FILE COPY

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS

Financial Statements

Year Ended December 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Town of Long Harbour - Mount Arlington Heights 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 Long Harbour - Mount Arlington Heights'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 Municipality's 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 Municipality's 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 Jordan Penney, CPA Professional Corporation, in accordance with Canadian public sector accounting standards (PSAS).

Mr. Walter Keating, Mayor

Ms. Juanita Gosse, Town Clerk/Manager

Long Harbour, NL
June 24, 2026

JORDAN PENNEY
CPA PROFESSIONAL CORP.

P: 709.466.1000 ext. 5
E: jpenney@jpenneycpa.ca
A: 221 E Memorial Dr, Clarenville, NL

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of Town of Long Harbour - Mount Arlington Heights

Qualified Opinion

I have audited the financial statements of Town of Long Harbour - Mount Arlington Heights (the Town), which comprise the statement of financial position as at December 31, 2025, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2025, 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 Qualified Opinion

In common with many municipalities, the Town's fire department and recreation committees derive revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Town. Therefore, I was not able to determine whether any adjustments might be necessary to other revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2025, current assets and net assets as at December 31, 2025.

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 qualified audit opinion.

Other Matter

My audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. Schedules 1 to 5 on pages 11 through 15 are presented for purposes of additional information and are not a required part of the financial statements. Such information has been subjected to auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

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.

(continues)

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:

- 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.

Jordan Penney CPA Professional Corporation

Clarenville, Newfoundland and Labrador
June 24, 2026

Chartered Professional Accountant
Jordan Penney, CPA Professional Corporation

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS
Statement of Financial Position
December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash *(Note 2)*	$ **339,965**	$ 276,975
Cash - restricted *(Note 2)*	**68,563**	18,381
Accounts receivable *(Note 4)*	**59,196**	87,634
	467,724	382,990
LIABILITIES		
Accounts payable and accrued liabilities *(Note 5)*	**137,975**	94,585
Deferred income *(Note 6)*	**68,563**	18,381
	206,538	112,966
NET FINANCIAL ASSETS	**261,186**	270,024
NON-FINANCIAL ASSETS		
Prepaid expenses	**4,535**	539
Tangible capital assets *(Schedule 4)*	**7,857,925**	7,443,197
	7,862,460	7,443,736
ACCUMULATED SURPLUS	$ **8,123,645**	$ 7,713,760

ON BEHALF OF COUNCIL

_________________ *Mayor*

_________________ *Town Clerk*

The accompanying notes are an integral part of these financial statements

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS

Statement of Operations and Accumulated Surplus

Year Ended December 31, 2025

	Budget *(Schedule 5)* 2025	**2025**	2024
REVENUES *(Schedule 1)*			
Taxation	$ 935,300	**$ 938,112**	$ 887,523
Sale of goods and services	-	**12,008**	19,515
Grants	102,348	**630,796**	622,821
Investment income	48,200	**15,322**	27,221
Other	-	**31,221**	39,358
Transfers from reserves	422,797	**-**	-
	1,508,645	**1,627,459**	1,596,438
EXPENSES *(Schedule 2)*			
General government	607,781	**743,140**	750,872
Protective services	43,884	**28,498**	65,141
Transportation services	186,469	**103,693**	107,230
Environmental health services	371,825	**240,735**	216,802
Recreation and cultural services	203,686	**97,253**	93,870
Fiscal services	95,000	**4,255**	4,113
	1,508,645	**1,217,574**	1,238,028
ANNUAL SURPLUS	-	**409,885**	358,410
ACCUMULATED SURPLUS - BEGINNING OF YEAR	7,713,760	**7,713,760**	7,355,350
ACCUMULATED SURPLUS - END OF YEAR	$ 7,713,760	**$ 8,123,645**	$ 7,713,760

The accompanying notes are an integral part of these financial statements

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS
Statement of Changes in Net Financial Assets
Year Ended December 31, 2025

	Budget 2025	2025	2024
ANNUAL SURPLUS	$ -	**$ 409,885**	$ 358,410
Amortization of tangible capital assets	300,874	**300,874**	287,138
Purchase of tangible capital assets	-	**(715,598)**	(698,052)
Decrease (increase) in prepaid expenses	-	**(4,000)**	-
	300,874	**(418,724)**	(410,914)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	300,874	**(8,839)**	(52,504)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	270,024	**270,024**	322,528
NET FINANCIAL ASSETS - END OF YEAR	$ 570,898	**$ 261,186**	$ 270,024

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS
Statement of Cash Flows
Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual surplus	$ 409,885	$ 358,410
Item not affecting cash:		
Amortization of tangible capital assets	300,874	287,138
	710,759	645,548
Changes in non-cash working capital:		
Accounts receivable	28,438	21,242
Accounts payable and accrued liabilities	43,387	(106,818)
Prepaid expenses	(3,996)	-
Deferred income	50,182	10,025
	118,011	(75,551)
Cash flow from operating activities	828,770	569,997
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(715,598)	(698,052)
Cash flow used by capital activity	(715,598)	(698,052)
INCREASE (DECREASE) IN CASH FLOW	113,172	(128,055)
Cash - beginning of year	295,356	423,411
CASH - END OF YEAR	$ 408,528	$ 295,356
CASH CONSISTS OF:		
Cash	$ 339,965	$ 276,975
Cash - restricted	68,563	18,381
	$ 408,528	$ 295,356

The accompanying notes are an integral part of these financial statements

1. Nature of operations

The incorporated Town of Long Harbour - Mount Arlington Heights 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 fire, public works, parks and recreation, tourism and other general government operations.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards (GAAP).

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 cash equivalents

Cash includes cash on hand and on deposit with chartered banks. Restricted cash includes cash for Canada Community Building Fund projects that have been received in advance of expenditures.

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.

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.

Rental revenue is recognized in the period when rental services are rendered.

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.

(continues)

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:

Land	Indefinite	straight-line method
Land improvements	10 to 50 years	straight-line method
Buildings	25 to 40 years	straight-line method
Machinery and equipment	5 to 10 years	straight-line method
Computer equipment	4 to 5 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Transportation - roads	20 to 30 years	straight-line method
Water system	15 to 100 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.

3. Sufficiency of insurance

The general insurance policy of the Town includes a fidelity bond coverage of $50,000 on persons who are in a position of trust. Also, the policy includes appropriate insurance coverage on all tangible capital assets owned by the Town and general liability insurance. In my opinion, this coverage is considered to be adequate.

4. Accounts receivable

	2025	2024
Municipal taxes receivable	$ **16,849**	$ 15,164
HST receivable	**46,927**	39,518
Other receivable	**200**	200
Due from Government of NL	**1,042**	37,905
	65,018	92,787
Less: Allowance for doubtful accounts	**(5,822)**	(5,153)
	$ **59,196**	$ 87,634

5. Accounts payable and accrued liabilities

		2025		2024
Accounts payable	$	**90,004**	$	26,279
Accrued liabilities		**21,867**		34,020
Scotia visa payable		**11,576**		16,024
Employee deductions payable		**7,965**		11,795
Accrued employee leave		**6,563**		6,467
	$	**137,975**	$	94,585

6. Deferred income

Deferred income relates to Canada Community Building Funds received in advance for capital projects that were not completed at December 31, 2025.

7. 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.

8. 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.

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS

Schedule of Revenues (*Schedule 1)*

Year Ended December 31, 2025

	2025	2024
Taxation		
Property tax	$ 122,606	$ 108,511
Water and sewer tax	38,467	37,818
Business tax	99,539	88,694
Tax agreement	677,500	652,500
	938,112	887,523
Sale of goods and services		
Sale of goods and services	2,695	2,630
Recreation	9,313	16,885
	12,008	19,515
Grants		
Government of Canada		
Student grants - federal	3,840	3,744
Government of Newfoundland and Labrador		
Municipal operating grant	54,551	54,551
Student grants - provincial	-	4,306
Provincial gas tax	15,067	15,067
CEEP/ACOA grant	21,653	23,842
Capital Works funding	535,685	521,311
	630,796	622,821
Investment income		
Interest income	15,322	27,221
Other		
Cash sales	4,601	33,872
Donation	25,000	-
Miscellaneous	1,620	5,486
	31,221	39,358
Total revenues	$ 1,627,459	$ 1,596,438

The accompanying notes are an integral part of these financial statements

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS

Schedule of Expenses *(Schedule 2)*

Year Ended December 31, 2025

	2025	2024
General government		
Legislative	$ 66,303	$ 81,841
Common services	128,410	163,260
General administrative	548,427	495,453
Other general government	-	10,318
	743,140	750,872
Protective services		
Fire	28,498	65,141
Transportation services		
Road, street, sidewalk maintenance	99,803	101,958
Snow removal	3,890	5,272
	103,693	107,230
Environmental health services		
Water supply	69,588	62,461
Garbage removal	44,325	39,184
Other environmental	126,822	115,157
	240,735	216,802
Recreation and cultural services		
Community improvement and development	2,737	16,490
Recreation and cultural services	94,516	77,380
	97,253	93,870
Fiscal services		
Interest on temporary bank	3,587	3,934
Provision for uncollectible	668	179
	4,255	4,113
Total expenses	$ 1,217,574	$ 1,238,028

The accompanying notes are an integral part of these financial statements

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS
Statement of Operations by Revenue and Expense Type *(Schedule 3)*
Year Ended December 31, 2025

	2025	2024
Operating Revenues		
Taxation	$ 938,112	$ 887,523
Sales of goods and services	12,008	19,515
Operating grants	73,457	77,668
Investment income	15,322	27,221
Other	31,221	39,358
	1,070,120	1,051,285
Operating Expenses		
Personnel services	416,695	408,685
Contract Services	230,323	278,445
Utilities	26,431	25,759
Maintenance materials and supplies	65,166	80,861
Other	178,085	157,142
	916,700	950,892
Annual operating surplus	153,420	100,393
Capital Revenues		
Capital grants	557,339	545,153
Capital Expense		
Amortization of tangible capital assets	300,874	287,138
Annual capital surplus	256,465	258,015
Annual Surplus	$ 409,885	$ 358,410

The accompanying notes are an integral part of these financial statements

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS

Schedule of Tangible Capital Assets (*Schedule 4)*

Year Ended December 31, 2025

	General Capital Assets			Infrastructure			
	Land and Land Improvements	**Buildings and Leasehold Improvements**	**Vehicles and Equipment**	**Roads**	**Water and Sewer**	**2025**	**2024**
Cost							
Opening cost	$ 643,269	$ 3,478,680	$ 810,954	$ 961,443	$ 6,622,963	**$ 12,517,309**	$ 11,819,257
Additions during the year (net of disposals)	91,218	-	21,154	13,557	589,669	**715,598**	698,052
Closing costs	734,487	3,478,680	832,108	975,000	7,212,632	**13,232,907**	12,517,309
Accumulated Amortization							
Opening accum'd amortization	163,970	1,438,004	639,893	766,124	2,066,120	**5,074,110**	4,786,972
Amortization (net of disposals)	32,934	46,566	67,921	26,628	126,825	**300,874**	287,138
Closing accum'd amortization	196,904	1,484,570	707,814	792,752	2,192,945	**5,374,984**	5,074,110
Net Book Value of TCA	$ 537,583	$ 1,994,110	$ 124,294	$ 182,248	$ 5,019,687	**$ 7,857,925**	$ 7,443,197

The accompanying notes are an integral part of these financial statements

TOWN OF LONG HARBOUR - MOUNT ARLINGTON HEIGHTS
Reconciliation of the Financial Plan to Budget (*Schedule 5)*
Year Ended December 31, 2025

	Financial Plan	Amortization (TCA)	Interest Expense	Transfers	PSAB Budget
Revenues					
Taxation	$ 935,300	$ -	$	$	$ 935,300
Sale of goods and services					
Grants	102,348				102,348
Investments	48,200				48,200
Transfers from reserves	282,785			140,012	422,797
Total Revenues	1,368,633			140,012	1,508,645
Expenses					
General government services	552,771	55,010			607,781
Protective services	43,000	884			43,884
Transportation services	130,000	56,469			186,469
Environmental health services	245,000	126,825			371,825
Regional planning and development	142,000	61,686			203,686
Fiscal services					
Capital expenditures	155,862			(155,862)	
Other	95,000				95,000
Total Expenses	1,363,633	300,874		(155,862)	1,508,645
Surplus (deficit)	$ 5,000	$ (300,874)	$	$ 295,874	$ -

The accompanying notes are an integral part of these financial statements