

Independent Auditors' Reports

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To the Mayor and members of Council of the
Town of Happy Valley-Goose Bay

Report on the financial statements

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, 2016, 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

As discussed in Note 2 of the financial statements, the Town has not recorded a liability for non-vesting sick leave benefits earned but not used by its employees, which constitutes a departure from Canadian public sector standards. This is the result of a decision taken by management to not engage an actuary to calculate the liability. Consequently, we are unable to determine the amount of this liability and have modified our audit opinion on the financial statements for December 31, 2016.

As also disclosed in Note 2 of the financial statements, the Town has not updated its estimates for the liability for closure and post closure of its landfill site. This constitutes another departure from Canadian public sector standards and is the result of a decision taken by management to not conduct an assessment to determine such costs. A liability of \$230,769 has been accrued based on a previous estimate disclosed in Note 9 of the financial statements. 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 that may be required and have modified our audit opinion on the financial statements for December 31, 2016.

Qualified opinion

In our opinion, except for the effects of the matters 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Reporting Requirements

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, 2016.

Expenses in relation to budget:

Actual expenses per the financial statements of \$12,801,891 are \$441,989 above the limits of the adopted budget after required reconciliation to Canadian Public Sector Accounting Standards. Please refer to schedule 10 for this reconciliation.

Arrears of revenue:

The comparative position with respect to arrears of revenue is presented in Note 5 of the financial statements. Taxes receivable increased to \$1,554,017 as at December 31, 2016 from \$1,498,239 as at December 31, 2015. Of this amount, taxes totalling \$760,032 have been outstanding for one year or longer.

Manner in which the accounts have been kept and the adequacy of the safeguards against fraud:

Our firm was engaged only to express an opinion on the financial statements. We have not performed any special audits on fraud or internal controls; however we can report that during the audit of the financial statements no instances of fraud came to our attention.

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.



St. John's, Canada

December 14, 2017

Chartered Professional Accountants

TOWN OF HAPPY VALLEY-GOOSE BAY
Statement of Operations and Accumulated Surplus

Year ended December 31	(Note 11)		
	2016 Budget	2016 Actual	2015 Actual
Revenue:			
Taxation (Schedule 1)	\$ 8,810,395	\$ 8,652,321	\$ 8,198,582
Sale of goods and services (Schedule 1)	711,000	945,490	1,173,666
Grants and transfers (Schedule 1)	5,728,057	3,290,785	4,980,650
Investment income (Schedule 1)	10,000	2,988	13,561
Other (Schedule 1)	<u>238,750</u>	<u>202,804</u>	<u>189,740</u>
Total revenues	<u>15,498,202</u>	<u>13,094,388</u>	<u>14,556,199</u>
Expenditures:			
General government (Schedule 2)	9,310,017	5,780,395	5,540,828
Protective services (Schedule 3)	142,800	771,257	696,058
Transportation services (Schedule 3)	837,160	1,821,736	1,610,522
Environmental health (Schedule 4)	1,335,955	2,495,173	2,339,974
Planning and development (Schedule 4)	83,170	91,620	72,631
Recreation and cultural services (Schedule 5)	545,800	1,512,433	1,476,132
Fiscal services (Schedule 5)	<u>105,000</u>	<u>329,277</u>	<u>348,586</u>
Total expenditures	<u>12,359,902</u>	<u>12,801,891</u>	<u>12,084,731</u>
Annual surplus	<u>3,138,300</u>	<u>292,497</u>	<u>2,471,468</u>
Accumulated surplus, beginning of year	<u>65,194,295</u>	<u>65,194,295</u>	<u>62,722,827</u>
Accumulated surplus, end of year	\$ <u>68,332,595</u>	\$ <u>65,486,792</u>	\$ <u>65,194,295</u>

See accompanying notes to the financial statements