



Financial Statements

Town of Happy Valley-Goose Bay

December 31, 2013

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Grant Thornton

Statement of Responsibility

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The accompanying Financial Statements are the responsibility of the management of the Town of Happy Valley-Goose Bay and have been prepared in compliance with legislation, and in accordance with public sector accounting standards established by the Public Sector Accounting Board of the Chartered 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 met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Municipality's appointed external auditors, have audited the 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 test 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 public sector accounting standards.

Jaime Snook
Mayor

Hayward Broomfield
Town Clerk



Independent Auditors' Report

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To the Mayor and members of Council of the

Town of Happy Valley-Goose Bay

We have audited the accompanying financial statements of the Town of Happy Valley-Goose Bay, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net assets, and cash flows for the year then ended, and 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, the auditor considers internal control relevant to the 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified opinion

The Town has not updated its estimates for the liability for closure and post closure of its landfill site. A liability of \$211,538 has been accrued based on a previous estimate that the site had a useful life of 39 years. Canadian public sector standards require that the liability for closure and post closure discounted costs of the landfill site be recognised based on current estimates of costs and remaining available capacity. Given that the remaining useful life is unknown and current costs estimates are not available, we are unable to determine the amounts of adjustment, if any, that may be required.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Town of Happy Valley-Goose Bay as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

In compliance with the requirements of Section 91 of the Municipalities Act, we report as follows on our examination of the accounts of the Town for the year ended December 31, 2013.

Expenses in relation to budget:

Actual expenses per the financial statements of \$9,572,714 are above the limits of the adopted budget.

Arrears of revenue:

The comparative position with respect to arrears of revenue is presented in Note 5 of the financial statements. Taxes receivable decreased to \$1,654,820 as at December 31, 2013 from \$1,757,328 as at December 31, 2012. Of this amount, taxes totalling \$942,768 have been outstanding for one year or longer.

Manner in which the accounts have been kept and the adequacy of the safeguards against fraud: The position in these respects is considered satisfactory for an entity of this size.

As required by Section 71 of the Municipalities Act, we report that all employees whose duties include collecting, receiving and depositing cash are adequately bonded.

The comparative figures for the year ended December 31, 2013, with the exception of amount related to pension plan payable, were audited by another firm of chartered accountants who provided an audit report without reservation on those financial statements in their report dated August 27, 2013.

Happy Valley-Goose Bay, Canada

< Date of approval >

Chartered Accountants

TOWN OF HAPPY VALLEY-GOOSE BAY
Statement of Financial Position
December 31

2012
(Note 4)

Financial assets

Cash and cash equivalents - unrestricted	\$ 2,537,068	\$ 436,864
- restricted	2,231,169	561,680
Receivables (Note 5)	3,487,748	7,515,604
Real estate properties held for sale	<u>34,461</u>	<u>34,461</u>
Total financial assets	\$ <u>8,290,446</u>	\$ <u>8,548,609</u>

Liabilities

Due to bank (Note 6)	\$ 5,169,945	\$ 5,169,945
Payables and accrued liabilities (Note 7)	1,826,774	3,224,427
Pension plan payable (Note 8)	263,973	693,354
Sick leave payable	83,536	96,319
Deferred revenue	121,112	6,126
Landfill closure and post closure liabilities (Note 9)	211,538	205,128
Long-term debt (Schedule 6)	<u>3,540,021</u>	<u>4,154,200</u>
Total liabilities	<u>11,216,898</u>	<u>13,549,499</u>

Net Debt \$ (2,926,452) \$ (5,000,890)

Non-financial assets

Tangible capital assets (Schedule 7)	\$ 63,964,725	\$ 59,255,770
Prepaid expenses	<u>21,102</u>	<u>47,601</u>
Total non-financial assets	<u>63,985,827</u>	<u>59,303,371</u>

Accumulated Surplus \$ 61,059,375 \$ 54,302,481

Approved on behalf of Council:

_____ Mayor _____ Town Clerk

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Statement of Operations and Accumulated Surplus
Year ended December 31

	2013 Budget	2013 Actual	2012 Actual (Note 4)
Revenue:			
Taxation (Schedule 1)	\$ 7,458,395	\$ 7,423,837	\$ 6,610,046
Sale of goods and services (Schedule 1)	215,700	387,996	291,935
Grants and transfers (Schedule 1)	9,287,158	6,988,035	12,153,858
Investment income (Schedule 1)	-	3,403	13,593
Other (Schedule 1)	<u>412,050</u>	<u>1,526,337</u>	<u>4,420,659</u>
Total revenues	<u>17,373,303</u>	<u>16,329,608</u>	<u>23,490,091</u>
Expenditures:			
General government (Schedule 2)	4,048,708	4,380,623	3,815,351
Protective services (Schedule 3)	634,050	598,284	560,364
Transportation services (Schedule 3)	1,471,200	1,406,652	1,417,118
Environmental health (Schedule 4)	1,849,410	1,629,034	1,491,930
Planning and development (Schedule 4)	176,570	186,159	133,381
Recreation and cultural services (Schedule 5)	1,121,675	1,098,784	1,116,808
Fiscal services (Schedule 5)	<u>119,999</u>	<u>273,178</u>	<u>463,936</u>
Total expenditures	<u>9,421,612</u>	<u>9,572,714</u>	<u>8,998,888</u>
Annual surplus	<u>7,951,691</u>	<u>6,756,894</u>	<u>14,491,203</u>
Accumulated surplus, beginning of year			
As previously reported	54,302,481	54,302,481	40,092,874
Prior period adjustment (Note 4)	<u>-</u>	<u>-</u>	<u>(281,596)</u>
As restated	<u>54,302,481</u>	<u>54,302,481</u>	<u>39,811,278</u>
Contributed surplus			
As previously reported	-	-	4,001,690
Prior period adjustment (Note 4)	<u>-</u>	<u>-</u>	<u>(4,001,690)</u>
As restated	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated surplus, end of year	\$ <u>62,254,172</u>	\$ <u>61,059,375</u>	\$ <u>54,302,481</u>

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Statement of Change in Net Debt
Year ended December 31

	2013 Budget	2013 Actual	2012 Actual (Note 4)
Annual (deficit) surplus	\$ <u>7,951,691</u>	\$ <u>6,756,894</u>	\$ 14,491,203
Acquisition of tangible capital assets	(12,595,960)	(7,422,265)	(16,971,134)
Amortization of tangible capital assets	2,273,440	2,713,310	2,273,440
Decrease in prepaids	-	26,499	29,415
	<u>(10,322,520)</u>	<u>(4,682,456)</u>	<u>(14,668,279)</u>
Change in net debt	(2,370,829)	2,074,438	(177,076)
Net debt, beginning of the year	<u>(5,000,890)</u>	<u>(5,000,890)</u>	<u>(4,823,814)</u>
Net debt, end of year	\$ <u>(7,371,719)</u>	\$ <u>(2,926,452)</u>	\$ <u>(5,000,890)</u>

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Statement of Cash Flow
Year ended December 31

	2013	2012
Cash flow:		
Operations:		
Annual (deficit) surplus	\$ 6,756,894	\$ 14,491,203
Contributed capital tangible assets from developers	(783,003)	(4,001,690)
Amortization of capital assets	<u>2,713,310</u>	<u>2,273,440</u>
	8,687,201	12,762,953
Changes in non-cash items:		
Receivables	4,027,856	(4,540,972)
Real estate properties held for sale	-	2,659
Prepaid expense	26,499	29,415
Payables and accruals	(1,397,653)	2,600,533
Pension plan payable	(429,381)	-
Sick leave payable	(12,783)	-
Deferred revenue	114,986	(1,220,156)
Landfill closure costs	<u>6,410</u>	<u>6,410</u>
	11,023,135	9,640,842
Capital:		
Purchase of tangible capital assets	<u>(6,639,263)</u>	<u>(12,969,444)</u>
Financing:		
Principal repayment of long-term debt	<u>(614,179)</u>	<u>(711,995)</u>
Net decrease (increase) in bank indebtedness	3,769,693	(4,040,597)
Bank indebtedness:		
Bank indebtedness, beginning	<u>(4,171,401)</u>	<u>(130,804)</u>
Bank indebtedness, ending	\$ <u>(401,708)</u>	\$ <u>(4,171,401)</u>
Comprised of:		
Cash - unrestricted	\$ 2,537,068	\$ 436,864
Cash - restricted	2,231,169	561,680
Due to bank	<u>(5,169,945)</u>	<u>(5,169,945)</u>
	\$ <u>(401,708)</u>	\$ <u>(4,171,401)</u>

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

Nature of operations:

The Town is responsible for the provision of municipal services to the residents of the Town of Happy Valley-Goose Bay and is incorporated under and operates in accordance with the Municipalities Act of Newfoundland and Labrador.

1. Significant accounting policies

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

(a) 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.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

(c) Real estate properties held for sale

Real estate properties held for sale are recorded at the lower of cost and net realizable value. Cost includes the amount of acquisition, legal fees, and improvements to prepare the properties for sale or servicing.

It is reasonably anticipated that real estate properties held for resale will be sold outside the reporting entity within one year of the balance sheet date.

(d) 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 revenues over expenses, provides the change in net financial assets for the year.

Real estate properties held for sale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year of the reporting date.

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

1. Significant accounting policies (cont'd)

(e) 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. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

General tangible capital assets:

Land	Indefinite
Land improvements	10 to 50 years
Buildings and leasehold improvements	
Buildings	25 to 40 years
Leasehold improvements	Term of lease
Vehicle and equipment	
Vehicles	5 years
Maintenance and road construction equipment	10 years
Machinery and equipment	5 to 15 years
Computer hardware and software	4 years
Furniture and fixtures	5 years

Infrastructure assets:

Transportation	
Road surface	5 to 20 years
Road grade	30 years
Bridges	30 to 50 years
Traffic lights and equipment	10 to 15 years
Marine structures	25 years
Water and sewer	
Underground networks	15 to 60 years
Dams and other surface water structures	25 to 50 years

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

1. Significant accounting policies (cont'd)

(g) Landfill Closure and Post Closure Liabilities

The estimated cost to close and maintain solid waster landfill sites are based on estimated future expenses, in current dollars, and are charged to expenses as the landfill capacity is used.

(h) Pension plan payable

The Town maintains a defined benefit plan which provides pension benefits to its employees. The cost and obligation of pension benefits earned by employees are actuarially determined using the accrued benefit method prorated on service and management's best estimate of assumptions of future investment returns for funded plan, salary changes and retirement ages of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The discount rate used for determining the benefit obligation is the expected rate of return on the plan assets or the Town's cost of borrowing.

Past service costs resulting from plan amendments are recognized at the date of amendment.

(i) Sick leave payable

An accrued liability is recorded for sick leave earned by employees that management estimates will be paid out upon retirement of the employees. Management's estimate is based on accumulated sick days, pay rates of employees, and an expected retirement age of 60 years. The Town is liable to pay 20% of accumulated sick days, to a maximum of 37 days, upon employee retirement or termination due to redundancy.

(j) Revenue recognition

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

Government transfers are recognized as either expenditures or revenue in the period that the events giving rise to the transfer occurred as long as a) the transfer is authorized, b) eligibility criteria have been met by the recipient and c) a reasonable estimate of the amount can be made.

Unearned government transfers received but not earned are recorded as deferred revenue. Earned government transfers not received are recorded as a receivable.

Contributed assets are recognized as revenue on acquisition.

(k) 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. Items requiring significant estimates include the useful life of tangible capital assets, rates of amortization, impairment of assets, allowance for doubtful accounts, accrued sick leave, accrued pension obligation, total landfill capacity, and future landfill closure expenses.

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

1. Significant accounting policies (cont'd)

(k) Use of estimates (cont'd)

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(l) Financial instruments

The Town considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Town accounts for the following as financial instruments:

- cash and cash equivalents
- receivables
- due to bank
- payables and accrued liabilities
- long-term debt

A financial asset or liability is recognized when the Town becomes party to contractual provisions of the instrument.

The Town initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Town subsequently measures its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents and receivables.

Financial liabilities measured at cost include payables and accrued liabilities, due to bank, and long-term debt .

The Town removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

2. The manner in which the accounts have been kept and the safeguards against fraud

The Town's position in these respects was considered satisfactory for an entity of its size.

3. Sufficiency of bonds

Fidelity bond coverage of \$175,000 was in place on all persons having positions of trust. The amount of this bond was considered adequate.

4. Prior period adjustments

The December 31, 2012 figures have been restated to record tangible capital assets contributed by developers as other revenue instead of contributed surplus as previously reported.

The December 31, 2012 figures have also been restated to reflect the pension plan payable figures as a result of the actuarial valuation as of December 31, 2013.

The following items for fiscal 2012 have been restated:

	As previously reported	Pension adjustment	Capital asset adjustment	As restated
Statement of Operations and accumulated surplus				
Revenues - Other revenue	\$ 418,969		\$ 4,001,690	\$ 4,420,659
Expenditures	9,415,666	\$ (416,778)		8,998,888
Annual surplus	10,072,735	416,778	4,001,690	14,491,203
Accumulated surplus, beginning of year	40,092,874	(281,596)		39,811,278
Contributed surplus	4,001,690		(4,001,690)	-
Accumulated surplus, end of year	\$ 54,167,299	\$ 135,182	\$ -	\$ 54,302,481
Statement of Financial Position				
Liabilities				
Pension plan payable	\$ 828,536	\$ (135,182)		\$ 693,354
Net Debt	(5,136,072)	135,182		(5,000,890)
Accumulated surplus, end of year	\$ 54,167,299	\$ 135,182		\$ 54,302,481
Statement of Changes in Net Debt				
Annual Surplus	\$ 10,072,735	\$ 416,778	\$ 4,001,690	\$ 14,491,203
Increase in contributed surplus for assets	4,001,690		(4,001,690)	-
Net debt, beginning of year	(4,542,218)	(281,596)		(4,823,814)
Net debt, end of year	\$ (5,136,072)	\$ 135,182	\$ -	\$ (5,000,890)
Statement of Cash Flows				
Annual surplus	\$ 10,072,735	\$ 416,778	\$ 4,001,690	\$ 14,491,203
Contributed capital tangible assets	-		(4,001,690)	(4,001,690)
Payables and accruals	\$ 3,017,311	\$ (416,778)	\$ -	\$ 2,600,533

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

5. Receivables	<u>2013</u>	<u>2012</u>
Taxes:		
Property	\$ 912,621	\$ 879,000
Business	248,492	300,359
Water and sewer	493,707	577,969
	<u> 1,654,820</u>	<u> 1,757,328</u>
Equipment and facility rentals	53,870	64,927
Harmonized sales tax	109,545	339,673
Provincial Government portion of accrued interest payable	23,184	26,901
Due from Provincial and Federal Governments	2,137,967	5,482,396
Land sales	3,310	144,124
Other	165,841	328,293
	<u> 4,148,537</u>	<u> 8,143,642</u>
Less: allowance for doubtful accounts	<u> 660,789</u>	<u> 628,038</u>
	<u> \$ 3,487,748</u>	<u> \$ 7,515,604</u>

6. **Due to bank**

The Town has an interim financing loan agreement with the Royal Bank of Canada for construction of the waste water treatment facility. The loan has an approved borrowing limit of \$8 million with a balance owing of \$5,169,945 at December 31, 2013 (2012 - \$5,169,945). The loan is unsecured with interest calculated at prime less 0.25%.

The Town also has negotiated a revolving demand loan with the Royal Bank of Canada with an approved borrowing limit of \$1.5 million and interest calculated at prime less 0.25%. The loan is unsecured with a balance owing of \$Nil at December 31, 2013 (2012 - \$Nil).

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

7. Payables and accrued liabilities	<u>2013</u>	<u>2012</u>
Payables and accruals	\$ 1,800,580	\$ 3,155,035
Payroll deductions	-	38,232
Accrued interest	<u>26,194</u>	<u>31,160</u>
	\$ <u>1,826,774</u>	\$ <u>3,224,427</u>
8. Pension plan payable	<u>2013</u>	<u>2012</u>
Accrued benefit surplus (obligation):		
Balance, beginning of year	\$ 6,607,752	\$ 6,560,838
Current service cost	327,110	250,722
Interest cost	382,509	373,685
Benefits paid	(237,953)	(374,662)
Actuarial loss (gain)	<u>330,917</u>	<u>(202,831)</u>
Balance, end of year	<u>7,410,335</u>	<u>6,607,752</u>
Plan assets:		
Fair value, beginning of year	6,328,779	5,393,405
Return on plan assets	377,951	321,682
Experience gains	607,955	211,550
Benefits paid	(237,953)	(374,662)
Town contributions to plan	586,111	666,888
Employee contributions to plan	<u>140,406</u>	<u>109,916</u>
Fair value, end of year	<u>7,803,249</u>	<u>6,328,779</u>
Funded status - surplus (deficit)	392,914	(278,973)
Unamortized amounts (Gain) loss	<u>(656,887)</u>	<u>(414,381)</u>
Accrued benefit surplus (liability)	\$ <u>(263,973)</u>	\$ <u>(693,354)</u>
Significant assumptions used:		
Discount rate	5.75%	5.75%
Expected long-term rate of return on plan assets	5.75%	5.75%
Rate of compensation increase	3.00%	3.00%
Expected average remaining service life (EARSL)	11	12
Net benefit expense for the year:		
Current service cost	\$ 327,110	\$ 250,722
Interest cost	382,509	373,685
Amortization of (gains) losses	(34,532)	-
Employee contributions	(140,406)	(109,916)
Expected return on plan assets	<u>(377,951)</u>	<u>(321,682)</u>
Net benefit expenses	\$ <u>156,730</u>	\$ <u>192,809</u>

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

9. Landfill closure and post closure liabilities

Legislation requires closure and post-closure care of solid waste landfill sites. Closure costs include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

Estimated closure and post closure costs	\$	250,000
Expected year capacity will be reached		2,020
Capacity (years):		
Used to date		33
Remaining		6
Total		39
Percent utilized		84.62%
Liability based on percentage	\$	<u>211,538</u>

10. Financial instruments

The Town, as part of its operations, carried a number of financial instruments. It is management's opinion the Town is not exposed to significant currency or credit risk arising from these financial instruments. However, the Town has interest rate risk due to the variable interest rate on its operating line of credit and interim financing loan with the Royal Bank of Canada. A change in the variable rate can impact cash flow to service the debt when such debt is outstanding. There was no change in the interest rates or balances on these loans during 2013. The Town manages its interest risk on long-term debt by obtaining loans with fixed interest rates.

11. Councilor Remuneration

The Province of Newfoundland and Labrador's Municipal Councilor Remuneration and Reimbursement Regulations, 2001, restrict the Town's council remuneration to 2% of revenues raised from municipal taxes, municipal operating grants, grants in lieu, and other assured revenues other than subsidies paid by the Province to the Town. During 2013, the remuneration expense for Council was \$63,040, (0.71%) which was \$114,600 below the maximum imposed by these regulations.

12. Debt servicing ratio

As part of the budget submission to municipal affairs, Council has to calculate a "debt servicing ratio". This amount is calculated by dividing the annual municipal debt payment by the aggregate of total taxation revenue, total goods and service revenue, total other revenue from own sources and the municipal operating grant.

As at December 31, 2013, the Town's debt servicing ratio is 2%

However, the Town's portion of the waste water treatment facility debt has not yet been finalized and is not included in the above calculation.

TOWN OF HAPPY VALLEY-GOOSE BAY
Notes to the Financial Statements
December 31, 2013

13. 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 for PSAB. For comparative purposes, the Town of Happy Valley-Goose Bay 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.

The reconciliation between the Town's cash based financial plan and the PSAB accrual based budget figures used in these statements is disclosed in Schedule 10 - Reconciliation of the Financial Plan to the Budget.

14. Comparative figures

Certain of the 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

TOWN OF HAPPY VALLEY-GOOSE BAY**Schedule 1****Revenues**

2012

Year ended December 31**2013**

(restated)

Taxation

Property	\$ 4,089,540	\$ 3,591,509
Business	876,293	739,170
Water and sewerage	1,940,614	1,762,893
Utility	355,159	346,108
Penalties and interest	162,231	170,366

\$ 7,423,837 \$ 6,610,046

Sale of Goods and Services

Recreational and cultural services	\$ 203,654	\$ 194,060
Service levies	20,335	5,275
Equipment hire	66,628	41,961
Garbage collection and disposal fee	97,379	50,639

\$ 387,996 \$ 291,935

Grants and transfers

Government of Canada		
Capital grants	\$ 1,063,612	\$ 4,103,201
Other federal revenue	821,846	815,203
Government of Newfoundland and Labrador		
Municipal operating grant	247,854	247,854
Capital grants	3,546,074	5,018,190
Province's portion of debt charges	402,552	406,270
Gas tax receipts	888,017	1,543,887
Other	18,080	19,253

\$ 6,988,035 \$ 12,153,858

Investment income

Interest from investments	\$ <u>3,403</u>	\$ <u>13,593</u>
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Other revenue

Licences and permits	\$ 49,522	\$ 30,286
Fines	4,374	3,890
Rentals	3,150	7,763
Contributed capital tangible assets from developers	783,003	4,001,690
Sale of real estate held for sale	619,052	319,238
Other	67,236	57,792

\$ 1,526,337 \$ 4,420,659

TOWN OF HAPPY VALLEY-GOOSE BAY
General Government Expenditures
Year ended December 31

Schedule 2
2012
(restated)

	2013	
Council:		
Remuneration for councillors	\$ 63,040	\$ 80,475
Travel and supplies	<u>48,192</u>	<u>72,974</u>
	<u>111,232</u>	<u>153,449</u>
General administration:		
Salaries and benefits	671,855	657,430
Travel	52,766	44,599
Professional fees	127,381	133,443
Insurance	88,490	94,368
Amortization	2,713,310	2,273,440
Municipal election	8,457	3,664
Grants and subsidies	7,000	-
General supplies and other expenses	<u>155,448</u>	<u>247,829</u>
	<u>3,824,707</u>	<u>3,454,773</u>
Property assessment services	<u>120,568</u>	<u>124,903</u>
Engineering services/Town development plan:		
Salaries and benefits	61,265	53,973
Cost of real estate properties sold	225,000	-
General supplies and expenses	<u>37,851</u>	<u>28,253</u>
	<u>324,116</u>	<u>82,226</u>
	\$ 4,380,623	\$ 3,815,351

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Protective and Transportation Services Expenditures
Year ended December 31

Schedule 3
2012
(restated)

Protective Services

Fire Protection:		
Salaries and benefits	\$ 390,080	\$ 376,443
General supplies and expenses	<u>46,723</u>	<u>33,631</u>
	<u>436,803</u>	<u>410,074</u>
Animal and pest control:		
Salaries and benefits	67,526	72,146
General supplies and office expenses	<u>9,286</u>	<u>11,599</u>
	<u>76,812</u>	<u>83,745</u>
Municipal enforcement:		
Salaries and benefits	77,594	60,198
General supplies and office expenses	<u>7,075</u>	<u>6,347</u>
	<u>84,669</u>	<u>66,545</u>
	\$ <u>598,284</u>	\$ <u>560,364</u>

Transportation Services

Streets, roads, sidewalks, bridges, and snow removal:		
Salaries and benefits	\$ 879,573	\$ 842,790
Equipment operating, supplies and travel	377,249	424,638
Purchased services	<u>34,239</u>	<u>24,082</u>
	<u>1,291,061</u>	<u>1,291,510</u>
Street lighting	<u>115,591</u>	<u>125,608</u>
	\$ <u>1,406,652</u>	\$ <u>1,417,118</u>

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Environmental Health and Planning and Development Expenditures
Year ended December 31

Schedule 4
2012
(restated)

2013

Environmental Health

Water supply and sewage collection and disposal:

Salaries and benefits	\$ 703,212	\$ 611,644
Water purchases	106,922	133,936
Purchased services	76,816	33,852
General supplies and expenses	<u>299,022</u>	<u>287,902</u>
	<u>1,185,972</u>	<u>1,067,334</u>

Garbage and waste collection and disposal:

Salaries and benefits	158,874	168,931
Waste removal	221,593	194,052
Purchased services	3,164	10,553
Landfill closure costs	6,411	6,410
General supplies and expenses	<u>53,020</u>	<u>44,650</u>
	<u>443,062</u>	<u>424,596</u>

\$ 1,629,034 \$ 1,491,930

Planning and Development

Planning and zoning:

Salaries and benefits	\$ 158,452	\$ 104,491
General supplies and office expenses	<u>27,707</u>	<u>28,890</u>

\$ 186,159 \$ 133,381

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Recreation and Cultural Services and Fiscal Services Expenditures
Year ended December 31

Schedule 5
2012
(restated)

2013

Recreation and Cultural Services

Parks, playgrounds, playing fields and special events:

Salaries and benefits	\$ 408,906	\$ 323,733
Purchased services	2,244	6,509
General supplies and expenses	<u>123,445</u>	<u>127,465</u>
	<u>534,595</u>	<u>457,707</u>

Stadium and Curling Club:

Salaries and benefits	396,199	468,943
Purchased services	48,704	51,167
General supplies and expenses	<u>119,286</u>	<u>138,991</u>
	<u>564,189</u>	<u>659,101</u>

\$ 1,098,784 \$ 1,116,808

Fiscal Services

Interest on long-term debt	\$ 174,645	\$ 220,450
Provision for uncollectible taxes, fees, and charges	32,751	211,871
Interest on short-term borrowings	<u>65,782</u>	<u>31,615</u>

\$ 273,178 \$ 463,936

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY**Long-term Debt****December 31****Schedule 6****2013****2012**

Newfoundland Municipal Financing Corporation:

6.75% loan, repayable in blended semi-annual instalments of \$24,295; maturing March, 2018; unsecured.	\$ 185,902	\$ 220,199
6.375% loan, repayable in blended semi-annual instalments of \$17,620; maturing March, 2020; unsecured.	185,156	207,517
6.375% loan, repayable in blended semi-annual instalments of \$16,869; maturing February, 2019; unsecured.	154,470	177,265
6.375% loan, repayable in blended semi-annual instalments of \$13,421; maturing March, 2020; unsecured.	141,036	158,068
8.375% loan, repayable in blended semi-annual instalments of \$17,943; maturing December, 2014; unsecured.	33,753	64,846
7.75% loan, repayable in blended semi-annual instalments of \$6,456; maturing September, 2016; unsecured.	33,981	43,692
6.375% loan, repayable in blended semi-annual instalments of \$9,574; maturing March, 2015; unsecured.	26,984	43,613
6.375% loan, repayable in blended semi-annual instalments of \$6,471; maturing February, 2014; unsecured.	6,271	18,237
7.375% loan, repayable in blended semi-annual instalments of \$140,620; repaid in year	-	135,619

Royal Bank of Canada:

3.967% loan, repayable in blended monthly payments of \$19,079; maturing June, 2021; unsecured.	1,483,586	1,650,078
3.78% loan, repayable in blended semi-annual payments of \$99,458; maturing April, 2016; unsecured.	<u>1,288,882</u>	<u>1,435,066</u>
	\$ <u>3,540,021</u>	\$ <u>4,154,200</u>

The provincial government's share of the above debt is \$2,039,686 (2012 - \$2,336,079).

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Long -Term Debt
December 31, 2013

Schedule 6 (cont'd)

The aggregate amount of long-term debt principal payments estimated to be required in each of the next five years are as follows:

2014	\$	495,963
2015		467,929
2016		1,296,636
2017		319,659
2018		311,583

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY
Schedule of Tangible Capital Assets
Year Ended December 31, 2013

Schedule 7

	General Capital Assets					Infrastructure			Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Asset Under Construction	Roads, Streets, and Bridges	Water and Sewer	Assets Under Construction	2013	2012
Cost										
Opening costs	3,093,662	11,316,337	3,361,273	78,318	56,003	20,498,342	33,170,442	16,190,435	87,764,812	70,793,678
Additions during the year	-	8,441,327	32,182			1,285,885	12,760,282	6,607,080	29,126,756	16,971,134
Transfers during the year								(21,704,491)	(21,704,491)	
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing costs	3,093,662	19,757,664	3,393,455	78,318	56,003	21,784,227	45,930,724	1,093,024	95,187,077	87,764,812
Accumulated Amortization										
Opening accum'd amortization	-	2,086,815	2,559,491	71,132	-	10,788,793	13,002,811	-	28,509,042	26,235,602
Amortization		394,632	287,851	4,686		824,196	1,201,945		2,713,310	2,273,440
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing accum'd amortization	-	2,481,447	2,847,342	75,818	-	11,612,989	14,204,756	-	31,222,352	28,509,042
Net Book Value of Tangible Capital Assets	3,093,662	17,276,217	546,113	2,500	56,003	10,171,238	31,725,968	1,093,024	63,964,725	59,255,770

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY

Statement of Operations by Program

Year Ended December 31, 2013

Schedule 8

	General Government*		Protective Services		Transportation Services		Environmental Health Services	
	2013	2012	2013	2012	2013	2012	2013	2012
REVENUE								
Taxation	\$ 7,423,837	\$ 6,610,046	-	-	-	-	-	-
Sales of goods and services	387,996	291,935	-	-	-	-	-	-
Grants and transfers	6,585,482	11,747,588	-	-	-	-	-	-
Investment income	3,403	13,593	-	-	-	-	-	-
Other revenue	1,526,337	4,420,659	-	-	-	-	-	-
Total revenue	<u>15,927,055</u>	<u>23,083,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES								
Personnel services	796,160	791,878	535,200	508,787	879,573	842,790	862,086	780,575
Contract services	336,439	352,714	-	-	34,239	24,082	408,495	372,393
Utilities	-	-	-	-	115,591	125,608	-	-
Maintenance materials and supplies	241,491	276,082	63,084	51,577	377,249	424,638	352,042	332,552
Grants and contributions	-	-	-	-	-	-	-	-
Amortization	2,713,310	2,273,440	-	-	-	-	-	-
Interest on long term debt	-	-	-	-	-	-	-	-
Other	293,223	121,237	-	-	-	-	6,411	6,410
Total expenses	<u>4,380,623</u>	<u>3,815,351</u>	<u>598,284</u>	<u>560,364</u>	<u>1,406,652</u>	<u>1,417,118</u>	<u>1,629,034</u>	<u>1,491,930</u>
Surplus (Deficit)	<u>\$ 11,546,432</u>	<u>\$ 19,268,470</u>	<u>(598,284)</u>	<u>(560,364)</u>	<u>(1,406,652)</u>	<u>(1,417,118)</u>	<u>(1,629,034)</u>	<u>(1,491,930)</u>

* The general government category includes revenues and expenses that cannot be attributed to a particular sector.

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY

**Statement of Operations by Program
Year Ended December 31, 2013**

Schedule 8 (cont'd)

	Planning and Development		Recreation and Cultural Services		Fiscal Services		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
REVENUE								
Taxation	-	-	-	-	-	-	7,423,837	6,610,046
Sales of goods and services	-	-	-	-	-	-	387,996	291,935
Grants and transfers	-	-	-	-	402,553	406,270	6,988,035	12,153,858
Investment income	-	-	-	-	-	-	3,403	13,593
Other revenue	-	-	-	-	-	-	1,526,337	4,420,659
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,553</u>	<u>406,270</u>	<u>16,329,608</u>	<u>23,490,091</u>
EXPENSES								
Personnel services	158,452	104,491	805,105	792,676	-	-	4,036,576	3,821,197
Contract services	-	-	50,948	57,676	-	-	830,121	806,865
Utilities	-	-	-	-	-	-	115,591	125,608
Maintenance materials and supplies	27,707	28,890	242,731	266,456	-	-	1,304,304	1,380,195
Grants and contributions	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	2,713,310	2,273,440
Interest on long term debt	-	-	-	-	174,645	220,450	174,645	220,450
Other	-	-	-	-	98,533	243,486	398,167	371,133
Total expenses	<u>186,159</u>	<u>133,381</u>	<u>1,098,784</u>	<u>1,116,808</u>	<u>273,178</u>	<u>463,936</u>	<u>9,572,714</u>	<u>8,998,888</u>
Surplus (Deficit)	<u>(186,159)</u>	<u>(133,381)</u>	<u>(1,098,784)</u>	<u>(1,116,808)</u>	<u>129,375</u>	<u>(57,666)</u>	<u>6,756,894</u>	<u>14,491,203</u>

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY

**Consolidated Details and Reconciliation to Core Government Results
Year Ended December 31, 2013**

Schedule 9

	Core Government		Controlled Entities		Government Partnerships		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
REVENUE								
Taxation	7,423,837	6,610,046	-	-	-	-	7,423,837	6,610,046
Sales of goods and services	387,996	291,935	-	-	-	-	387,996	291,935
Grants and transfers	6,988,035	12,153,858	-	-	-	-	6,988,035	12,153,858
Investment income	3,403	13,593	-	-	-	-	3,403	13,593
Other revenue	1,526,337	4,420,659	-	-	-	-	1,526,337	4,420,659
Total revenue	<u>16,329,608</u>	<u>23,490,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,329,608</u>	<u>23,490,091</u>
EXPENSES								
Personnel services	4,036,576	3,821,197	-	-	-	-	4,036,576	3,821,197
Contract services	830,121	806,865	-	-	-	-	830,121	806,865
Utilities	115,591	125,608	-	-	-	-	115,591	125,608
Maintenance materials and supplies	1,304,304	1,380,195	-	-	-	-	1,304,304	1,380,195
Amortization	2,713,310	2,273,440	-	-	-	-	2,713,310	2,273,440
Interest on long term debt	174,645	220,450	-	-	-	-	174,645	220,450
Other	398,167	371,133	-	-	-	-	398,167	371,133
Total expenses	<u>9,572,714</u>	<u>8,998,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,572,714</u>	<u>8,998,888</u>
Surplus (Deficit)	<u>6,756,894</u>	<u>14,491,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,756,894</u>	<u>14,491,203</u>

See accompanying notes to the financial statements

TOWN OF HAPPY VALLEY-GOOSE BAY

**Reconciliation of the Financial Plan to the Budget
Year Ended December 31, 2013**

Schedule 10

	<u>Financial Plan</u>	<u>Amortization (TCA)</u>	<u>Interest Expense</u>	<u>Transfers</u>	<u>PSAB Budget</u>
REVENUE					
Taxation	8,263,395	-	-	(805,000)	7,458,395
Sales of goods and services	215,700	-	-	-	215,700
Grants and transfers	8,929,265	-	-	357,893	9,287,158
Investment income	-	-	-	-	-
Other revenue	412,050	-	-	-	412,050
Transfers from accumulated surplus	3,643,608	-	-	(3,643,608)	-
Total revenue	<u>21,464,018</u>	<u>-</u>	<u>-</u>	<u>(4,090,715)</u>	<u>17,373,303</u>
EXPENSES					
General government services	1,775,268	2,273,440	-	-	4,048,708
Protective services	634,050	-	-	-	634,050
Transportation services	1,471,200	-	-	-	1,471,200
Environmental health services	1,849,410	-	-	-	1,849,410
Regional planning and development	176,570	-	-	-	176,570
Recreation and cultural services	1,121,675	-	-	-	1,121,675
Fiscal services:					-
Transfer to authorized reserves	511,036	-	(511,036)	-	-
Capital expenditures	12,595,960	-	(12,148,853)	(447,107)	-
Debt charges	1,328,849	-	(1,208,849)	-	119,999
Total expenses	<u>21,464,018</u>	<u>2,273,440</u>	<u>(13,868,738)</u>	<u>(447,107)</u>	<u>9,421,612</u>
Surplus (Deficit)	<u>-</u>	<u>(2,273,440)</u>	<u>13,868,738</u>	<u>(3,643,608)</u>	<u>7,951,691</u>

See accompanying notes to the financial statements