

TOWN OF STEPHENVILLE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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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, 2017, 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, 2017, 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

29 June 2018




CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2017

	<u>2017</u>	<u>2016</u>
<u>FINANCIAL ASSETS</u>		
Cash and short-term investments (Note 3)	\$ 1,663,818	916,754
Accounts receivable (Note 4)	<u>1,160,216</u>	<u>1,792,451</u>
	<u>2,824,034</u>	<u>2,709,205</u>
<u>LIABILITIES</u>		
Due to bank (Note 5)	--	240,110
Accounts payable and accrued liabilities (Note 6)	910,511	1,064,208
Severance pay accrual	300,291	334,735
Long-term debt (Note 7)	777,132	1,980,660
NLHC land mortgage (Note 8)	<u>995,511</u>	<u>995,511</u>
	<u>2,983,445</u>	<u>4,615,274</u>
<u>NET FINANCIAL ASSETS (DEBT)</u>	<u>(159,411)</u>	<u>(1,906,019)</u>
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Schedule I)	40,304,823	38,987,947
Prepaid expenses	74,705	74,705
Land for resale	<u>995,511</u>	<u>995,511</u>
	<u>41,375,039</u>	<u>40,058,163</u>
<u>ACCUMULATED EQUITY</u>	<u>\$41,215,628</u>	<u>38,152,144</u>
<u>CONTINGENCIES (Note 9)</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, 2017

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
<u>REVENUE</u>	\$11,039,868	11,391,492	8,822,295
<u>EXPENDITURES</u>	<u>8,182,412</u>	<u>8,328,008</u>	<u>9,333,502</u>
<u>ANNUAL SURPLUS (DEFICIT)</u>	<u>\$ 2,857,456</u>	3,063,484	(511,207)
<u>EQUITY</u> , beginning of year		<u>38,152,144</u>	<u>36,229,912</u>
		41,215,628	35,718,705
<u>ADD</u> : Capital asset contributions		<u> --</u>	<u>2,433,439</u>
<u>EQUITY</u> , end of year		<u>\$41,215,628</u>	<u>38,152,144</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, 2017

REVENUE

	<u>Budget</u> (Schedule II)	<u>2017</u>	<u>2016</u>
<u>TAXATION</u>			
Property tax	\$ 3,596,671	3,635,030	3,595,781
Water and sewer tax	1,943,248	1,957,643	1,950,948
Poll tax	90,000	101,687	104,067
Business tax	1,588,678	1,519,872	1,579,474
Grants in lieu of taxes	<u>150,060</u>	<u>150,261</u>	<u>149,804</u>
	<u>7,368,657</u>	<u>7,364,493</u>	<u>7,380,074</u>
<u>GOVERNMENT CONTRIBUTIONS</u>			
Municipal assistance grants	414,520	414,520	414,520
Grants regarding debt	38,543	38,543	34,202
Gas tax	399,594	399,594	315,165
Municipal capital works	2,439,303	2,439,303	7,440
Provincial gas tax	<u>64,560</u>	<u>64,560</u>	<u>48,420</u>
	<u>3,356,520</u>	<u>3,356,520</u>	<u>819,747</u>
<u>OTHER</u>			
Licences and permits	20,500	18,053	20,197
Fines and meters	--	2,450	17,019
Interest and service charges	89,000	207,595	213,421
Water and sewerage - other	5,000	5,141	2,986
Land transactions	80,000	288,700	143,932
Service fees	46,500	56,700	123,809
Miscellaneous	<u>73,691</u>	<u>91,840</u>	<u>101,110</u>
	<u>314,691</u>	<u>670,479</u>	<u>622,474</u>
	<u>\$11,039,868</u>	<u>11,391,492</u>	<u>8,822,295</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, 2017

	<u>Budget</u> (Schedule II)	<u>2017</u>	<u>2016</u>
<u>GENERAL GOVERNMENT</u>			
Salaries and benefits	\$ 667,725	597,376	559,824
General office	230,584	321,714	272,990
Council	111,500	96,881	95,574
Insurance	115,000	129,289	105,671
Assessment services	92,000	91,999	91,716
Payroll burden	66,000	51,419	66,839
Tax allowance	--	120,000	100,000
Interest on long-term debt	36,591	37,393	67,408
Amortization	<u>188,306</u>	<u>188,306</u>	<u>185,086</u>
	<u>1,507,706</u>	<u>1,634,377</u>	<u>1,545,108</u>
<u>PROTECTIVE SERVICES</u>			
Fire protection	1,188,580	1,084,525	986,362
Municipal enforcement	<u>61,000</u>	<u>61,148</u>	<u>83,979</u>
	<u>1,249,580</u>	<u>1,145,673</u>	<u>1,070,341</u>
<u>TRANSPORTATION SERVICES</u>			
Fleet maintenance	393,350	338,907	363,958
Maintenance	1,289,854	1,033,971	956,487
Snow clearing	339,500	307,917	253,608
Street lighting	160,000	138,448	150,514
Amortization	<u>734,071</u>	<u>734,071</u>	<u>717,033</u>
	<u>2,916,775</u>	<u>2,553,314</u>	<u>2,441,600</u>
<u>ENVIRONMENTAL SERVICES</u>			
Water supply	736,820	598,698	792,411
Sanitation	305,750	324,018	347,317
Amortization	<u>653,393</u>	<u>653,393</u>	<u>653,393</u>
	<u>1,695,963</u>	<u>1,576,109</u>	<u>1,793,121</u>
<u>COMMUNITY DEVELOPMENT</u>			
Grants and contributions	300,000	792,428	653,728
Port Harmon Facility	25,000	20,179	1,251,901
Amortization	<u>229,388</u>	<u>229,388</u>	<u>229,388</u>
	<u>554,388</u>	<u>1,041,995</u>	<u>2,135,017</u>
<u>RECREATION</u>			
Parks and recreation	53,100	103,040	138,627
Pool contribution	76,500	144,785	75,000
Stadium contribution	128,400	128,715	110,500
Stadium Feasibility Study	<u>--</u>	<u>--</u>	<u>24,188</u>
	<u>258,000</u>	<u>376,540</u>	<u>348,315</u>
	<u>\$8,182,412</u>	<u>8,328,008</u>	<u>9,333,502</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, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus (deficit)	\$ 3,063,484	(511,207)
Acquisition of tangible capital assets	(3,122,034)	(3,015,564)
Amortization of tangible capital assets	1,805,158	1,784,900
Capital asset contributions	<u> --</u>	<u>2,433,439</u>
<u>CHANGE IN NET FINANCIAL ASSETS</u>	1,746,608	691,568
<u>NET FINANCIAL ASSETS (DEBT), beginning of year</u>	<u>(1,906,019)</u>	<u>(2,597,587)</u>
<u>NET FINANCIAL ASSETS (DEBT), end of year</u>	<u>\$ (159,411)</u>	<u>(1,906,019)</u>

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

TOWN OF STEPHENVILLE
 CONSOLIDATED STATEMENT OF CASH FLOW
 Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
<u>OPERATING TRANSACTIONS:</u>		
Annual surplus (deficit)	\$ 3,063,484	(511,207)
Change in non-cash items:		
Working capital	478,538	(551,810)
Amortization	1,805,158	1,784,900
Severance pay accrual	<u>(34,444)</u>	<u>(299)</u>
	<u>5,312,736</u>	<u>721,584</u>
<u>CAPITAL TRANSACTIONS:</u>		
Acquisition of tangible capital assets	<u>(3,122,034)</u>	<u>(3,015,564)</u>
<u>FINANCING TRANSACTIONS:</u>		
Capital asset contributions	--	2,433,439
Repayment of long-term debt	<u>(1,203,528)</u>	<u>(1,174,923)</u>
	<u>(1,203,528)</u>	<u>1,258,516</u>
<u>INCREASE (DECREASE) IN CASH</u>	987,174	(1,035,464)
<u>CASH</u> , beginning of year	<u>676,644</u>	<u>1,712,108</u>
<u>CASH</u> , end of year	<u>\$ 1,663,818</u>	<u>676,644</u>
 <u>CASH</u> consists of:		
Cash and short-term investments	\$ 1,663,818	916,754
Due to bank	<u>--</u>	<u>(240,110)</u>
	<u>\$ 1,663,818</u>	<u>676,644</u>

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

TOWN OF STEPHENVILLE
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2017

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, 2017

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>2017</u>	<u>2016</u>
Municipal funds	\$ 536,587	126,669
Gas tax funds	<u>1,127,231</u>	<u>790,085</u>
	<u>\$1,663,818</u>	<u>916,754</u>

4. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Stephenville Airport Corporation taxes	\$4,801,271	4,061,607
Taxes and rates receivable	1,557,806	1,442,389
Advance receivable - BIA	--	32,570
Goods and services tax	59,996	252,615
Fuel tax rebate	10,693	13,453
Project funding	61,606	399,311
Advance - Stephenville Airport	102,895	123,483
Other	<u>35,518</u>	<u>93,861</u>
	6,629,785	6,419,289
Allowance for doubtful accounts	<u>5,469,569</u>	<u>4,626,838</u>
	<u>\$1,160,216</u>	<u>1,792,451</u>

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

5. DUE TO BANK	<u>2017</u>	<u>2016</u>
Current account overdraft	\$ --	90,110
Demand loan at prime less .5%	<u>--</u>	<u>150,000</u>
	<u>\$ --</u>	<u>240,110</u>
6. ACCOUNTS PAYABLE	<u>2017</u>	<u>2016</u>
Accounts payable - trade	\$ 419,889	609,251
Payroll liabilities	387,777	330,847
Security deposit	50,800	50,800
Port Harmon Facility payables	--	16,783
Deferred funding	<u>52,045</u>	<u>56,527</u>
	<u>\$ 910,511</u>	<u>1,064,208</u>
7. LONG-TERM DEBT	<u>2017</u>	<u>2016</u>
<u>Newfoundland Municipal Financing Corporation</u>		
Various debentures with interest rates ranging from 6.375% to 14.5%, maturing between 2017 and 2018, repayable in semi-annual installments of principal and interest totalling \$6,628	\$ 3,206	9,307
<u>Bank loans</u>		
2.097% loan, maturing in 2018, payable in monthly installments of principal and interest of \$75,958	151,357	1,047,125
5.53% government guaranteed loan, payable in semi-annual blended installments of \$11,617, maturing in 2021	74,804	102,584
<u>Federation of Canadian Municipalities</u>		
2.38% loan, repayable in annual installments of \$273,879 plus interest, maturing in 2019	<u>547,765</u>	<u>821,644</u>
	<u>\$ 777,132</u>	<u>1,980,660</u>

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TOWN OF STEPHENVILLE
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2017

7. **LONG-TERM DEBT** (Cont'd)

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

2018	\$463,722
2019	280,326
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. **NLHC LAND MORTGAGE**

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 land and mortgage balance at December 31, 2017 amounted to \$995,511.

9. **CONTINGENCIES**

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 \$48,084. The Town has expended and funded the pension plan for 2017 in the amount of \$183,521 while employees have contributed \$135,437.

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, 2017

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2017
Land	\$ 1,229,200	1,229,200	--	--	1,229,200
Buildings	13,778,980	13,813,024	3,183,797	3,560,482	10,252,542
Equipment - general	1,371,884	1,402,522	908,393	949,402	453,120
Transportation infrastructure/equipment	35,939,836	35,939,836	27,102,844	27,836,915	8,102,921
Water and sewer infrastructure	<u>31,580,035</u>	<u>3,057,352</u>	<u>13,716,954</u>	<u>653,393</u>	<u>20,267,040</u>
	<u>\$83,899,935</u>	<u>87,021,969</u>	<u>44,911,988</u>	<u>1,805,158</u>	<u>40,304,823</u>

	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	2,807,112	3,183,797	10,595,183
Equipment - general	1,152,560	1,371,884	971,442	908,393	463,491
Transportation infrastructure/equipment	35,677,873	35,939,836	26,385,811	27,102,844	8,836,992
Water and sewer infrastructure	<u>31,580,035</u>	<u>31,580,035</u>	<u>13,063,561</u>	<u>653,393</u>	<u>17,863,081</u>
	<u>\$80,985,209</u>	<u>83,899,935</u>	<u>43,227,926</u>	<u>1,784,900</u>	<u>38,987,947</u>
		<u>(100,838)</u>		<u>(100,838)</u>	

TOWN OF STEPHENVILLE
RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenue per Municipal Budget	\$ 8,200,971	8,023,745
Revisions:		
Capital funding	<u>2,838,897</u>	<u>322,605</u>
Revenue per PSAB Budget	<u>11,039,868</u>	<u>8,346,350</u>
Expenditures per Municipal Budget	8,200,971	8,023,745
Revisions:		
Capital out of revenue	(620,189)	(261,278)
Amortization of tangible capital assets	1,805,158	1,784,900
Debt charges - principal	<u>(1,203,528)</u>	<u>(1,174,924)</u>
Expenditures per PSAB Budget	<u>8,182,412</u>	<u>8,372,443</u>
Surplus (Deficit)	<u>\$ 2,857,456</u>	<u>(26,093)</u>