

TOWN OF STEPHENVILLE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

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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.

Allen & Skinner CPA Professional Corporation, 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. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider 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

Allen & Skinner CPA Professional Corporation
Chartered Professional Accountants

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Facsimile: (709) 634-2769

**57 Humber Road
P. O. Box 352, Stn. Main
Corner Brook, NL
A2H 6C3**

INDEPENDENT AUDITOR'S REPORT

The Mayor and Councillors
Town of Stephenville
Stephenville, NL

We have audited the consolidated financial statements of the Town of Stephenville, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of surplus, revenue and expenditures, changes in net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Public Sector Accounting standards, 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.

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INDEPENDENT AUDITOR'S REPORT (Cont'd)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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, international 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.

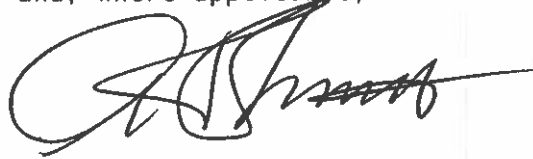
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INDEPENDENT AUDITOR'S REPORT (Cont'd)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

CORNER BROOK,
NEWFOUNDLAND LABRADOR

29 August 2024

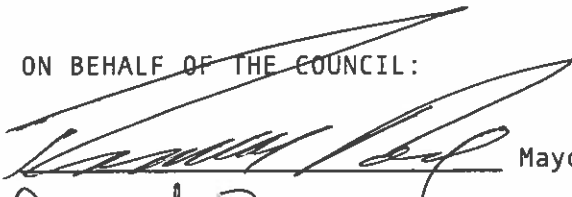
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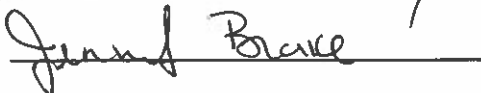
Allen & Skinner CPA
Professional Corporation

TOWN OF STEPHENVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2023

	<u>2023</u>	<u>2022</u>
<u>FINANCIAL ASSETS</u>		
Cash and short-term investments (Note 3)	\$ 346,076	59,644
Accounts receivable (Note 4)	<u>1,442,813</u>	<u>1,936,219</u>
	<u>1,788,889</u>	<u>1,995,863</u>
<u>LIABILITIES</u>		
Due to bank (Note 5)	752,853	2,272,911
Accounts payable and accrued liabilities (Note 6)	1,254,066	1,226,365
Severance pay accrual	347,677	310,597
Deferred revenue	287,412	--
Long-term debt (Note 7)	1,052,438	530,857
NLHC land mortgage (Note 8)	<u>995,511</u>	<u>995,511</u>
	<u>4,689,957</u>	<u>5,336,241</u>
<u>NET FINANCIAL ASSETS (DEBT)</u>	<u>(2,901,068)</u>	<u>(3,340,378)</u>
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Schedule I)	37,460,469	39,273,303
Prepaid expenses	74,705	74,705
Land for resale (Note 8)	<u>995,511</u>	<u>995,511</u>
	<u>38,530,685</u>	<u>40,343,519</u>
<u>ACCUMULATED EQUITY</u>	<u>\$35,629,617</u>	<u>37,003,141</u>
<u>CONTINGENCIES</u> (Note 9)		

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, 2023

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
<u>REVENUE</u>	\$ 9,237,368	9,752,469	9,233,211
<u>EXPENDITURES</u>	<u>10,594,806</u>	<u>11,125,994</u>	<u>11,833,882</u>
<u>ANNUAL SURPLUS (DEFICIT)</u>	<u>\$(1,357,438)</u>	(1,373,525)	(2,600,671)
<u>EQUITY</u> , beginning of year		<u>37,003,142</u>	<u>39,603,813</u>
<u>EQUITY</u> , end of year		<u>\$35,629,617</u>	<u>37,003,142</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, 2023

REVENUE

	<u>Budget</u> (Schedule II)	<u>2023</u>	<u>2022</u>
<u>TAXATION</u>			
Property tax	\$4,034,647	4,042,800	3,606,156
Water and sewer tax	2,163,326	2,170,334	2,101,708
Business tax	1,742,686	1,722,519	1,503,056
Grants in lieu of taxes	<u>162,979</u>	<u>162,979</u>	<u>152,998</u>
	<u>8,103,638</u>	<u>8,098,632</u>	<u>7,363,918</u>
<u>GOVERNMENT CONTRIBUTIONS</u>			
Municipal assistance grants	414,520	471,203	414,520
Municipal capital works	--	--	926,439
Provincial gas tax	64,560	64,560	64,560
Canada Community Building Funds	<u>--</u>	<u>406,810</u>	<u>--</u>
	<u>479,080</u>	<u>942,573</u>	<u>1,405,519</u>
<u>OTHER</u>			
Licences and permits	30,000	17,765	13,216
Fines and meters	500	275	200
Interest and service charges	155,000	242,049	176,493
Water and sewerage - other	5,000	7,286	3,000
Land transactions	234,000	168,424	93,827
Service fees	78,150	79,250	78,150
Miscellaneous	<u>152,000</u>	<u>196,215</u>	<u>98,888</u>
	<u>654,650</u>	<u>711,264</u>	<u>463,774</u>
	<u>\$9,237,368</u>	<u>9,752,469</u>	<u>9,233,211</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, 2023

	<u>Budget</u> (Schedule II)	<u>2023</u>	<u>2022</u>
<u>GENERAL GOVERNMENT</u>			
Salaries and benefits	\$ 929,095	721,073	651,594
General office	599,253	504,372	657,493
Council	175,000	133,912	165,181
Insurance	145,000	163,415	148,850
Assessment services	92,000	86,606	86,398
Payroll burden	72,100	76,381	68,200
Tax allowance	497,037	258,093	120,000
Interest on long-term debt	60,000	109,396	20,301
Amortization	<u>2,219,644</u>	<u>2,219,644</u>	<u>2,211,444</u>
	<u>4,789,129</u>	<u>4,272,892</u>	<u>4,129,461</u>
<u>PROTECTIVE SERVICES</u>			
Fire protection	1,191,846	1,357,527	1,289,750
Municipal enforcement	<u>83,950</u>	<u>88,207</u>	<u>93,755</u>
	<u>1,275,796</u>	<u>1,445,734</u>	<u>1,383,505</u>
<u>TRANSPORTATION SERVICES</u>			
Fleet maintenance	315,400	493,003	438,274
Maintenance	1,215,570	1,409,238	1,587,181
Snow clearing	219,467	266,977	438,098
Street lighting	<u>409,500</u>	<u>164,386</u>	<u>163,223</u>
	<u>2,159,937</u>	<u>2,333,604</u>	<u>2,626,776</u>
<u>ENVIRONMENTAL SERVICES</u>			
Water supply	779,600	1,162,304	1,093,929
Sanitation	<u>622,000</u>	<u>754,375</u>	<u>736,191</u>
	<u>1,401,600</u>	<u>1,916,679</u>	<u>1,830,120</u>
<u>COMMUNITY DEVELOPMENT</u>			
Grants and contributions	481,344	380,447	1,089,092
Port Harmon Facility	--	39,201	49,004
YMCA	<u>--</u>	<u>65,334</u>	<u>101,227</u>
	<u>481,344</u>	<u>484,982</u>	<u>1,239,323</u>
<u>RECREATION</u>			
Parks and recreation	207,000	360,383	204,069
Pool contribution	140,000	140,086	223,580
Stadium contribution	<u>140,000</u>	<u>171,634</u>	<u>197,048</u>
	<u>487,000</u>	<u>672,103</u>	<u>624,697</u>
	<u>\$10,594,806</u>	<u>11,125,994</u>	<u>11,833,882</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, 2023

	<u>2023</u>	<u>2022</u>
Annual surplus (deficit)	\$(1,373,525)	(2,600,671)
Acquisition of tangible capital assets	(406,810)	(1,727,687)
Amortization of tangible capital assets	<u>2,219,644</u>	<u>2,211,444</u>
<u>CHANGE IN NET FINANCIAL ASSETS</u>	439,309	(2,116,914)
<u>NET FINANCIAL ASSETS (DEBT), beginning of year</u>	<u>(3,340,377)</u>	<u>(1,223,463)</u>
<u>NET FINANCIAL ASSETS (DEBT), end of year</u>	<u>\$(2,901,068)</u>	<u>(3,340,377)</u>

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

TOWN OF STEPHENVILLE
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>
<u>OPERATING TRANSACTIONS:</u>		
Annual surplus (deficit)	\$(1,373,525)	(2,600,671)
Change in non-cash items:		
Working capital	808,520	(53,015)
Amortization	2,219,644	2,211,444
Severance pay accrual	<u>37,080</u>	<u>(24,163)</u>
	<u>1,691,719</u>	<u>(466,405)</u>
<u>CAPITAL TRANSACTIONS:</u>		
Acquisition of tangible capital assets	<u>(406,810)</u>	<u>(1,727,688)</u>
<u>FINANCING TRANSACTIONS:</u>		
Proceeds of long-term borrowings	783,787	--
Repayment of long-term debt	<u>(262,206)</u>	<u>(165,707)</u>
	<u>521,581</u>	<u>(165,707)</u>
<u>INCREASE (DECREASE) IN CASH</u>	1,806,490	(2,359,800)
<u>CASH, beginning of year</u>	<u>(2,213,267)</u>	<u>146,533</u>
<u>CASH (DEFICIENCY), end of year</u>	<u>\$ (406,776)</u>	<u>(2,213,267)</u>
 <u>CASH (DEFICIENCY) consists of:</u>		
Cash and short-term investments	\$ 346,076	59,644
Due to bank	<u>(752,853)</u>	<u>(2,272,911)</u>
	<u>\$ (406,776)</u>	<u>(2,213,267)</u>

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

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

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, 2023

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) 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.

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

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

3. CASH

	<u>2023</u>	<u>2022</u>
Gas tax funds	<u>\$ 346,076</u>	<u>59,644</u>

4. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Taxes and rates receivable	\$2,126,456	2,472,607
Goods and services tax	25,462	220,157
Provincial funding	19,075	568,120
Advance - Stephenville Airport	--	9,452
Other	<u>--</u>	<u>9,583</u>
	2,170,993	3,279,919
Allowance for doubtful accounts	<u>728,180</u>	<u>1,343,700</u>
	<u>\$1,442,813</u>	<u>1,936,219</u>

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

5. DUE TO BANK

	<u>2023</u>	<u>2022</u>
Operating loan	\$ 545,000	1,500,000
Current account overdraft	<u>207,853</u>	<u>772,911</u>
	<u>\$ 752,853</u>	<u>2,272,911</u>

6. ACCOUNTS PAYABLE

	<u>2023</u>	<u>2022</u>
Accounts payable - trade	\$ 568,204	608,583
Payroll liabilities	635,062	566,982
Security deposit	<u>50,800</u>	<u>50,800</u>
	<u>\$1,254,066</u>	<u>1,226,365</u>

7. LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
<u>Bank loans</u>		
1.96% loan, repayable in blended monthly installments of \$14,819, maturing in 2026	\$ 361,895	530,857
6.24% loan, repayable in blended monthly installments of \$5,894, maturing in 2026	179,321	--
6.24% loan, repayable in blended monthly installments of \$5,331, maturing in 2029	320,089	--
6.24% loan, repayable in blended monthly installments of \$2,326, maturing in 2034	<u>191,133</u>	<u>--</u>
	<u>\$1,052,438</u>	<u>530,857</u>

Principal repayments due over the next five years are as follows:

2024	\$295,210
2025	306,511
2026	136,413
2027	74,235
2028	79,002

TOWN OF STEPHENVILLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

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, 2023 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 \$52,893. The Town has also expended and funded the pension plan for 2023 in the amount of \$176,065 while employees have contributed \$176,065.

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, 2023

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	
Land	\$ 1,267,891	--	--	--	1,267,891
Buildings	14,595,684	--	5,564,297	5,970,716	8,624,968
Equipment - general	1,461,778	--	677,628	727,720	734,058
Transportation infrastructure	41,539,151	--	31,865,304	32,895,941	8,643,210
Water and sewer infrastructure	36,424,028	406,810	17,908,000	18,640,496	18,190,342
	<u>\$95,288,532</u>	<u>406,810</u>	<u>56,015,229</u>	<u>58,234,873</u>	<u>37,460,469</u>

	Cost		Accumulated Amortization		Net Book Value
	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	
Land	\$1,267,891	--	--	--	1,267,891
Buildings	14,595,684	--	5,157,878	5,564,297	9,031,387
Equipment - general	1,461,778	--	627,536	677,628	784,150
Transportation infrastructure	39,811,463	1,727,688	30,834,667	31,865,304	9,673,847
Water and sewer infrastructure	36,424,028	--	17,183,704	17,908,000	18,516,028
	<u>\$93,560,844</u>	<u>1,727,688</u>	<u>53,803,785</u>	<u>56,015,229</u>	<u>39,273,303</u>

TOWN OF STEPHENVILLE
RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>
Revenue per Municipal Budget	\$ 9,237,368	8,073,243
Revisions:		
Capital funding	--	<u>926,439</u>
Revenue per PSAB Budget	<u>9,237,368</u>	<u>8,999,682</u>
Expenditures per Municipal Budget	9,237,368	8,073,243
Revisions:		
Capital out of revenue	--	(45,106)
Amortization of tangible capital assets	2,219,644	2,211,444
Debt charges - principal	(262,206)	(162,987)
Debt reduction plan	<u>(600,000)</u>	<u>--</u>
Expenditures per PSAB Budget	<u>10,594,806</u>	<u>10,076,594</u>
Surplus (Deficit)	<u>\$ (1,357,438)</u>	<u>(1,076,912)</u>