

TOWN OF FOGO ISLAND
Financial Statements
Year Ended December 31, 2021

TOWN OF FOGO ISLAND
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Year Ended December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Town of Fogo Island have been prepared in accordance with Canadian public sector accounting standards (PSAS). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Town of Fogo Island's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Town Council is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Council carries out this responsibility principally through its Finance Committee. The Finance Committee is appointed by the Council and meets periodically with management and the councillors' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee reports to the Town Council prior to its approval of the financial statements. The Committee also considers, for review by the Council and approval by the councillors, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the councillors by Richard K Power, CPA, Professional Corporation, in accordance with Canadian public sector accounting standards (PSAS).



Mr. Andrew Shea, Mayor



Ms. Pauline Payne, CAO

Fogo Island Central, NL
July 26, 2022

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of Town of Fogo Island

Opinion

I have audited the financial statements of Town of Fogo Island (the Town), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and accumulated surplus, changes in net financial assets (debt) and 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 financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 Financial Statements* section of my report. I am independent of the Town in accordance with 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are 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:

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Independent Auditor's Report to the Councillors of Town of Fogo Island *(continued)*

- 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.




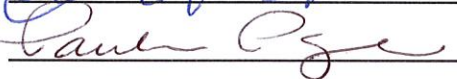
Clareville, Newfoundland and Labrador
July 26, 2022

Chartered Professional Accountant
Richard K Power, FCPA, Professional Corporation

TOWN OF FOGO ISLAND
Statement of Financial Position
December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,127,943	\$ 919,999
Cash - restricted (Note 2)	219,511	34,005
Accounts receivable (Note 5)	1,139,119	706,464
	2,486,573	1,660,468
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,121,042	295,886
Deferred income (Note 7)	219,511	34,005
Long term debt (Note 8)	1,379,178	1,240,181
	2,719,731	1,570,072
NET FINANCIAL ASSETS (DEBT)	(233,158)	90,396
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 4)	26,454,472	25,859,090
ACCUMULATED SURPLUS	\$ 26,221,313	\$ 25,949,486

ON BEHALF OF COUNCIL

 Mayor
 Town Clerk

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND**Statement of Operations and Accumulated Surplus****Year Ended December 31, 2021**

	Budget (Schedule 5)	2021	2020
REVENUES <i>(Schedule 2)</i>			
Taxation	\$ 1,938,210	\$ 1,949,654	\$ 1,939,046
Sales of good and services	142,100	87,318	110,491
Grants and transfers	764,758	1,842,305	791,056
Investment income	45,200	63,323	55,784
Other revenue	179,400	23,152	1,242
Transfer from reserves	744,194	-	-
	3,813,862	3,965,752	2,897,619
EXPENSES <i>(Schedule 3)</i>			
General Government services	1,876,308	1,988,282	1,972,927
Protective Services	163,542	151,867	134,621
Transportation	416,004	135,338	151,395
Environmental Health Services	836,975	793,124	694,499
Regional Planning and development	34,000	23,183	40,808
Recreation and cultural services	372,033	392,416	434,071
Fiscal Services	115,000	209,715	98,022
	3,813,862	3,693,925	3,526,343
ANNUAL SURPLUS (DEFICIT)	-	271,827	(628,724)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	25,949,486	25,949,486	26,578,210
ACCUMULATED SURPLUS - END OF YEAR	\$ 25,949,486	\$ 26,221,313	\$ 25,949,486

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND

Statement of Changes in Net Financial Assets (Debt)

Year Ended December 31, 2021

	Budget (Schedule 5)	2021	2020
ANNUAL SURPLUS (DEFICIT)	\$ -	\$ 271,827	\$ (628,724)
Amortization of tangible capital assets	1,277,576	1,277,576	1,244,814
Purchase of tangible capital assets	(1,872,957)	(1,872,957)	(226,112)
	(595,381)	(595,381)	1,018,702
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(595,381)	(323,554)	389,978
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	90,396	90,396	(299,582)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ (504,985)	\$ (233,158)	\$ 90,396

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND
Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Surplus (deficit)	\$ 271,827	\$ (628,724)
Item not affecting cash:		
Amortization of tangible capital assets	1,277,576	1,244,814
	1,549,403	616,090
Changes in non-cash working capital:		
Accounts receivable	(432,655)	(174,263)
Accounts payable and accrued liabilities	825,155	(140,872)
Deferred income	185,506	32,515
	578,006	(282,620)
Cash flow from operating activities	2,127,409	333,470
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(1,872,957)	(226,112)
Cash flow used by capital activity	(1,872,957)	(226,112)
FINANCING ACTIVITIES		
Proceeds from long term financing	349,287	217,044
Repayment of long term debt	(210,289)	(189,175)
Cash flow from financing activities	138,998	27,869
INCREASE IN CASH FLOW	393,450	135,227
Cash - beginning of year	954,004	818,777
CASH - END OF YEAR	1,347,454	954,004
CASH CONSISTS OF:		
Cash and temporary investments	\$ 1,127,943	\$ 919,999
Cash - restricted	219,511	34,005
	\$ 1,347,454	\$ 954,004

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND
Notes to Financial Statements
Year Ended December 31, 2021

1. Nature of operations

The incorporated Town of Fogo Island is a municipal government that was incorporated pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The Municipality provides or funds municipal services such as public works, sanitation and waste removal, street lighting, fire protection, parks and recreation, and other general government operations.

2. Summary of significant accounting policies

Basis of presentation

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:

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.

Cash and temporary investments

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

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.

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TOWN OF FOGO ISLAND
Notes to Financial Statements
Year Ended December 31, 2021

2. Summary of 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:

General Tangible Capital Assets

Land	Indefinite	straight-line method
Land improvements	10 to 50 years	straight-line method
Buildings	25 to 40 years	straight-line method
Computer hardware and software	4 years	straight-line method
Machinery and equipment	5 to 25 years	straight-line method

Infrastructure

Land	Indefinite	
Road surface	5 to 20 years	straight-line method
Road grade	30 Years	straight-line method

Water and Sewer

Land	indefinite	straight-line method
Land improvements	50 Years	straight-line method
Buildings	25 to 40 years	straight-line method
Machinery and equipment	15 years	straight-line method

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition policy

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

Government transfers, which include legislative grants, are recognized in the financial statements in the period which events give rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

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.

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TOWN OF FOGO ISLAND
Notes to Financial Statements
Year Ended December 31, 2021

2. Summary of significant accounting policies (continued)

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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

As required by Section 71 of the Municipalities Act, 1999, I report that all employees collecting, receiving and depositing cash are bonded. The policy details specific types of coverage up to \$50,000. In my opinion, this coverage is adequate.

5. Accounts receivable

	2021	2020
Property tax	\$ 260,797	\$ 260,894
Poll tax	59,459	61,604
Business tax	148,513	101,480
Water and sewer tax	120,730	134,665
Interest	131,953	138,753
HST receivable	276,020	104,400
Miscellaneous	406,801	163,795
	1,404,273	965,591
Less allowances for doubtful amounts	(265,154)	(259,127)
	\$ 1,139,119	\$ 706,464

6. Accounts payable and accrued liabilities

	2021	2020
Trade	\$ 1,008,299	\$ 192,171
Prepaid taxes	49,498	45,319
Accrued wages	42,083	38,505
Government remittances	21,162	19,891
	\$ 1,121,042	\$ 295,886

7. Deferred revenue

Deferred revenue relates to Gas Tax funding received for capital projects in advance.

TOWN OF FOGO ISLAND
Notes to Financial Statements
Year Ended December 31, 2021

8. Long term debt

	2021	2020
Scotiabank loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of \$5,745 plus interest. The loan matures on February 21, 2031 and is related to an infrastructure project.	\$ 625,755	\$ 694,695
Scotiabank loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of \$2,195 plus interest. The loan matures on July 1, 2031 and is related to an infrastructure project.	250,237	276,577
Scotiabank loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of \$3,283 plus interest. The loan matures on February 28, 2023 and is related to a plow and sander truck.	49,210	88,606
Scotiabank loan bearing interest at 3.84% per annum, repayable in annual payments of \$3,982. The loan matures on January 21, 2025.	138,721	180,303
Scotiabank loan bearing interest at 2% per annum, repayable in monthly blended payments of \$2,179. The loan matures on February 8, 2026 and is secured by equipment.	104,436	-
Scotiabank loan bearing interest at 2.42% per annum, repayable in monthly blended payments of \$3,985. The loan matures on August 9, 2026 and is secured by equipment.	210,819	-
	\$ 1,379,178	\$ 1,240,181

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. 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 4 - Reconciliation of the Financial Plan to the Budget.

TOWN OF FOGO ISLAND
Schedule of Revenues (Schedule 1)
Year Ended December 31, 2021

	2021	2020
Taxation		
Property tax	\$ 879,777	\$ 881,073
Poll tax	43,227	48,957
Business tax	486,462	469,629
Water and sewer tax	540,188	539,387
	1,949,654	1,939,046
Sale of Goods and Service		
Recreation and cultural services	70,068	78,929
Water supply	11,200	11,300
Other sales of goods and services	6,050	20,262
	87,318	110,491
Grants		
<i>Government of Newfoundland and Labrador</i>		
Municipal operating grants	395,519	395,519
Gas Tax revenue	88,667	3,739
Capital grants	1,358,119	391,798
	1,842,305	791,056
Investment income		
Interest from investments	63,323	55,784
Other Income		
Gain on sale of tangible capital assets	19,076	-
Miscellaneous	4,076	1,242
	23,152	1,242
Total Revenues	\$ 3,965,752	\$ 2,897,619

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND
Schedule of Expenses (Schedule 2)
Year Ended December 31, 2021

	2021	2020
General Government		
Legislation	\$ 5,006	\$ -
Common Services	366,275	398,797
General Administrative	328,996	304,307
Other general government services	10,429	25,008
Amortization of capital assets	1,277,576	1,244,815
	1,988,282	1,972,927
Protective services		
Fire	151,867	134,621
Transportation services		
Road, street sidewalk maintenance	135,338	151,395
Environmental health services		
Water supply	558,808	473,481
Sewage collection and disposal	58,997	44,856
Garbage and waste collection and disposal	175,319	176,162
	793,124	694,499
Regional planning and development		
Planning and zoning	-	5,762
Community improvement and development	3,573	6,158
Regional development	10,223	24,590
Tourism and marketing	9,387	4,298
	23,183	40,808
Recreational and cultural services		
Recreation administration	1,514	18,406
Skating and curling rinks	168,892	169,752
Parks and playgrounds	681	4,715
Other recreation and cultural services	221,329	241,198
	392,416	434,071
Fiscal Services		
Long term interest	38,373	46,599
Provision for uncollectible taxes, fees and charges	75,758	42,293
Early payment discounts	95,584	9,130
	209,715	98,022
Total Expenses	\$ 3,693,925	\$ 3,526,343

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND**Statement of Operations by Revenue and Expense Type****(Schedule 3)****Year Ended December 31, 2021**

	2021	2020
Operating Revenues		
Taxation	\$ 1,949,654	\$ 1,939,046
Sales of goods and services	78,744	110,491
Operating grants	589,378	567,187
Investment income	63,323	55,784
Other	35,025	6,192
	2,716,124	2,678,700
Operating Expenses		
Personnel services	1,033,344	1,006,786
Contract Services	207,085	272,015
Utilities	245,623	243,184
Maintenance materials and supplies	671,586	615,734
Interest on long term debt	38,371	43,414
Other	220,339	100,395
	2,416,348	2,281,528
Annual Operating Surplus	299,776	397,172
Capital Revenues		
Capital grants	1,249,627	218,919
Capital Expense		
Amortization of tangible capital assets	1,277,576	1,244,815
Annual capital deficit	(27,949)	(1,025,896)
Annual Surplus (deficit)	\$ 271,827	\$ (628,724)

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND
Schedule of Tangible Capital Assets (Schedule 4)
Year Ended December 31, 2021

	General Capital Assets			Infrastructure		Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Roads and Street	Water and Sewer	2021	2020
Cost							
Opening cost	\$ 6,521	\$ 6,740,560	\$ 2,667,012	\$ 3,924,133	\$ 35,470,555	\$ 48,808,781	\$ 48,582,669
Additions during the year	-	189,158	771,999	-	911,800	1,872,957	226,112
Closing costs	6,521	6,929,718	3,439,011	3,924,133	36,382,355	50,681,738	48,808,781
Accumulated Amortization							
Opening accum'd amortization	-	3,755,094	1,925,875	2,052,221	15,216,496	22,949,686	21,704,872
Amortization	-	253,994	125,316	179,839	718,428	1,277,576	1,244,814
Closing accum'd amortization	-	4,009,088	2,051,191	2,232,060	15,934,924	24,227,262	22,949,686
Net Book Value of TCA	\$ 6,521	\$ 2,920,630	\$ 1,387,820	\$ 1,692,073	\$ 20,447,431	\$ 26,454,472	\$ 25,859,090

The accompanying notes are an integral part of these financial statements

TOWN OF FOGO ISLAND

Reconciliation of the Financial Plan to Budget (Schedule 5)

Year Ended December 31, 2021

	Financial Plan	Amortization (TCA)	Interest Expense	Transfers	PSAB Budget
Revenues					
Taxation	\$ 1,938,210	\$ -	\$	\$	\$ 1,938,210
Sale of goods and services	142,100				142,100
Grants	764,758				764,758
Investments	45,200				45,200
Other revenue	179,400				179,400
Transfers from (to) reserves				744,194	744,194
Total Revenues	3,069,668				3,813,862
Expenses					
General government services	598,732	1,277,576			1,876,308
Protective services	163,542				163,542
Transportation services	416,004				416,004
Environmental health services	836,975				836,975
Regional planning and development	34,000				34,000
Recreation and cultural Services	372,033	-	-	-	372,033
Fiscal services					
Capital expenditures	197,833			(197,833)	-
Debt charges	335,549		(335,549)		-
Other	115,000				115,000
Total Expenses	3,069,668	1,277,576	(335,549)	(197,833)	3,813,862
Surplus (deficit)	\$ -	\$ (1,277,576)	\$ 335,549	\$ 197,833	\$ -

The accompanying notes are an integral part of these financial statements