TOWN OF HOLYROOD

Financial Statements
For the Year Ended December 31, 2019

STATEMENT OF RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the management of the Town of Holyrood 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 Association of 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.

Clarified Professional Corporation Inc., as the Municipality's appointed external auditors, have 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 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.

Mr. Gary Goobie
Mayor

Mr. Gary Corbett
Chief Administration Officer

TOWN OF HOLYROOD

Financial Statements
For the Year Ended December 31, 2019

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TOWN OF HOLYROOD
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	**$ 513,488**	$ 36,408
Amounts receivable (Note 4)	**728,327**	675,255
Land inventory held for sale	**-**	463,310
Prepaid expenses	**-**	1,015
	$ 1,241,815	$ 1,175,988
LIABILITIES		
Operating line of credit	**$ 245,000**	$ 245,000
Accounts payable and accrued liabilities (Note 5)	**942,760**	1,036,420
Deferred revenue (Note 6)	**100,504**	276,985
Long-term debt (Note 7)	**1,363,254**	1,649,726
	2,651,518	3,208,131
NET DEBT	**$ (1,409,703)**	$ (2,032,143)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	**$ 12,635,205**	$ 12,679,805
ACCUMULATED SURPLUS	**$ 11,225,502**	$ 10,647,662

Approved on behalf of Council:

Mayor

Chief Administrative Officer

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF HOLYROOD
STATEMENT OF OPERATIONS
Year Ended December 31, 2019

	2019 Budget	**2019 Actual**	2018 Actual
REVENUE			
Taxation	$ 3,360,080	**$ 3,461,066**	$ 3,200,704
Grants and transfers	379,948	**941,136**	1,347,617
Other revenue	105,107	**1,336,753**	397,116
Total revenue (Schedules 2 and 4)	3,966,341	**5,738,955**	4,945,437
EXPENSES			
General government services	816,751	**770,596**	808,357
Protective services	381,910	**252,589**	279,710
Transportation services	1,610,547	**1,662,000**	1,612,473
Environmental health services	868,664	**875,934**	899,449
Regional planning and development	234,049	**333,974**	264,090
Recreation and cultural services	302,718	**680,641**	602,113
Fiscal services	88,253	**585,381**	80,945
Total expenses (Schedules 3 and 4)	4,302,892	**5,161,115**	4,547,137
ANNUAL SURPLUS (DEFICIT)	(336,551)	**577,840**	398,300
ACCUMULATED SURPLUS, BEGINNING OF YEAR	10,647,662	**10,647,662**	10,249,362
ACCUMULATED SURPLUS, END OF YEAR	$ 10,311,111	**$ 11,225,502**	$ 10,647,662

See accompanying notes to financial statements.
Clarified Professional Corporation Inc.

TOWN OF HOLYROOD
STATEMENT OF CHANGE IN NET DEBT
Year Ended December 31, 2019

	2019 Budget	**2019 Actual**	2018 Actual
ANNUAL DEFICIT	$ (336,551)	**$ 577,840**	$ 398,300
Acquisition of tangible capital assets	(94,403)	**(871,502)**	(1,595,719)
Amortization of tangible capital assets	916,102	**916,102**	868,428
	821,699	**44,600**	(727,291)
CHANGE IN NET DEBT	485,149	**622,440**	(328,991)
NET DEBT, BEGINNING OF YEAR	(2,032,143)	**(2,032,143)**	(1,703,152)
NET DEBT, END OF YEAR	$ (1,546,994)	**$ (1,409,703)**	$ (2,032,143)

See accompanying notes to financial statements
Clarified Professional Corporation Inc.

TOWN OF HOLYROOD
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

	2019	2018
OPERATING TRANSACTIONS		
Annual surplus	**$ 577,840**	$ 398,300
Changes in non-cash items:		
Amounts receivable	**(53,072)**	(123,005)
Inventories	**463,310**	-
Prepaids	**1,015**	1,790
Accounts payable and accrued liabilities	**(93,660)**	(19,102)
Deferred revenue	**(176,481)**	50,612
Amortization	**916,102**	868,428
Cash provided by operating transactions	**1,635,054**	1,177,023
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	**(871,502)**	(1,595,719)
FINANCING TRANSACTIONS		
Proceeds (repayment) of short-term debt	**-**	100,000
Proceeds of long-term debt	**-**	502,946
Debt repayment	**(286,472)**	(314,041)
Cash provided by financing transactions	**(286,472)**	288,905
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	**477,080**	(129,791)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	**36,408**	166,199
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	**$ 513,488**	$ 36,408

See accompanying notes to financial statements

1. Status of the Town of Holyrood

The incorporated Town of Holyrood is a municipal government that was incorporated in 1969 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The Municipality provides or funds municipal services such as fire, public works, parks and recreation, library, tourism, and other general government operations.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

The Town of Holyrood has adopted the PSAB's recommendations for recording tangible capital assets and the financial statement presentation. The tangible asset section, PS 3150, establishes standards on how to account and report tangible capital assets in government financial statements. The financial statement presentation section, PS 1200, establishes general reporting principles and standards for the disclosure of information based on the underlying financial statement concepts and the objectives of the government financial statements.

b) Cash and Temporary Investments

Cash and temporary investments include cash and short-term investments with maturities of twelve months or less from the date of acquisition.

c) Government Transfers

Government transfers are recognized as either expenditures or revenues in the period that the events giving rise to the transfer occurred as long as: a) the transfer is authorized; b) eligibility criteria have been met by the recipient; and c) a reasonable estimate of the amount can be made.

Unearned government transfer amounts received will be recorded as deferred revenue. Earned government transfer amounts not received are treated as a receivable.

d) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

e) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is put into use and one-half of the annual amortization is charged in the year of acquisition and in the year of disposal. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Capital Assets

Land	Indefinite
Land improvements	10 to 50 years
Buildings and leasehold improvements	
Buildings	25 years
Recreation facilities	10 - 20 years
Vehicles and equipment	
Machinery, equipment and furniture	5 - 10 years

Infrastructure Assets

Transportation	
Roads	20 - 25 years
Water and sewer system	30 - 50 years

f) Revenue Recognition

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

g) Use of Estimates

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

3. Cash and Temporary Investments

Cash and temporary investments are comprised of the following:

	2019	2018
Operating accounts	$ 370,726	$ (104,925)
Temporary investments	142,762	141,333
	$ 513,488	$ 36,408

Temporary investments are comprised of guaranteed investment certificates and have a market value that approximates cost.

4. Amounts Receivable

	2019	2018
Taxes receivable	$ 704,704	$ 581,862
HST receivable	183,438	176,029
Grants receivable	-	72,698
	888,142	830,589
Less: allowances for doubtful amounts	(159,815)	(155,334)
	$ 728,327	$ 675,255

5. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts payable and accruals	$ 698,949	$ 800,388
Refundable deposits	86,762	93,311
Retirement fund liability	157,049	142,721
	$ 942,760	$ 1,036,420

6. Deferred Revenue

	2019	2018
Deferred gas tax revenue	$ 100,504	$ 163,300
Deferred project revenue	$ -	$ 13,685
Deferred revenue - land sales	-	100,000
	$ 100,504	$ 276,985

7. Long Term Debt

	2019	2018
Newfoundland Municipal Financing Corporation Loan with an original balance of $38,324 bearing interest at 6.375%, repayable in blended semi-annual installments of $2,003, maturing in 2020.	**1,941**	5,645
Royal bank loan repaid during the year.	**-**	8,569
Royal bank loan with an original balance of $106,000 bearing interest at 3.5%, repayable in monthly installments of $1,931, maturing in 2021.	**44,535**	65,750
Royal bank loan with an original balance of $191,150 bearing interest at 4.12%, repayable in monthly installments of $1,947, maturing in 2021.	**30,124**	51,718
Royal bank loan with an original balance of $446,107 bearing interest at 2.74%, repayable in monthly installments of $5,842, maturing in 2023.	**265,501**	327,338
Royal bank loan with an original balance of $100,896 bearing interest at 4.23%, repayable in monthly installments of $1,868, maturing in 2023.	**66,354**	85,535
Royal bank loan with an original balance of $413,000 bearing interest at 2.52%, repayable in monthly installments of $3,897, maturing in 2024.	**200,606**	241,165
Royal bank loan with an original balance of $402,050 bearing interest at 3.39%, repayable in monthly installments of $5,384, maturing in 2025.	**314,801**	367,755
Royal bank loan with an original balance of $215,555 bearing interest at 3.12%, repayable in monthly installments of $1,995, maturing in 2026.	**139,030**	159,469
Royal bank loan with an original balance of $397,950 bearing interest at 3.05%, repayable in monthly installments of $3,853, maturing in 2027.	**300,362**	336,782
	$ 1,363,254	$ 1,649,726

Principal payments required in each of the next five years are as follows:

2019	$	285,307
2020		277,174
2021		255,033
2022		244,761
2023		152,456
Thereafter		148,523

8. Financial Instruments

The Municipality, as part of its operations, carries a number of financial instruments. It is management's opinion the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from its residents and businesses. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. The Municipality has a significant number of residents and businesses 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 a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations the town manages exposure through its normal operating and financing activities. The Municipality is exposed to interest rate risk primarily through its bank loans and credit facilities.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Municipality is exposed to this risk mainly in respect of receipt of funds from its residents and other related sources, accounts payable, and long term debt.

9. Risk Management

As part of the town's overall risk management, its insurance policy includes crime coverage of $50,000 per occurrence covering employee dishonesty and various other fraud-related risks. The Municipality's insurance coverages and the manner in which the accounts have been kept and the safeguards against fraud are considered to be satisfactory.

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. For comparative purposes, the Town has modified its financial plan to prepare a budget that is consistent with the scope and accounting principles used to report the actual results. The budget figures used in these financial statements have been approved by Council.

The reconciliation between the Municipality's cash based financial plan and the PSAB accrual based budget figures used in these statements is disclosed in Schedule 5 - Reconciliation of the Financial Plan to the Budget.

TOWN OF HOLYROOD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year Ended December 31, 2019

SCHEDULE 1

	General Capital Assets						Infrastructure			Totals	
Cost	Land	Land Improvements	Buildings	Vehicles	Heavy Equipment	Equipment, Furniture and Fixtures	Roads and Bridges	Marine Structures	Water and Sewer Systems	2019	2018
Opening cost	7,498	1,350,089	1,522,141	572,320	960,482	295,838	2,616,862	1,213,156	15,960,367	24,498,753	22,903,034
Additions during the year	28,182	17,367	-	-	-	39,766	263,896	-	522,291	871,502	1,595,719
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing cost	**35,680**	**1,367,456**	**1,522,141**	**572,320**	**960,482**	**335,604**	**2,880,758**	**1,213,156**	**16,482,658**	**25,370,255**	**24,498,753**
Accumulated Amortization											
Opening accum'd amortization	-	661,480	748,209	225,226	774,832	279,729	1,244,856	1,213,156	6,671,460	11,818,948	10,950,520
Amortization	-	44,664	40,195	86,096	57,282	8,753	115,522	-	563,590	916,102	868,428
Disposals and write downs	-	-	-		-		-	-	-	-	-
Closing accum'd amortization	-	**706,144**	**788,404**	**311,322**	**832,114**	**288,482**	**1,360,378**	**1,213,156**	**7,235,050**	**12,735,050**	**11,818,948**
Net Book Value of Tangible Capital Assets	**35,680**	**661,312**	**733,737**	**260,998**	**128,368**	**47,122**	**1,520,380**	**-**	**9,247,608**	**12,635,205**	**12,679,805**

TOWN OF HOLYROOD

SCHEDULE OF REVENUES

Year Ended December 31, 2019

SCHEDULE 2

	2019	2018
Taxation		
Property tax	**$ 2,414,454**	$ 2,260,108
Business tax	**459,051**	420,943
Water and sewer tax	**547,807**	493,391
Licenses, permits, tax certificates & fees	**39,754**	26,262
	3,461,066	3,200,704
Grants and transfers		
Municipal operating grant	**117,248**	117,248
Capital Project Grants	**415,502**	634,750
Gas tax revenue	**136,260**	98,700
Provincial gas tax revenue	**28,148**	28,148
Other grants and/or subsidies	**243,978**	468,771
	941,136	1,347,617
Other revenue		
Recreation revenues	**348,546**	277,839
Other revenues	**94,014**	96,225
Land sales	**882,000**	-
Interest	**12,193**	23,052
	1,336,753	397,116
Total Revenue	**5,738,955**	4,945,437

TOWN OF HOLYROOD **SCHEDULE 3**

SCHEDULE OF EXPENSES

Year Ended December 31, 2019

	2019	2018
General government services		
Legislative	$ 69,524	$ 64,638
Salaries and benefits	301,831	283,609
Office and other	36,061	49,247
Property assessment services	47,346	48,573
Amortization	44,974	45,175
General administrative expenses	220,449	265,964
Insurance	50,411	51,151
	770,596	808,357
Protective services		
Amortization	26,763	28,750
Fire protection	225,826	250,960
	252,589	279,710
Transportation services		
Roads and general maintenance	1,019,410	1,095,442
Snow clearing	104,914	49,382
Amortization	236,113	204,523
Equipment operation and maintenance	187,221	125,415
Street lighting	114,342	137,711
	1,662,000	1,612,473
Environmental health services		
Water and sewer - general operation and maintenance	179,601	203,857
Amortization	563,590	547,569
Garbage and waste disposal	132,743	148,023
	875,934	899,449
Regional planning and development		
Planning and zoning	17,405	12,410
Community improvement and development	5,435	8,490
Ocean technology	180,357	100,490
Promotion and economic development	130,777	142,700
	333,974	264,090
Recreation and cultural services		
Festivals and events	259,866	215,426
Salaries and wages	174,246	206,458
Other recreation and cultural expenses	201,865	137,819
Amortization	44,664	42,410
	680,641	602,113
Fiscal Services		
Interest on long term debt	48,753	54,958
Bad debt expense	5,939	(21,339)
Discounts	22,885	19,489
Bank charges	30,166	15,966
Land inventory cost of sales	463,310	-
Severance expense	14,328	11,871
	585,381	80,945
Total Expenses	5,161,115	4,547,137

TOWN OF HOLYROOD

STATEMENT OF OPERATIONS BY PROGRAM

Year Ended December 31, 2019

SCHEDULE 4

	General Government*		Protective Services		Transportation Services		Environmental Health Services	
	2019	2018	2019	2018	2019	2018	2019	2018
REVENUE								
Taxation	$ 2,913,259	$ 2,707,313	$ -	$ -	$ -	$ -	$ 547,807	$ 493,391
Grants and transfers	117,248	117,248	-	266,709	579,909	363,829	222,086	521,245
Other revenue	29,391	32,360	50,724	57,205	-	-	-	-
Total revenue	$ 3,059,898	$ 2,856,921	$ 50,724	$ 323,914	$ 579,909	$ 363,829	$ 769,893	$ 1,014,636
EXPENSES								
Personnel services	$ 371,355	$ 348,247	$ 123,884	$ 99,565	$ 758,158	$ 893,575	$ -	$ -
Contract services	140,407	213,279	-	-	-	-	132,743	148,023
Utilities	35,263	34,908	16,034	14,164	114,342	137,711	60,116	57,674
Maintenance materials and supplies	76,068	74,933	85,908	137,231	553,387	376,664	119,485	146,183
Grants and contributions	-	-	-	-	-	-	-	-
Amortization	44,974	45,175	26,763	28,750	236,113	204,523	563,590	547,569
Interest on long term debt	-	-	-	-	-	-	-	-
Other	102,529	91,815	-	-	-	-	-	-
Total expenses	$ 770,596	$ 808,357	$ 252,589	$ 279,710	$ 1,662,000	$ 1,612,473	$ 875,934	$ 899,449
Surplus (Deficit)	$ 2,289,302	$ 2,048,564	$ (201,865)	$ 44,204	$ (1,082,092)	$ (1,248,644)	$ (106,041)	$ 115,187

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

TOWN OF HOLYROOD
STATEMENT OF OPERATIONS BY PROGRAM
Year Ended December 31, 2019

SCHEDULE 4 Cont...

	Regional Planning and Development		Recreation and Cultural Services		Fiscal Services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
REVENUE								
Taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,461,066	$ 3,200,704
Grants and transfers	-	-	17,887	61,587	4,006	16,999	941,136	1,347,617
Other revenue	3,230	6,660	348,546	277,839	904,862	23,052	1,336,753	397,116
Total revenue	$ 3,230	$ 6,660	$ 366,433	$ 339,426	$ 908,868	$ 40,051	$ 5,738,955	$ 4,945,437
EXPENSES								
Personnel services	$ 265,373	$ 179,531	$ 174,246	$ 206,458	$ -	$ -	$ 1,693,016	$ 1,727,376
Contract services	-	-	-	-	-	-	273,150	361,302
Utilities	-	-	-	-	-	-	225,755	244,457
Maintenance materials and supplies	48,167	49,839	451,731	343,245	-	-	1,334,746	1,128,095
Grants and contributions	15,000	25,000	10,000	10,000	-	-	25,000	35,000
Amortization	-	-	44,664	42,410	-	-	916,104	868,427
Interest on long term debt	-	-	-	-	48,753	54,958	48,753	54,958
Other	5,434	9,720	-	-	536,628	25,987	644,591	127,522
Total expenses	$ 333,974	$ 264,090	$ 680,641	$ 602,113	$ 585,381	$ 80,945	$ 5,161,115	$ 4,547,137
Surplus (Deficit)	$ (330,744)	$ (257,430)	$ (314,208)	$ (262,687)	$ 323,487	$ (40,894)	$ 577,840	$ 398,300

TOWN OF HOLYROOD

SCHEDULE 5

RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET

Year Ended December 31, 2019

	Financial Plan	Amortization (TCA)	Interest Expense	Capital Expenses	Transfers	PSAB Budget
REVENUE						
Taxation	$ 3,360,080	$ -	$ -	$ -	$ -	$ 3,360,080
Sales of goods and services	121,206	-	-	-	-	121,206
Grants and transfers	289,293	-	-	-	90,655	379,948
Investment income	-	-	-	-	-	-
Other revenue	105,107	-	-	-	-	105,107
Total revenue	**$ 3,875,686**	**$ -**	**$ -**	**$ -**	**$ 90,655**	**$ 3,966,341**
EXPENSES						
General government services	$ 771,777	$ 44,974	$ -	$ -	$ -	$ 816,751
Protective services	355,147	26,763	-	-	-	381,910
Transportation services	1,374,434	236,113	-	-	-	1,610,547
Environmental health services	305,074	563,590	-	-	-	868,664
Regional planning and development	234,049	-	-	-	-	234,049
Recreation and cultural services	258,054	44,664	-	-	-	302,718
Fiscal services:						
Capital expenditures	94,403	-	-	(94,403)	-	-
Debt charges	443,249	-	(394,496)	-	-	48,753
Other fiscal services	39,500	-	-	-	-	39,500
Total expenses	**$ 3,875,686**	**$ 916,104**	**$ (394,496)**	**$ (94,403)**	**$ -**	**$ 4,302,892**
Surplus (Deficit)	**$ -**	**$ (916,104)**	**$ 394,496**	**$ 94,403**	**$ 90,655**	**$ (336,551)**