	344,542
Total long term debt	$ 284,686	$ 366,073

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

2019	$79,378
2020	$77,274
2021	$62,200
2022	$29,683
2023	$34,418

9. 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.

10. 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.

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 4 - Reconciliation of the Financial Plan to the Budget.

TOWN OF POUCH COVE
Consolidated Schedule of Tangible Capital Assets
December 31, 2018

Schedule 1

	General Capital Assets			Infrastructure			Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Roads, Streets and Bridges	Water and Sewer	Assets Under Construction	2018	2017
Cost								
Opening Costs	$ 536,788	$ 3,121,009	$ 1,226,537	$ 12,997,219	$ 4,943,894		$ 22,825,447	$ 22,424,838
Additions during the year				68,382	1,482,293		1,550,675	400,609
Disposals and write downs								
Closing Costs	536,788	3,121,009	1,226,537	13,065,601	6,426,187		24,376,122	22,825,447
Accumulated Amortization								
Opening accum'd amortization		1,187,061	908,333	10,743,421	3,222,347		16,061,162	15,633,321
Amortization		101,568	47,147	190,239	103,762		442,716	427,841
Disposals and write downs								
Closing accum'd amortization		1,288,629	955,480	10,933,660	3,326,109		16,503,878	16,061,162
Net Book Value of Tangible Capital Assets	$ 536,788	$ 1,832,380	$ 271,057	$ 2,131,941	$ 3,100,078	$	$ 7,872,244	$ 6,764,285

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF POUCH COVE
Consolidated Schedule of Revenues

Schedule 2

For the Year Ended December 31,	Financial Plan	2018	2017
Taxation			
Property tax	$ 1,126,072	$ 1,186,285	$ 1,153,402
Business tax and utility tax	134,742	136,272	150,180
Water and sewer tax	352,200	370,850	278,592
Penalties and interest on taxes receivable	20,000	58,125	28,613
	1,633,014	1,751,532	1,610,787
Sales of goods and services			
Rents and recoveries	51,000	51,192	51,458
Recreation and cultural services	36,000	44,706	11,350
Miscellaneous	10,000	19,985	45,372
Fire protection service fees	18,165	17,443	17,000
	115,165	133,326	125,180
Grants and transfers			
Government of Canada			
Other federal revenue		14,789	18,486
Gas tax revenue	91,787	4,916	185,265
Government of Newfoundland and Labrador			
Municipal operating grant	181,449	181,449	181,449
Municipal capital grant		1,359,929	68,564
Other provincial grants and/or subsidies	36,607		
	309,843	1,561,083	453,764
Consolidated entities revenue			
Northeast Avalon Arena		139,075	143,369
Fire Dept Revenue - chase the ace		138,411	
Fire Dept Revenue		11,921	29,298
		289,407	172,667
Total Revenue	$ 2,058,022	$ 3,735,348	$ 2,362,398

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF POUCH COVE
Consolidated Schedule of Expenses

Schedule 3

For the Year Ended December 31,	Financial Plan	2018	2017
General government			
General administrative:			
Office salaries and benefits	$ 198,000	$ 168,600	$ 164,222
Public works salaries and benefits	270,000	161,947	171,357
Amortization of tangible capital assets		34,449	34,449
Telephone, internet and technology	18,000	15,614	17,914
Supplies and purchased services	50,000	48,406	51,277
Professional fees	42,000	32,327	44,870
Public relations	9,000	13,581	9,346
Travel and training	25,000	26,197	24,221
	612,000	501,121	517,656
Common services:			
Assessment fees	34,500	34,450	35,588
Insurance	36,000	36,188	32,761
General maintenance:			
Heat and light	7,500	6,981	6,829
Town Hall	20,000	5,867	17,482
Depot	4,000		2,923
Cleaning services	12,000	10,622	10,340
Miscellaneous	36,000	18,454	18,508
	150,000	112,562	124,431
Legislative:			
Councillors' remuneration	40,000	40,538	17,200
Election	1,500		3,540
	41,500	40,538	20,740
	$ 803,500	$ 654,221	$ 662,827
Protective services			
Fire protection:			
Honorarium		$ 20,075	$ 16,455
Fire Hall		7,586	7,165
Supplies and purchased services	$ 134,800	112,991	60,243
Training		18,784	20,086
Mutual aid		8,682	8,072
	134,800	168,118	112,021
Emergency preparedness and response	1,000	4,589	486
Municipal enforcement	20,000		
Animal control	15,000	9,819	6,736
	$ 170,800	$ 182,526	$ 119,243

TOWN OF POUCH COVE
Consolidated Schedule of Expenses — **Schedule 3**

For the Year Ended December 31,	Financial Plan	2018	2017
Environmental health			
Water supply			
Supplies	$ 100,000	$ 60,397	$ 108,131
Hydro	30,000	25,416	26,619
Amortization of tangible capital assets		103,762	83,092
	130,000	189,575	217,842
Sewer collection and disposal			
Supplies	15,000	23,558	10,030
Garbage, waste collection and disposal			
Contracts	130,000	119,735	114,873
	$ 275,000	$ 332,868	$ 342,745
Transportation services			
Street lighting			
Purchased services	$ 55,000	$ 49,453	$ 48,675
Vehicle and fleet operation			
Fuel	10,000	7,447	8,652
Maintenance	25,000	37,482	21,265
	35,000	44,929	29,917
Road transport			
Amortization of tangible capital assets		237,386	248,505
Supplies	125,000	79,867	129,468
	125,000	317,253	377,973
Snow removal			
Supplies and purchased services	25,000	14,489	16,530
Traffic services			
Supplies	5,000	7,424	3,605
	$ 245,000	$ 433,548	$ 476,700
Regional planning and development			
Community improvement and development			
Supplies and purchased services	$ 25,000	$ 37,264	$ 1,479
Other planning and development			
Supplies and purchased services	8,500	16,437	7,850
	$ 33,500	$ 53,701	$ 9,329
Recreation and cultural services			
Parks, playgrounds and playing fields			
Salaries and benefits	$ 73,200	$ 64,586	$ 48,758
Amortization of tangible capital assets		8,929	8,355
Supplies	72,500	73,761	86,876
	$ 145,700	$ 147,276	$ 143,989

TOWN OF POUCH COVE

Consolidated Schedule of Expenses — **Schedule 3**

For the Year Ended December 31,	Financial Plan	2018	2017
Fiscal services			
Debt charges from all sources	$ 118,134	$ 15,502	$ 11,787
Allowance for uncollectable accounts	50,000	66,012	116,954
Interest and bank charges	20,000	20,018	18,031
Capital expenditures from revenue	196,388		
	$ 384,522	$ 101,532	$ 146,772
Consolidated entities expenses			
Northeast Avalon Arena - expense		$ 130,052	$ 149,228
Northeast Avalon Arena - amortization		58,190	53,440
Fire Department		11,542	43,446
	$ NIL	$ 199,784	$ 246,114

Town of Pouch Cove
Reconciliation of Financial Plan to Budget (PSAB)
Schedule 4

For The Year Ended December 31, 2017

	Financial Plan	Amortization	Interest Expense	Transfers	Long Term Accruals	Actual Amounts Consolidated Entities	PSAB Budget
REVENUE							
Taxation	$ 1,633,014						$ 1,633,014
Sales of goods and services	115,165						115,165
Grants and transfers	309,843			$ 1,359,929			1,669,772
Consolidated entities revenue						$ 289,407	289,407
Total revenue	$ 2,058,022			1,359,929		289,407	3,707,358
EXPENSES							
General government services	$ 803,500	$ 34,449					837,949
Protective services	170,800						170,800
Transportation services	245,000	237,386					482,386
Environmental health services	275,000	103,762					378,762
Recreation and cultural services	145,700	8,929					154,629
Planning and development	33,500						33,500
Fiscal services:							
Debt charges and doubtful accounts	384,522		(102,632)	(196,388)			85,502
Consolidated entities		58,190				141,594	199,784
Total expenses	$ 2,058,022	442,716	(102,632)	(196,388)		141,594	2,343,312
Surplus(Deficit)		$ (442,716)	$ 102,632	$ 1,556,317	$	$ 147,813	$ 1,364,046

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

August 13, 2019

To the Mayor and Councillors of:
TOWN OF POUCH COVE

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, 2018.

Expenditures in relation to budget:

Actual expenditures of $2,105,456 were over the limits of the adopted budget by $47,434. This was due to the expenditures for amortization and consolidated entities which were not budgeted for. 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.

Arrears on revenue:

Taxes and rates receivable totaled $772,863 at December 31, 2018. Of this amount, $496,939, has been outstanding for one year or longer, while the balance of $275,924 represents arrears on account of taxes and rates levied in 2018.

There was an allowance for doubtful accounts of $460,187 at December 31, 2018. In my opinion this allowance is considered adequate to cover any potential uncollectible 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 satisfactory.

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

BYRON SMITH
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

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

To: Mayor and Councillors,
TOWN OF POUCH COVE, NL

Opinion
I have audited the 2018 Ultimate Recipient Annual Expenditure Report for the Town of Pouch Cove for the year ended December 31, 2018.

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 Pouch Cove 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 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 2018 Ultimate Recipient Annual Expenditure Report section of our 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 2018 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 2018 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 judgement and maintain professional skepticism throughout the audit. I 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 our 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 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 Report, including the disclosures, and whether the Report represents 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 we identify during my audit.

Spaniard's Bay, NL
August 13, 2019

Byron Smith
CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF POUCH COVE

Annual Expenditure Report - Gas Tax Funding Agreement

For the Year Ended December 31,	2018	Cumulative
Balance available, beginning of year	$ 93,068	
Current years allocation received under agreement	52,864	$ 889,550
Accrued interest	53	183
	145,985	889,733
Spent on eligible projects	4,916	748,664
Balance available, end of year	$ 141,069	$ 141,069

The projects approved for this program were specifically for road upgrades.

Certification by Municipality

I Joedy Wall, Mayor of the Town of Pouch Cove 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.

Joedy Wall

Signature

Sept 10/19

Date