

TOWN OF STEPHENVILLE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

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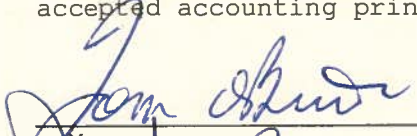
STATEMENT OF RESPONSIBILITY

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.

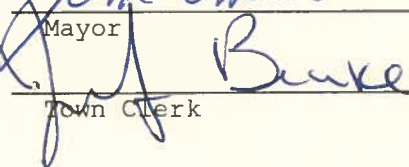
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial 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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Corner Brook, NL

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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, 2016, 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.

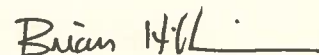
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2016, 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



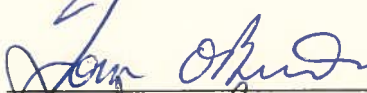
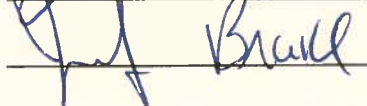
16 June 2017

CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2016

	<u>2016</u>	<u>2015</u>
<u>FINANCIAL ASSETS</u>		
Cash and short-term investments (Note 3)	\$ 916,754	1,712,108
Accounts receivable (Note 4)	<u>1,792,451</u>	<u>1,727,814</u>
	<u>2,709,205</u>	<u>3,439,922</u>
<u>LIABILITIES</u>		
Due to bank (Note 5)	240,110	--
Accounts payable and accrued liabilities (Note 6)	1,064,208	1,551,381
Severance pay accrual	334,735	335,034
Long-term debt (Note 7)	<u>1,980,660</u>	<u>3,155,583</u>
	<u>3,619,713</u>	<u>5,041,998</u>
<u>NET FINANCIAL ASSETS (DEBT)</u>	<u>(910,508)</u>	<u>(1,602,076)</u>
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Schedule I)	38,987,947	37,757,283
Prepaid expenses	<u>74,705</u>	<u>74,705</u>
	<u>39,062,652</u>	<u>37,831,988</u>
<u>ACCUMULATED EQUITY</u>	<u>\$38,152,144</u>	<u>36,229,912</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, 2016

	<u>Budget</u>	<u>2016</u>	<u>2015</u>
<u>REVENUE</u>	\$ 8,346,350	8,822,295	8,850,540
<u>EXPENDITURES</u>	<u>8,372,443</u>	<u>9,333,502</u>	<u>8,376,684</u>
<u>ANNUAL SURPLUS (DEFICIT)</u>	<u>\$ (26,093)</u>	(511,207)	473,856
<u>EQUITY</u> , beginning of year		<u>36,229,912</u>	<u>35,057,383</u>
		35,718,705	35,531,239
<u>ADD</u> : Capital asset contributions		<u>2,433,439</u>	<u>698,673</u>
<u>EQUITY</u> , end of year		<u>\$38,152,144</u>	<u>36,229,912</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, 2016

REVENUE

	<u>Budget</u> (Schedule II)	<u>2016</u>	<u>2015</u>
<u>TAXATION</u>			
Property tax	\$3,554,534	3,595,781	3,315,106
Water and sewer tax	1,913,590	1,950,948	1,876,612
Poll tax	90,000	104,067	133,215
Business tax	1,527,823	1,579,474	1,484,391
Grants in lieu of taxes	<u>139,114</u>	<u>149,804</u>	<u>143,264</u>
	<u>7,225,061</u>	<u>7,380,074</u>	<u>6,952,588</u>
<u>GOVERNMENT CONTRIBUTIONS</u>			
Municipal assistance grants	414,520	414,520	414,520
Grants regarding debt	23,234	34,202	155,093
Gas tax	315,165	315,165	354,250
Municipal capital works	7,440	7,440	2,480
Provincial gas tax	<u>15,000</u>	<u>48,420</u>	<u>32,280</u>
	<u>775,359</u>	<u>819,747</u>	<u>958,623</u>
<u>OTHER</u>			
Licences and permits	20,500	20,197	17,446
Fines and meters	15,000	17,019	14,352
Interest and service charges	89,000	213,421	171,597
Water and sewerage - other	5,000	2,986	4,000
Land transactions	80,000	143,932	466,705
Service fees	47,430	123,809	141,121
Miscellaneous	<u>89,000</u>	<u>101,110</u>	<u>124,108</u>
	<u>345,930</u>	<u>622,474</u>	<u>939,329</u>
	<u>\$8,346,350</u>	<u>8,822,295</u>	<u>8,850,540</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, 2016

<u>EXPENDITURE</u>	<u>Budget</u> (Schedule II)	<u>2016</u>	<u>2015</u>
<u>GENERAL GOVERNMENT</u>			
Salaries and benefits	\$ 608,250	559,824	523,099
General office	361,650	272,990	241,095
Council	111,500	95,574	96,210
Insurance	115,500	105,671	103,344
Assessment services	95,000	91,716	91,572
Payroll burden	60,500	66,839	57,078
Tax allowance	--	100,000	200,000
Interest on long-term debt	62,883	67,408	107,985
Amortization	<u>185,086</u>	<u>185,086</u>	<u>195,099</u>
	<u>1,600,369</u>	<u>1,545,108</u>	<u>1,615,482</u>
<u>PROTECTIVE SERVICES</u>			
Fire protection	1,164,580	986,362	1,067,433
Municipal enforcement	<u>110,000</u>	<u>83,979</u>	<u>90,814</u>
	<u>1,274,580</u>	<u>1,070,341</u>	<u>1,158,247</u>
<u>TRANSPORTATION SERVICES</u>			
Fleet maintenance	350,000	363,958	394,486
Maintenance	1,647,600	956,487	1,000,622
Snow clearing	179,500	253,608	322,997
Street lighting	162,000	150,514	156,701
Amortization	<u>717,033</u>	<u>717,033</u>	<u>722,478</u>
	<u>3,056,133</u>	<u>2,441,600</u>	<u>2,597,284</u>
<u>ENVIRONMENTAL SERVICES</u>			
Water supply	725,820	792,411	801,300
Sanitation	285,660	347,317	369,758
Amortization	<u>653,393</u>	<u>653,393</u>	<u>653,675</u>
	<u>1,664,873</u>	<u>1,793,121</u>	<u>1,824,733</u>
<u>COMMUNITY DEVELOPMENT</u>			
Grants and contributions	330,000	653,728	289,530
Port Harmon Facility (Note 9)	25,000	1,251,901	250,536
Amortization	<u>229,388</u>	<u>229,388</u>	<u>222,771</u>
	<u>584,388</u>	<u>2,135,017</u>	<u>762,837</u>
<u>RECREATION</u>			
Parks and recreation	39,600	138,627	195,591
Pool contribution	75,000	75,000	75,000
Stadium contribution	77,500	110,500	87,500
Stadium Feasibility Study	<u>--</u>	<u>24,188</u>	<u>--</u>
	<u>192,100</u>	<u>348,315</u>	<u>358,091</u>
<u>OTHER</u>			
Gas tax - operating	--	--	40,880
Capital asset disposal	<u>--</u>	<u>--</u>	<u>19,130</u>
	<u>--</u>	<u>--</u>	<u>60,010</u>
	<u>\$8,372,443</u>	<u>9,333,502</u>	<u>8,376,684</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, 2016

	<u>2016</u>	<u>2015</u>
Annual surplus (deficit)	\$ (511,207)	473,856
Acquisition of tangible capital assets	(3,015,564)	(762,189)
Amortization of tangible capital assets	1,784,900	1,794,023
Capital asset contributions	2,433,439	698,673
Capital asset disposal - net	<u> --</u>	<u> 19,130</u>
<u>CHANGE IN NET FINANCIAL ASSETS</u>	691,568	2,223,493
<u>NET FINANCIAL ASSETS (DEBT), beginning of year</u>	<u>(1,602,076)</u>	<u>(3,825,569)</u>
<u>NET FINANCIAL ASSETS (DEBT), end of year</u>	<u>\$ (910,508)</u>	<u>(1,602,076)</u>

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

TOWN OF STEPHENVILLE
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
<u>OPERATING TRANSACTIONS:</u>		
Annual surplus (deficit)	\$ (511,207)	473,856
Capital asset disposal	--	19,130
Change in non-cash items:		
Working capital	(551,810)	1,373,318
Amortization	1,784,900	1,794,023
Severance pay accrual	(299)	9,366
	<u>721,584</u>	<u>3,669,693</u>
<u>CAPITAL TRANSACTIONS:</u>		
Acquisition of tangible capital assets	<u>(3,015,564)</u>	<u>(762,189)</u>
<u>FINANCING TRANSACTIONS:</u>		
Capital asset contributions	2,433,439	698,673
Repayment of long-term debt	<u>(1,174,923)</u>	<u>(1,265,803)</u>
	<u>1,258,516</u>	<u>(567,130)</u>
<u>INCREASE (DECREASE) IN CASH</u>	(1,035,464)	2,340,374
<u>CASH (DEFICIENCY), beginning of year</u>	<u>1,712,108</u>	<u>(628,266)</u>
<u>CASH (DEFICIENCY), end of year</u>	<u>\$ 676,644</u>	<u>1,712,108</u>
 <u>CASH</u> consists of:		
Cash and short-term investments	\$ 916,754	1,712,108
Due to bank	<u>(240,110)</u>	<u>--</u>
	<u>\$ 676,644</u>	<u>1,712,108</u>

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

TOWN OF STEPHENVILLE
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2016

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, 2016

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>2016</u>	<u>2015</u>
Municipal funds	\$ 126,669	1,000,108
Gas tax funds	<u>790,085</u>	<u>712,320</u>
	<u>\$ 916,754</u>	<u>1,712,428</u>

4. **ACCOUNTS RECEIVABLE**

	<u>2016</u>	<u>2015</u>
Stephenville Airport Corporation taxes	\$4,061,607	3,405,061
Taxes and rates receivable	1,442,389	1,272,581
Advance receivable - BIA	32,570	62,913
Goods and services tax	252,615	77,385
Fuel tax rebate	13,453	8,140
Project funding	399,311	641,957
Advance - Stephenville Airport	123,483	140,904
Other	<u>93,861</u>	<u>103,352</u>
	6,419,289	5,712,293
Allowance for doubtful accounts	<u>4,626,838</u>	<u>3,984,479</u>
	<u>\$1,792,451</u>	<u>1,727,814</u>

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

5. DUE TO BANK	<u>2016</u>	<u>2015</u>
Current account overdraft	\$ 90,110	--
Demand loan at prime less .5%	<u>150,000</u>	<u>--</u>
	<u>\$ 240,110</u>	<u>--</u>
6. ACCOUNTS PAYABLE	<u>2016</u>	<u>2015</u>
Accounts payable - trade	\$ 609,251	519,983
Payroll liabilities	330,847	291,445
Security deposit	50,800	110,800
Port Harmon Facility payables	16,783	596,358
Deferred funding - Training Centre	<u>56,527</u>	<u>32,795</u>
	<u>\$1,064,208</u>	<u>1,551,381</u>
7. LONG-TERM DEBT	<u>2016</u>	<u>2015</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	\$ 9,307	15,016
<u>Bank loans</u>		
2.097% loan, maturing in 2018, payable in monthly installments of principal and interest of \$75,958	1,047,125	1,920,817
5.53% government guaranteed loan, payable in semi-annual blended installments of \$11,617, maturing in 2021	102,584	124,228
<u>Federation of Canadian Municipalities</u>		
2.38% loan, repayable in annual installments of \$273,879 plus interest, maturing in 2019	<u>821,644</u>	<u>1,095,522</u>
	<u>\$1,980,660</u>	<u>3,155,583</u>

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TOWN OF STEPHENVILLE
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2016

7. LONG-TERM DEBT (Cont'd)

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

2017	\$1,171,885
2018	481,805
2019	293,886
2020	22,034
2021	11,050

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, 2016 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 2016 in the amount of \$188,525 while employees have contributed \$127,906.

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>2016</u>	<u>2015</u>
<u>Expenditures</u>	\$2,433,439	698,673
<u>Funding</u>		
Atlantic Canada Opportunities Agency	<u>1,181,538</u>	<u>448,137</u>
	<u>\$1,251,901</u>	<u>250,536</u>

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

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, 2016

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2016
Land	\$ 1,229,200	1,229,200	--	--	1,229,200
Buildings	11,345,541	13,778,980	2,433,439	3,183,797	10,595,183
Equipment - general	1,152,560	1,371,884	320,162 (100,838)	37,789 (100,838)	463,491
Transportation infrastructure/equipment	35,677,873	35,939,836	261,963	717,033	27,102,844
Water and sewer infrastructure	31,580,035	31,580,035	--	653,393	17,863,081
	<u>\$80,985,209</u>	<u>83,899,935</u>	<u>3,015,564</u> <u>(100,838)</u>	<u>1,784,900</u> <u>(100,838)</u>	<u>38,987,947</u>
Land	\$ 1,229,200	1,229,200	--	--	1,229,200
Buildings	10,646,868	11,345,541	698,673	348,738	8,538,429
Equipment - general	1,116,774	1,152,560	54,895 (19,109)	69,132 (17,041)	181,118
Transportation infrastructure/equipment	35,848,489	35,677,873	--	722,478	9,292,062
Water and sewer infrastructure	31,571,414	31,580,035	(170,616)	(153,554)	18,516,474
	<u>\$80,412,745</u>	<u>80,985,209</u>	<u>762,189</u> <u>(189,725)</u>	<u>1,794,023</u> <u>(170,595)</u>	<u>37,757,283</u>

TOWN OF STEPHENVILLE
RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue per Municipal Budget	\$ 8,023,745	8,175,615
Revisions:		
Capital funding	<u>322,605</u>	<u>356,730</u>
Revenue per PSAB Budget	<u>8,346,350</u>	<u>8,532,345</u>
Expenditures per Municipal Budget	8,023,745	8,175,615
Revisions:		
Capital asset disposal	--	19,130
Municipal plan from gas tax	--	40,880
Capital out of revenue	(261,278)	(294,440)
Amortization of tangible capital assets	1,784,900	1,794,023
Debt charges - principal	<u>(1,174,924)</u>	<u>(1,265,803)</u>
Expenditures per PSAB Budget	<u>8,372,443</u>	<u>8,469,405</u>
Surplus	<u>\$ (26,093)</u>	<u>62,940</u>