

TOWN OF STEPHENVILLE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

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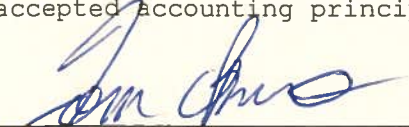
STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements are the responsibility of the management of the Town of Stephenville and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Professional Accountants of Canada.


In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Council of the Municipality and management have reviewed a draft of the consolidated financial statements to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Brian N. Hillier, CPA, CA, as the Municipality's appointed external auditor, has audited the consolidated financial statements. The Auditor's Report is addressed to the Mayor and members of Council and appears on the following page. His opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as he considers necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian generally accepted accounting principles.



Mayor



Town Clerk

Brian N. Hillier

Chartered Professional Accountant

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AUDITOR'S REPORT

The Mayor and Councillors
Town of Stephenville
Stephenville, NL

I have audited the financial statements of the Town of Stephenville, which comprise the statement of financial position as at December 31, 2015, the statements of surplus, operations and changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

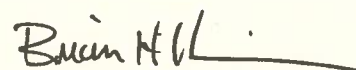
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the Municipality's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Town of Stephenville as at December 31, 2015, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

CORNER BROOK, NEWFOUNDLAND
NEWFOUNDLAND LABRADOR



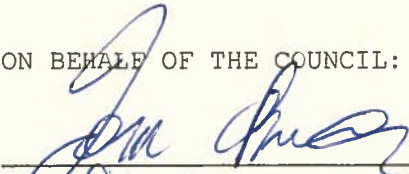
22 June 2016

CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2015

	<u>2015</u>	<u>2014</u>
<u>FINANCIAL ASSETS</u>		
Cash and short-term investments (Note 3)	\$ 1,712,108	416,734
Accounts receivable (Note 4)	<u>1,727,814</u>	<u>2,782,467</u>
	<u>3,439,922</u>	<u>3,199,201</u>
<u>LIABILITIES</u>		
Due to bank (Note 5)	--	1,045,000
Accounts payable and accrued liabilities (Note 6)	1,551,381	1,232,716
Severance pay accrual	335,034	325,668
Long-term debt (Note 7)	<u>3,155,583</u>	<u>4,421,386</u>
	<u>5,041,998</u>	<u>7,024,770</u>
<u>NET FINANCIAL ASSETS (DEBT)</u>	<u>(1,602,076)</u>	<u>(3,825,569)</u>
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Schedule I)	37,757,283	38,808,247
Prepaid expenses	<u>74,705</u>	<u>74,705</u>
	<u>37,831,988</u>	<u>38,882,952</u>
<u>ACCUMULATED EQUITY</u>	<u>\$36,229,912</u>	<u>35,057,383</u>
<u>CONTINGENCIES (Note 8)</u>		

ON BEHALF OF THE COUNCIL:


 _____ Mayor


 _____ Town Clerk

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

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF SURPLUS
 Year ended December 31, 2015

	<u>Budget</u>	<u>2015</u>	<u>2014</u>
<u>REVENUE</u>	\$ 8,532,345	8,850,540	8,671,408
<u>EXPENDITURES</u>	<u>8,469,405</u>	<u>8,376,684</u>	<u>8,063,339</u>
<u>ANNUAL SURPLUS</u>	<u>\$ 62,940</u>	473,856	608,069
<u>EQUITY</u> , beginning of year		<u>35,057,383</u>	<u>28,880,433</u>
		35,531,239	29,488,502
<u>ADD</u> : Capital asset contributions		<u>698,673</u>	<u>5,568,881</u>
<u>EQUITY</u> , end of year		<u>\$36,229,912</u>	<u>35,057,383</u>

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

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE - REVENUE
 Year ended December 31, 2015

REVENUE

	<u>Budget</u> (Schedule II)	<u>2015</u>	<u>2014</u>
<u>TAXATION</u>			
Property tax	\$3,226,326	3,315,106	3,018,758
Water and sewer tax	1,849,633	1,876,612	1,857,998
Poll tax	120,000	133,215	164,015
Business tax	1,405,672	1,484,391	1,426,128
Grants in lieu of taxes	<u>134,356</u>	<u>143,264</u>	<u>134,357</u>
	<u>6,735,987</u>	<u>6,952,588</u>	<u>6,601,256</u>
<u>GOVERNMENT CONTRIBUTIONS</u>			
Municipal assistance grants	414,500	414,520	414,520
Grants regarding debt	637,628	155,093	174,190
Gas tax	354,250	354,250	78,291
Municipal capital works	2,480	2,480	707,324
Provincial gas tax	<u>--</u>	<u>32,280</u>	<u>--</u>
	<u>1,408,858</u>	<u>958,623</u>	<u>1,374,325</u>
<u>OTHER</u>			
Licences and permits	40,500	17,446	21,346
Fines and meters	20,000	14,352	22,294
Interest and service charges	90,000	171,597	144,338
Water and sewerage - other	5,000	4,000	1,500
Land transactions	80,000	466,705	299,637
Service fees	47,000	141,121	123,676
Miscellaneous	<u>105,000</u>	<u>124,108</u>	<u>83,036</u>
	<u>387,500</u>	<u>939,329</u>	<u>695,827</u>
	<u>\$8,532,345</u>	<u>8,850,540</u>	<u>8,671,408</u>

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

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE - EXPENDITURE
 Year ended December 31, 2015

	<u>Budget</u> (Schedule II)	<u>2015</u>	<u>2014</u>
<u>GENERAL GOVERNMENT</u>			
Salaries and benefits	\$ 554,557	523,099	514,953
General office	302,700	241,095	255,704
Council	111,500	96,210	102,326
Insurance	115,500	103,344	102,097
Assessment services	100,000	91,572	88,290
Payroll burden	60,000	57,078	52,370
Tax allowance	--	200,000	100,000
Interest on long-term debt	574,255	107,985	144,389
Amortization	195,099	195,099	204,292
	<u>2,013,611</u>	<u>1,615,482</u>	<u>1,564,421</u>
<u>PROTECTIVE SERVICES</u>			
Fire protection	1,080,540	1,067,433	910,539
Municipal enforcement	107,560	90,814	85,626
	<u>1,188,100</u>	<u>1,158,247</u>	<u>996,165</u>
<u>TRANSPORTATION SERVICES</u>			
Maintenance	1,591,250	1,302,010	1,025,006
Snow clearing	457,500	416,095	432,583
Street lighting	162,000	156,701	154,043
Amortization	722,478	722,478	766,268
	<u>2,933,228</u>	<u>2,597,284</u>	<u>2,377,900</u>
<u>ENVIRONMENTAL SERVICES</u>			
Water supply	642,620	801,300	795,566
Sanitation	262,890	369,758	354,948
Amortization	653,675	653,675	652,687
Minnesota Drive	--	--	52,305
	<u>1,559,185</u>	<u>1,824,733</u>	<u>1,855,506</u>
<u>COMMUNITY DEVELOPMENT</u>			
Grants and contributions	330,000	289,530	415,131
Port Harmon Facility (Note 9)	--	250,536	390,337
Amortization	222,771	222,771	222,771
	<u>552,771</u>	<u>762,837</u>	<u>1,028,239</u>
<u>RECREATION</u>			
Parks and recreation	10,000	195,591	57,886
Pool contribution	75,000	75,000	75,000
Stadium contribution	77,500	87,500	128,757
Pool renovations (recovered)	--	--	(33,383)
	<u>162,500</u>	<u>358,091</u>	<u>228,260</u>
<u>OTHER</u>			
Gas tax	40,880	40,880	12,848
Capital asset disposal	19,130	19,130	--
	<u>60,010</u>	<u>60,010</u>	<u>12,848</u>
	<u>\$8,469,405</u>	<u>8,376,684</u>	<u>8,063,339</u>

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

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
 Year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 473,856	608,069
Acquisition of tangible capital assets	(762,189)	(6,971,491)
Amortization of tangible capital assets	1,794,023	1,846,018
Capital asset contributions	698,673	5,568,881
Capital asset disposal	<u>19,130</u>	<u>--</u>
<u>CHANGE IN NET FINANCIAL ASSETS</u>	2,223,493	1,051,477
<u>NET FINANCIAL ASSETS (DEBT), beginning of year</u>	<u>(3,825,569)</u>	<u>(4,877,046)</u>
<u>NET FINANCIAL ASSETS (DEBT), end of year</u>	<u>\$ (1,602,076)</u>	<u>(3,825,569)</u>

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

TOWN OF STEPHENVILLE
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
<u>OPERATING TRANSACTIONS:</u>		
Annual surplus	\$ 473,856	608,069
Capital asset disposal	19,130	--
Change in non-cash items:		
Working capital	1,373,318	(1,663,002)
Amortization	1,794,023	1,846,018
Severance pay accrual	9,366	(23,600)
	<u>3,669,693</u>	<u>767,485</u>
<u>CAPITAL TRANSACTIONS:</u>		
Acquisition of tangible capital assets	(762,189)	(6,971,491)
<u>FINANCING TRANSACTIONS:</u>		
Capital asset contributions	698,673	5,568,881
Repayment of long-term debt	(1,265,803)	(1,253,215)
	<u>(567,130)</u>	<u>4,315,666</u>
<u>INCREASE (DECREASE) IN CASH</u>	2,340,374	(1,888,340)
<u>CASH (DEFICIENCY), beginning of year</u>	(628,266)	1,260,074
<u>CASH (DEFICIENCY), end of year</u>	<u>\$ 1,712,108</u>	<u>(628,266)</u>
 <u>CASH (DEFICIENCY) consists of:</u>		
Cash and short-term investments	\$ 1,712,108	416,734
Due to bank	--	(1,045,000)
	<u>\$ 1,712,108</u>	<u>(628,266)</u>

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

TOWN OF STEPHENVILLE
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2015

1. BUSINESS OF THE TOWN

The Town of Stephenville is a municipal government incorporated pursuant to the Province of Newfoundland Labrador's Municipalities Act. The Town provides and funds municipal services including fire, public works, recreation and other general government operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Professional Accountants of Canada and reflect the following significant accounting policies:

(a) Basis of Consolidation

The consolidated financial statements include the assets, liabilities, revenue and expenses of the reporting entity. The net financial position of related entities is incorporated into the financial statements, where material, based upon amounts provided by the entities and reflected in their records. There are currently no related entities included in the financial statements.

(b) Cash and temporary investments

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

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is put in use. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful life as follows:

Buildings	25-40 years
General equipment	4 years
Transportation infrastructure	15-45 years
Vehicles and equipment	10-15 years
Water and sewer infrastructure	40-60 years
Stadium assets - declining balance	3-20%

(d) Revenue Recognition

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

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TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(f) Comparative figures:

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

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

(h) The Town is a non-profit entity not subject to federal or provincial income taxes.

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

3. CASH

	<u>2015</u>	<u>2014</u>
Municipal funds	\$1,000,108	17,782
Gas tax funds	<u>712,320</u>	<u>398,952</u>
	<u>\$1,712,428</u>	<u>416,734</u>

4. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Stephenville Airport Corporation taxes	\$3,405,061	2,901,538
Taxes and rates receivable	1,272,581	1,044,064
Advance receivable - BIA	62,913	58,699
Goods and services tax	77,385	356,506
Cost recovery - Port Harmon Facility	--	293,677
Fuel tax rebate	8,140	8,440
Project funding	641,957	1,218,895
Advance - Stephenville Airport	140,904	159,909
Other	<u>103,352</u>	<u>56,058</u>
	5,712,293	6,097,786
Allowance for doubtful accounts	<u>3,984,479</u>	<u>3,315,319</u>
	<u>\$1,727,814</u>	<u>2,782,467</u>

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

5.	DUE TO BANK	<u>2015</u>	<u>2014</u>
	Demand loan at prime less .5%	\$ <u> --</u>	<u>1,045,000</u>
6.	ACCOUNTS PAYABLE	<u>2015</u>	<u>2014</u>
	Accounts payable - trade	\$ 519,983	556,866
	Payroll liabilities	291,445	292,921
	Security deposit	110,800	110,800
	Port Harmon Facility payables	596,358	250,374
	Deferred funding - Training Centre	<u>32,795</u>	<u>21,755</u>
		<u>\$1,551,381</u>	<u>1,232,716</u>
7.	LONG-TERM DEBT	<u>2015</u>	<u>2014</u>
	<u>Newfoundland Municipal Financing Corporation</u>		
	Various debentures with interest rates ranging from 6.375% to 14.5%, maturing between 2016 and 2018, repayable in semi-annual installments of principal and interest totalling \$6,628	\$ 15,016	138,643
	<u>Bank loans</u>		
	2.097% loan, maturing in 2018, payable in monthly installments of principal and interest of \$75,958	1,920,817	2,773,398
	5.53% government guaranteed loan, payable in semi-annual blended installments of \$11,617, maturing in 2021	124,228	139,943
	<u>Federation of Canadian Municipalities</u>		
	2.38% loan, repayable in annual installments of \$273,879 plus interest, maturing in 2019	<u>1,095,522</u>	<u>1,369,402</u>
		<u>\$3,155,583</u>	<u>4,421,386</u>

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TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

7. LONG-TERM DEBT (Cont'd)

Principal payments required for the next five years on the long-term debt are as follows:

2016	\$1,145,879
2017	1,171,885
2018	516,636
2019	293,886
2020	16,500

The government guaranteed Bank of Montreal loan and the Newfoundland Municipal Financing Corporation loans described above are being repaid with contributions from the Province of Newfoundland Labrador.

8. CONTINGENCIES

During 2001 the Town acquired property from the Newfoundland and Labrador Housing Corporation in exchange for a mortgage issued in the amount of \$1,244,395. The mortgage is repayable as the Town disposes of the land in accordance with an agreement with Newfoundland and Labrador Housing Corporation. The mortgage balance at December 31, 2015 amounted to \$995,511.

The Town is a member of the Newfoundland and Labrador Municipal Employee Benefits Inc. Pension Plan and participates in a defined benefit pension plan for its employees; pension costs and obligations are accounted for as incurred and billed by the plan administrator. The last actuarial valuation was performed as at December 31, 2010, identifying a deficiency of \$6,949,000 on a going concern basis and \$53,708,000 on a hypothetical wind-up basis. The Town is responsible for funding a portion of any deficiency. As a result of this deficiency the Town is required to make an additional annual payment of \$60,619. The Town has expended and funded the pension plan for 2015 in the amount of \$176,684 while employees have contributed \$116,065.

A statement of claim has been filed against the Town in the amount of \$292,041 pertaining to an infrastructure project; the ultimate outcome of this claim cannot be determined at this point. Any liability to the Town will be accounted for in the year determined.

9. PORT HARMON FACILITY

	<u>2015</u>	<u>2014</u>
<u>Expenditures</u>	<u>\$ 698,673</u>	<u>2,155,612</u>
<u>Funding</u>		
Government of Newfoundland Labrador	--	1,374,938
Atlantic Canada Opportunities Agency	<u>448,137</u>	<u>390,337</u>
	<u>448,137</u>	<u>1,765,275</u>
	<u>\$ 250,536</u>	<u>390,337</u>

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

10. FINANCIAL INSTRUMENTS

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

TOWN OF STEPHENVILLE
SCHEDULE OF TANGIBLE CAPITAL ASSETS
December 31, 2015

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2015
Land	\$ 1,229,200	1,229,200	--	--	1,229,200
Buildings	10,646,868	11,345,541	2,458,374	2,807,112	8,538,429
Equipment - general	1,116,774	1,152,560	919,351	971,442	181,118
		(19,109)		(17,041)	
Transportation infrastructure/equipment	35,848,489	35,677,873	25,816,887	26,385,811	9,292,062
		(170,616)		(153,554)	
Water and sewer infrastructure	31,571,414	31,580,035	12,409,886	13,063,561	18,516,474
	\$80,412,745	80,985,209	41,604,498	43,227,926	37,757,283
		(189,725)		(170,595)	

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2014
Land	\$ 1,229,200	1,229,200	--	--	1,229,200
Buildings	5,103,885	10,646,868	2,109,636	2,458,374	8,188,494
Equipment - general	1,089,486	1,116,774	841,026	919,351	197,423
Transportation infrastructure/equipment	35,194,762	35,848,489	25,050,619	25,816,887	10,031,602
Water and sewer infrastructure	30,823,921	31,571,414	11,757,199	12,409,886	19,161,528
	\$73,441,254	80,412,745	39,758,480	41,604,498	38,808,247
		6,971,491		1,846,018	

TOWN OF STEPHENVILLE
RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
Year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
Revenue per Municipal Budget	\$ 8,175,615	7,806,397
Revisions:		
Capital funding	<u>356,730</u>	<u>785,615</u>
Revenue per PSAB Budget	<u>8,532,345</u>	<u>8,592,012</u>
Expenditures per Municipal Budget	8,175,615	7,806,397
Revisions:		
Capital asset disposal	19,130	--
Municipal plan from gas tax	40,880	12,848
Capital out of revenue	(294,440)	(208,950)
Amortization of tangible capital assets	1,794,023	1,846,018
Debt charges - principal	<u>(1,265,803)</u>	<u>(1,253,215)</u>
Expenditures per PSAB Budget	<u>8,469,405</u>	<u>8,203,098</u>
Surplus	<u>\$ 62,940</u>	<u>388,914</u>