



Grant Thornton

Financial Statements

Town of Happy Valley-Goose Bay

December 31, 2017


# Statement of Responsibility

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 except as disclosed in Note 2 of the financial statements.

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 Auditors' 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 except as disclosed in Note 2 of the financial statements.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Town Manager

# 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, 2017, 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 accounting 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, 2017.

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 accounting standards and is the result of a decision taken by management to not conduct an assessment to determine such costs. A liability of \$237,179 has been accrued based on a previous estimate disclosed in Note 10 of the financial statements. Canadian public sector accounting 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, 2017.

**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, 2017 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, 2017.

**Expenses in relation to budget:**

Actual expenses per the financial statements of \$12,810,335 are \$145 below 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 \$2,062,138 as at December 31, 2017 from \$1,554,017 as at December 31, 2016. Of this amount, taxes totalling \$877,916 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.

*Grant Thornton LLP*

St. John's, Canada

August 6, 2019

Chartered Professional Accountants

**TOWN OF HAPPY VALLEY-GOOSE BAY**  
**Statement of Financial Position**

(Note 13)

Year ended December 31	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents - unrestricted	\$ 5,180,991	\$ 5,510,403
- restricted	17,912	17,916
Receivables (Note 5)	4,517,270	3,521,424
Pension plan surplus (Note 6)	<u>712,981</u>	<u>519,836</u>
Total financial assets	<u>\$ 10,429,154</u>	<u>\$ 9,569,579</u>
<b>Liabilities</b>		
Due to bank (Note 7)	\$ 656,553	\$ 5,169,945
Payables and accrued liabilities (Note 8)	1,412,400	800,507
Developer deposit (Note 9)	653,708	653,708
Severance payable	269,977	292,098
Deferred revenue	90,249	67,934
Landfill closure and post closure liabilities (Note 10)	237,179	230,769
Long-term debt (Schedule 6)	<u>4,514,134</u>	<u>2,092,332</u>
Total liabilities	<u>7,834,200</u>	<u>9,307,293</u>
<b>Net financial assets</b>	<u>\$ 2,594,954</u>	<u>\$ 262,286</u>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 7)	\$ 69,438,443	\$ 65,211,604
Prepaid expenses	<u>15,177</u>	<u>12,902</u>
Total non-financial assets	<u>69,453,620</u>	<u>65,224,506</u>
<b>Accumulated surplus</b>	<u>\$ 72,048,574</u>	<u>\$ 65,486,792</u>

Approved on behalf of Council:



Mayor



Town Manager

See accompanying notes to the financial statements

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

<b>Year ended December 31</b>	<b>(Note 12)</b>		
	<b>2017 Budget</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
<b>Revenue:</b>			
Taxation (Schedule 1)	\$ 9,245,155	\$ 9,096,732	\$ 8,652,321
Sale of goods and services (Schedule 1)	674,000	1,136,627	945,490
Grants and transfers (Schedule 1)	6,862,628	4,195,937	3,290,785
Investment income (Schedule 1)	10,000	3,250	2,988
Other (Schedule 1)	<u>524,644</u>	<u>4,939,571</u>	<u>202,804</u>
<b>Total revenues</b>	<b><u>17,316,427</u></b>	<b><u>19,372,117</u></b>	<b><u>13,094,388</u></b>
<b>Expenditures:</b>			
General government (Schedule 2)	5,973,599	6,028,167	5,780,395
Protective services (Schedule 3)	781,400	903,235	771,257
Transportation services (Schedule 3)	2,011,117	1,701,950	1,821,736
Environmental health (Schedule 4)	2,426,112	2,427,654	2,495,173
Planning and development (Schedule 4)	232,890	122,530	91,620
Recreation and cultural services (Schedule 5)	1,260,362	1,371,814	1,512,433
Fiscal services (Schedule 5)	<u>125,000</u>	<u>254,985</u>	<u>329,277</u>
<b>Total expenditures</b>	<b><u>12,810,480</u></b>	<b><u>12,810,335</u></b>	<b><u>12,801,891</u></b>
<b>Annual surplus</b>	<b><u>4,505,947</u></b>	<b><u>6,561,782</u></b>	<b><u>292,497</u></b>
<b>Accumulated surplus, beginning of year</b>	<b><u>65,486,792</u></b>	<b><u>65,486,792</u></b>	<b><u>65,194,295</u></b>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>69,992,739</u></b>	<b>\$ <u>72,048,574</u></b>	<b>\$ <u>65,486,792</u></b>

See accompanying notes to the financial statements

**TOWN OF HAPPY VALLEY-GOOSE BAY**  
**Statement of Change in Net Financial Assets**

<b>Year ended December 31</b>	<b>(Note 12)</b> <b>2017</b> <b>Budget</b>	<b>2017</b> <b>Actual</b>	<b>(Note 13)</b> <b>2016</b> <b>Actual</b>
Annual surplus	\$ <u>4,505,947</u>	\$ <u>6,561,782</u>	\$ <u>292,497</u>
Acquisition of tangible capital assets	(520,276)	(3,261,766)	(2,305,703)
Contributed subdivisions from developer	-	(4,799,346)	-
Disposal of tangible capital assets	-	-	3,601
Amortization of tangible capital assets	3,698,695	3,834,273	3,698,695
Decrease in prepaids	<u>-</u>	<u>(2,275)</u>	<u>(186)</u>
	<u>3,178,419</u>	<u>(4,229,114)</u>	<u>1,396,407</u>
Change in net financial assets	7,684,366	2,332,668	1,688,904
Net financial assets (debt), beginning of the year (Note	<u>262,286</u>	<u>262,286</u>	<u>(1,426,618)</u>
Net financial assets, end of year	\$ <u><u>7,946,652</u></u>	\$ <u><u>2,594,954</u></u>	\$ <u><u>262,286</u></u>

See accompanying notes to the financial statements



**TOWN OF HAPPY VALLEY-GOOSE BAY**  
**Statement of Cash Flow**

<b>Year ended December 31</b>	<b>2017</b>	<b>(Note 13)</b>	<b>2016</b>
<b>Cash flow:</b>			
<b>Operations:</b>			
Annual surplus	\$ 6,561,782	\$	292,497
Amortization of tangible capital assets	3,834,273		3,698,695
Revenue from contributed subdivisions from developer	(4,799,346)		-
Gain on sale of capital asset	-		(400)
	<u>5,596,709</u>		<u>3,990,792</u>
<b>Changes in non-cash items:</b>			
Receivables	(995,846)		(171,717)
Prepaid expense	(2,275)		(186)
Payables and accruals	611,892		(1,616,400)
Pension plan surplus	(193,145)		(185,139)
Severance payable	(22,121)		157,771
Deferred revenue	22,315		(31,990)
Landfill closure costs	6,410		6,411
	<u>5,023,939</u>		<u>2,149,542</u>
<b>Capital:</b>			
Proceeds on disposal of tangible capital asset	-		4,001
Purchase of tangible capital assets	(3,261,766)		(2,305,703)
	<u>(3,261,766)</u>		<u>(2,301,702)</u>
<b>Financing:</b>			
Proceeds from long-term debt	3,100,000		-
Principal repayment of long-term debt	(678,197)		(483,980)
	<u>2,421,803</u>		<u>(483,980)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,183,976</b>		<b>(636,140)</b>
<b>Cash and cash equivalents:</b>			
Beginning of the year	<u>358,374</u>		<u>994,514</u>
End of the year	\$ <u>4,542,350</u>	\$	<u>358,374</u>
<b>Comprised of:</b>			
Cash - unrestricted	\$ 5,180,991	\$	5,510,403
Cash - restricted	17,912		17,916
Due to bank	(656,553)		(5,169,945)
	<u>\$ 4,542,350</u>	\$	<u>358,374</u>

See accompanying notes to the financial statements