

**TOWN OF GRAND FALLS-WINDSOR**

**AUDITOR'S REPORT**

**FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

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**STATEMENT OF RESPONSIBILITY**

The accompanying Financial Statements are the responsibility of the management of the Town of Grand Falls-Windsor 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 Institute of Chartered Accountants.

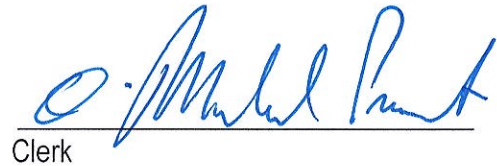
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Council of the Municipality met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

Lori Mercer, Chartered Accountant, 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. Her opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as she considers necessary to obtain reasonable assurance that the Consolidated 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



\_\_\_\_\_  
Clerk

**LORI K. MERCER**

**CHARTERED ACCOUNTANT**

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Grand Falls-Windsor, NL  
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## **INDEPENDENT AUDITOR'S REPORT**

To The Town Council  
Town of Grand Falls-Windsor

I have audited the accompanying financial statements of the Town of Grand Falls-Windsor which comprise the consolidated statement of financial position as at December 31, 2013 and the statements of consolidated statement of operations, consolidated statement of change in net financial assets (net debt), and the consolidated statement of 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**

It is the responsibility of the management of the Town of Grand Falls-Windsor to ensure the accompanying Consolidated Financial Statements have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. It is also management's responsibility to ensure appropriate systems of internal and administrative controls are maintained 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Grand Falls-Windsor as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.


Grand Falls-Windsor, Newfoundland  
October 27, 2014

  
LORI K. MERCER  
Chartered Accountant

**TOWN OF GRAND FALLS-WINDSOR  
STATEMENT OF FINANCIAL POSITION  
As at December 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 5)	\$ 429,659	\$ 1,602,003
Amounts receivable (Note 6)		
Taxation and other	998,177	974,969
Due from government	3,058,683	2,108,104
Loans and advances	10,715	9,583
Land held for resale	457,588	727,929
Other inventories for sale (Note 7)	1,540	2,036
	<u>\$ 4,956,362</u>	<u>\$ 5,424,624</u>
<b>LIABILITIES</b>		
Bank indebtedness (Note 5)	\$ 1,069,957	\$ -
Accounts payable and accrued liabilities (Note 8)	2,180,437	2,886,567
Employee benefit obligations (Note 9)	1,163,045	928,216
Deferred revenue (Note 10)	385,362	275,521
Long-term debt (Note 11)		
Municipal share	6,307,024	6,237,415
Provincial share	2,523,411	2,987,556
Obligations under capital leases (Note 12)	140,876	224,863
Other liabilities	115,919	372,152
	<u>13,886,031</u>	<u>13,912,290</u>
<b>NET FINANCIAL ASSETS (NET DEBT)</b>	<u>\$ (8,929,669)</u>	<u>\$ (8,487,666)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	\$ 75,390,630	\$ 61,727,007
Inventories for use (Note 7)	214,111	191,014
Prepaid expenses	2,205	-
	<u>75,606,946</u>	<u>61,918,021</u>
<b>ACCUMULATED SURPLUS (DEFICIT)</b>	<u>\$ 66,677,277</u>	<u>\$ 53,430,355</u>

Approved on behalf of Council:



Mayor



Director of Finance

**TOWN OF GRAND FALLS-WINDSOR**  
**STATEMENT OF OPERATIONS**  
Year Ended December 31, 2013

	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
<b>REVENUE</b>			
Taxation	\$ 12,512,431	\$ 12,853,664	\$ 11,290,075
Grants in lieu of taxes	801,408	839,722	781,282
Sales of goods and services	304,639	599,612	643,772
Other revenue from own sources	821,898	984,548	763,003
Grants and transfers	5,383,836	4,933,494	5,239,020
Other revenue	-	61,375	5,318
	<u>19,824,212</u>	<u>20,272,415</u>	<u>18,722,470</u>
<b>EXPENSES</b>			
General government services	6,571,191	6,746,601	6,024,608
Protective services	793,214	724,349	740,450
Transportation services	3,916,954	4,006,124	3,848,219
Environmental health services	3,156,617	2,974,033	2,985,626
Regional planning and development	414,153	530,822	770,149
Recreation and cultural services	1,598,593	1,555,498	1,582,765
Fiscal services	428,454	397,642	372,864
	<u>16,879,176</u>	<u>16,935,069</u>	<u>16,324,681</u>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER</b>	2,945,036	3,337,346	2,397,789
<b>OTHER (Note 17)</b>			
Donated/Contributed tangible capital assets		<u>9,909,576</u>	<u>33,176</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	2,945,036	13,246,922	2,430,965
<b>ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR</b>	<u>53,430,355</u>	<u>53,430,355</u>	<u>50,999,390</u>
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>	<u>\$ 56,375,391</u>	<u>\$ 66,677,277</u>	<u>\$ 53,430,355</u>

**TOWN OF GRAND FALLS-WINDSOR**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS(NET DEBT)**  
**Year Ended December 31, 2013**

	<u>2013</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 13,246,922</b>	<b>\$ 2,430,965</b>
Acquisition of tangible capital assets	(7,831,785)	(5,920,791)
Donated/contributed tangible capital assets	(9,909,576)	(33,176)
Amortization of tangible capital assets	3,783,765	3,398,504
Loss (Gain) on disposal of tangible capital assets	293,971	128,113
Decrease (increase) in inventories	(23,095)	(372)
Decrease (increase) in prepaids	(2,205)	-
	<u>(13,688,925)</u>	<u>(2,427,722)</u>
<b>CHANGE IN NET FINANCIAL ASSETS</b>	<b>(442,003)</b>	<b>3,243</b>
<b>NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR</b>	<b><u>(8,487,666)</u></b>	<b><u>(8,490,909)</u></b>
<b>NET FINANCIAL ASSETS (NET DEBT), END OF YEAR</b>	<b><u><u>\$ (8,929,669)</u></u></b>	<b><u><u>\$ (8,487,666)</u></u></b>

**TOWN OF GRAND FALLS-WINDSOR  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus (deficit)	\$ 13,246,922	\$ 2,430,965
Changes in non-cash items:		
Amounts receivable	(973,787)	127,400
Inventories	(22,601)	1,265
Prepays	(2,205)	-
Accounts payable and accrued liabilities	(962,363)	412,112
Employee benefit obligations	234,829	117,517
Deferred revenue	109,841	(947,173)
Loss on disposal of TCA	293,971	128,113
Tangible capital assets received as donations/contributions	(9,909,576)	(33,176)
Amortization	3,783,765	3,398,504
Cash provided by operating transactions	<u>5,798,796</u>	<u>5,635,527</u>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	<u>(7,831,785)</u>	<u>(5,920,791)</u>
<b>INVESTING TRANSACTIONS</b>		
Proceeds on sale of land for resale	298,301	44,913
Loans and advances repaid	12,606	12,492
Acquisition of real estate properties	(27,960)	(204,087)
Loans and advances issued	(13,736)	(15,332)
Cash applied to investing transactions	<u>269,211</u>	<u>(162,014)</u>
<b>FINANCING TRANSACTIONS</b>		
Proceeds of long-term debt	1,000,000	4,817,289
Debt repayment	(1,394,536)	(2,069,087)
Repayment of obligation under capital lease	(83,987)	(80,895)
Cash applied to financing transactions	<u>(478,523)</u>	<u>2,667,307</u>
<b>INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS</b>	<u>(2,242,301)</u>	<u>2,220,029</u>
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<u>1,602,003</u>	<u>(618,026)</u>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR</b>	<u>\$ (640,298)</u>	<u>\$ 1,602,003</u>
	<u>2013</u>	<u>2012</u>
<b>CASH AND TEMPORARY INVESTMENTS IS COMPRISED OF:</b>		
Cash and temporary investmerts (Note 5)	\$ 429,659	\$ 1,602,003
Less: Bank indebtedness (Note 5)	(1,069,957)	-
	<u>\$ (640,298)</u>	<u>\$ 1,602,003</u>



**TOWN OF GRAND FALLS-WINDSOR  
NOTES TO THE FINANCIAL STATEMENTS  
As at December 31, 2013**

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**1. Status of the Town of Grand Falls-Windsor**

The incorporated Town of Grand Falls-Windsor is a municipal government that was incorporated in 1991 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The Municipality provides or funds municipal services such as fire, police, public works, parks and recreation, tourism and other general government operations.

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**2. 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 Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

**a) Basis of Consolidation**

The financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, agencies, local boards, and committees of the Council which are controlled by the Municipality.

As of December 31, 2013 there are no controlled entities.

**b) 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.

**c) 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. Actual results could differ from these estimates.

**d) Cash and Temporary Investments**

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

**e) Investments**

Temporary investments are accounted for at the lower of cost and market.

**f) Inventories Held for Sale**

Land held for sale is 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.

**TOWN OF GRAND FALLS-WINDSOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2013**

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**2. g) 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 of revenues over expenses, provides the change in net financial assets for the year.

Land and inventories 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.

**h) 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 and one-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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	25 to 40 years
Vehicles and Equipment	
Light Vehicles	5 to 10 years
Heavy Equipment	10 to 15 years
Fire trucks	30 years
Machinery, equipment and furniture	5 years

**Infrastructure Assets**

Transportation	
Land	Indefinite
Road surface	5 to 20 years
Road grade	30 years
Traffic lights and equipment	15 years
Water and Sewer	
Land	Indefinite
Land improvements	50 years
Buildings	25 to 40 years
Underground networks	15 to 100 years
Machinery and equipment	15 years
Dams and other surface water structures	25 to 50 years

**i) Donated/Contributed Assets**

Tangible capital assets received as donations or contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

**j) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**TOWN OF GRAND FALLS-WINDSOR  
NOTES TO THE FINANCIAL STATEMENTS  
As at December 31, 2013**

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**2. k) Inventories**

Inventories held for sale are recorded at the lower of cost and net realizable value.

Inventories held for consumption are recorded at the lower of cost and replacement value.

**l) Revenue Recognition**

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

**m) Government Transfers**

Government transfers are recognized as either expenditures or revenues 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 transfer amounts received but not earned will be recorded as deferred revenue. Earned government transfer amounts not received will be recorded as a receivable.

**n) Landfill Liability**

The town maintains a waste disposal site. The Municipality is unable to estimate closure and post closure costs. No amount has been recorded as an asset or liability. It is the Town's understanding that the provincial government will provide the required funding for all remediation costs.

**o) Employee Benefit Obligations**

**Severance Pay**

Severance is accounted for on the accrual basis and the cost is calculated based on years of service. The amount is payable when the employee ceases employment with the Town.

**Vacation Pay**

Unused vacation that is accumulated for severance purposes is accounted for on the accrual basis and the cost is calculated based on accumulated unused vacation days. This benefit is payable when the employee ceases employment with the Town.

**Accrued pension benefits**

The accrued benefit obligation and current service cost are actuarially determined using the projected benefit method prorated on services, which also incorporates management's best estimates and assumptions.

The expected return on plan assets is calculated using the market value of plan assets.

Actuarial gains and losses are amortized over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan (12.2 years as at December 31, 2013).

The Town's fiscal year-end date is December 31 and the measurement date of the plan's assets and obligations is also December 31.

**p) Deferred Revenue**

Deferred revenue represent amounts received for which the related activities have yet to be performed. These amounts will be recognized as revenues in the period the activities are performed.

**TOWN OF GRAND FALLS-WINDSOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2013**

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

The Municipality's position in these respects was considered satisfactory.

**4. Sufficiency of Insurance**

Coverage for employees collecting, receiving and depositing cash is considered to be adequate.

**5. Cash and Temporary Investments**

Cash and temporary investments are comprised of the following:

	<u>2013</u>	<u>2012</u>
Cash - Gas Tax Funding	\$ 429,659	\$ 993,492
Cash - General Operations	(1,069,957)	608,511
	<u>\$ (640,298)</u>	<u>\$ 1,602,003</u>

Gas Tax funds are restricted as per approved capital investment plan.

Bank indebtedness - The Town has a revolving line of credit in the amount of \$2,625,000 that is available for day to day cash flow requirements. Interest on overdraft is calculated at prime rate per annum. The Bank's prime interest rate in 2013 was 3.00% (2012 = 3.00%).

**6. Amounts Receivable**

	<u>2013</u>	<u>2012</u>
<b>Taxation</b>		
Property tax	\$ 402,309	\$ 381,602
Water and sewer tax	414,491	392,642
Business tax	122,333	88,291
Poll tax	388,625	274,834
Local improvement assessment	8,986	12,630
	<u>1,336,744</u>	<u>1,149,999</u>
Other receivables	<u>282,183</u>	<u>407,158</u>
Sub-total	1,618,927	1,557,157
Less: allowances for doubtful amounts	(620,750)	(582,188)
Total taxation and other receivables	<u>998,177</u>	<u>974,969</u>
<b>Due from governments</b>		
Capital grants	2,198,924	1,007,417
Gas tax funds	284,959	284,959
Other government grants	37,194	158,631
HST rebate and input tax credits	488,626	607,279
Gasoline/diesel rebate	48,980	49,818
	<u>3,058,683</u>	<u>2,108,104</u>
	<u>\$ 4,056,860</u>	<u>\$ 3,083,073</u>

Arrears of taxation revenue increased from \$1,149,999 in 2012 to \$1,336,744 in 2013. Of this amount, \$662,737 has been outstanding for one year or longer.

Collections in 2013 on taxes and rates amounted to 101.45% of the amounts levied in 2013. (2012-99.41%).

**TOWN OF GRAND FALLS-WINDSOR  
NOTES TO THE FINANCIAL STATEMENTS  
As at December 31, 2013**

**7. Inventories**

<b>Inventories for sale:</b>	<u>2013</u>	<u>2012</u>
Compost bins	\$ 1,540	\$ 2,036
	<u>          </u>	<u>          </u>
 <b>Inventories for use:</b>	 <u>2013</u>	 <u>2012</u>
Parts and supplies	\$ 56,804	\$ 56,804
Road salt	98,571	108,930
Water treatment chemicals	58,736	25,280
	<u>          </u>	<u>          </u>
	<u>\$ 214,111</u>	<u>\$ 191,014</u>

**8. Accounts Payable and Accrued Liabilities**

	<u>2013</u>	<u>2012</u>
Trade	\$ 2,012,075	\$ 2,710,816
Payroll benefits	75,559	87,341
Accrued interest	10,715	9,456
Deposits	58,975	42,554
Insurance claims	22,000	22,000
HST collections	1,113	14,400
	<u>          </u>	<u>          </u>
	<u>\$ 2,180,437</u>	<u>\$ 2,886,567</u>

**TOWN OF GRAND FALLS-WINDSOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2013**

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**9. Employee Benefit Obligations**

	<u>2013</u>	<u>2012</u>
Accrued severance benefit	\$ 207,148	\$ 261,297
Accrued vacation benefit	159,597	124,619
Accrued pension benefit	796,300	542,300
	<u>\$ 1,163,045</u>	<u>\$ 928,216</u>

**Severance benefit**

Employees who are not members of the pension plan are entitled to a benefit equal to one week of pay for each year of accumulated service. The cost of the benefit is accrued as earned by the employees and is calculated based on the number of years of service and current salary. Severance expense for 2013 was \$8,717 (2012-\$9,626 ).

**Vacation benefit**

Eligible employees can accumulate unused vacation days up to a maximum of twenty weeks for severance purposes. The cost of the benefit is accrued and is calculated based on the number of weeks and current salary. Vacation expense recorded in 2013 was \$25,622 (2012 -\$58,384).

**Pension benefit**

**Defined Contribution**

There were 83 active members in this plan as of December 31, 2013. Employees in division 1 are required to contribute 5% of pensionable earnings and employees in division 2 are required to contribute 6% of pensionable earnings. The Town is required to contribute an amount equal to the employees' required contributions. Pension expense for this plan in 2013 \$165,827 was \$ (2012-\$177,248).

**Defined Benefit**

There were 18 active members, 2 deferred vested and inactive member, and 18 pensioners and beneficiaries participating in this plan as of December 31, 2013. Effective May 4, 2004, no new members are allowed to join the plan. This plan is funded by contributions from the Town and plan members. Pension benefits are based on length of service and best average earnings at termination, death or retirement. Based on the latest Actuarial valuation at December 31, 2013, the Town's unfunded liability is \$1,266,700.

**TOWN OF GRAND FALLS-WINDSOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2013**

**Employee Benefit Obligations (continued)**  
**Defined Benefit Pension Plan**

The results below are based on an actuarial valuation conducted as at December 31, 2010 and extrapolated to December 31, 2012 and the most recent actuarial valuation prepared as at December 31, 2013.

<b>Accrued Pension Liability</b>	<u>2013</u>	<u>2012</u>
<b>Reconciliation of Accrued Benefit Obligation</b>		
Accrued benefit obligation-opening	\$ 7,190,600	\$ 6,828,900
Current service cost	232,100	212,200
Impact of substantive commitment	230,400	
Benefit payments	(321,500)	(222,400)
Interest on average accrued benefit obligation	401,000	371,900
Net actuarial losses(gains)		
Accrued benefit obligation-closing	<u>\$ 7,732,600</u>	<u>\$ 7,190,600</u>
<b>Reconciliation of Plan Assets</b>		
Plan assets - opening	\$ 5,478,400	\$ 4,862,900
Contributions - Town	347,200	264,100
Contributions - employee required	76,800	56,500
Benefit payments	(321,500)	(222,400)
Expected earning on average market-related value	301,400	267,700
Actuarial gain (loss)	305,500	249,600
Plan assets - closing	<u>\$ 6,187,800</u>	<u>\$ 5,478,400</u>
Funded status - deficit	\$ (1,544,800)	\$ (1,712,200)
Net unamortized actuarial gains and losses	748,500	1,169,900
<b>Accrued Pension Liability</b>	<u>\$ (796,300)</u>	<u>\$ (542,300)</u>
<b>Pension Related Expense</b>		
<b>Pension Expense</b>		
Current period benefit cos:	\$ 232,100	\$ 212,200
Impact of plan amendment	230,400	-
Amortization of actuarial losses (gains)	115,900	136,700
	<u>578,400</u>	<u>348,900</u>
Less: employee contributions	(76,800)	(56,500)
<b>Pension expense</b>	<u>501,600</u>	<u>292,400</u>
<b>Pension Interest Expense</b>		
Interest on expected average accrued benefit obligation	401,000	371,900
Expected earnings on average pension fund assets	(301,400)	(267,700)
<b>Pension interest expense</b>	<u>99,600</u>	<u>104,200</u>
<b>Total Pension Related Expense</b>	<u>\$ 601,200</u>	<u>\$ 396,600</u>
<b>Reconciliation of Accrued Pension Liability</b>		
Accrued pension liability(asset) recorded-opening balance	\$ 542,300	\$ 409,800
Total pension related expense	601,200	396,600
Employer contributions	(347,200)	(264,100)
<b>Accrued pension liability(asset) recorded-ending balance</b>	<u>\$ 796,300</u>	<u>\$ 542,300</u>
<b>Actuarial Assumptions</b>		
Discount rate:	5.75%	
Salary growth:	3.50%	
Retirement age:	67% at earliest date eligible for unreduced retirement and the remainder at age 65.	
EARSL:	12.2 years	

**TOWN OF GRAND FALLS-WINDSOR  
NOTES TO THE FINANCIAL STATEMENTS  
As at December 31, 2013**

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**10. Deferred Revenue**

The deferred revenue reported on the consolidated statement of financial position is made up of the following:

	<u>2013</u>	<u>2012</u>
Gas tax funding	\$ 276,799	\$ 133,371
Cranberry industry development funds	107,135	140,790
Other	1,428	1,360
	<u>\$ 385,362</u>	<u>\$ 275,521</u>

Gas tax funding is provided by the Government of Canada. The use of this funding is established by a funding agreement between the Town and the Province of Newfoundland and Labrador. These funds are recorded as deferred revenue until they are used to fund approved projects under the agreement.

Cranberry industry development is 100% funded by ACOA, Province of NL, and ten private-sector Producers. The purpose of this project is to further develop the Newfoundland and Labrador cranberry industry, specifically in the Exploits region. The Town is the lead proponent for this project and is responsible for project administration. The Town has signed a Memorandum of Understanding with the Producers that outlines the roles and responsibilities of the parties under the project. The Town will maintain ownership and/control of all land and equipment developed under the project until divestiture conditions are met by the Producers. Deferred funds will be recognized as revenue in the fiscal year the services are performed or expenses incurred.

Cranberry industry development is 100% funded by ACOA, Province of NL, and ten private-sector Producers. The purpose of this project is to further develop the Newfoundland and Labrador cranberry industry, specifically in the Exploits region. The Town is the lead proponent for this project and is responsible for project administration. The Town has signed a Memorandum of Understanding with the Producers that outlines the roles and responsibilities of the parties under the project. The Town will maintain ownership and/control of all land and equipment developed under the project until divestiture conditions are met by the Producers. Deferred funds will be recognized as revenue in the fiscal year the services are performed or expenses incurred.

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**TOWN OF GRAND FALLS-WINDSOR  
NOTES TO THE FINANCIAL STATEMENTS  
As at December 31, 2013**

11. Long Term Debt (Schedule 4)	Loan Balances	
	2013	2012
Newfoundland Municipal Financing Corporation	\$ 240,956	\$ 374,038
Canada Mortgage and Housing Corporation	1,569	4,188
Canadian Imperial Bank of Commerce	8,587,910	8,846,745
	<u>\$ 8,830,435</u>	<u>\$ 9,224,971</u>
<b>Share of total debt</b>		
Town of Grand Falls-Windsor	\$ 6,307,024	\$ 6,237,415
Government of Newfoundland and Labrador	2,523,411	2,987,556
	<u>\$ 8,830,435</u>	<u>\$ 9,224,971</u>

Principal payments required in each of the next five years are as follows:

	Town	Government	2013	2012
2013	\$ -	\$ -	\$ -	\$ 1,393,873
2014	1,013,893	453,179	1,467,072	1,267,415
2015	809,095	423,997	1,233,092	1,033,432
2016	785,804	432,554	1,218,358	1,019,097
2017	707,144	428,729	1,135,873	936,610
2018	662,222	395,414	1,057,636	-
	<u>\$ 3,978,158</u>	<u>\$ 2,133,873</u>	<u>\$ 6,112,031</u>	<u>\$ 5,650,427</u>

**12. Obligation Under Capital Lease(s)**

Equipment under capital leases bear interest rates ranging from 4.8% to 9%. Future minimum principal lease payments under the capital leases are as follows:

	2013	2012
2013	\$ -	\$ 83,987
2014	66,289	66,289
2015	40,054	40,054
2016	31,811	31,811
2017	2,722	2,722
2018	-	-
Total minimum principal lease payments	<u>\$ 140,876</u>	<u>\$ 224,863</u>

**TOWN OF GRAND FALLS-WINDSOR  
 NOTES TO THE FINANCIAL STATEMENTS  
 As at December 31, 2013**

**13. Contingencies/Commitments**

**(a) Exploits Regional Services Board**

As a result of legal disputes relating to the construction of the Town's Water Treatment Facility, the Supreme Court of Newfoundland and Labrador has awarded costs of \$421,289 to Eco Zone Engineering. This amount is offset by costs owed to the Town which exceeds the awarded costs. This amount is under appeal. These amounts have not been accrued.

**(b) Loan Guarantees**

As of December 31, 2013, the Town has guaranteed the following bank loans:

<u>Organization</u>	<u>Authorized Limited</u>	<u>Outstanding Balance</u>	
		<u>2013</u>	<u>2012</u>
Grand Falls Golf Club (A)	\$ 336,000	\$ 134,000	\$ 168,000
Grand Falls Golf Club (B)	350,000	175,000	210,000

In the event of default by the borrower, the Town may become liable for any outstanding balances.

**14. Financial Instruments**

The Municipality, as part of its operations, carries a number of financial instruments. It is management's opinion the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

**15. 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 of PSAB. For comparative purposes, the Town 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 Municipality's cash based financial plan and the PSAB accrual based budget figures used in these statements is disclosed in Schedule 5 - Reconciliation of the Financial Plan to the Budget.

**16 Changes in Accounting Policy**

The Town of Grand Falls-Windsor has adopted the Public Sector Accounting Board's recommendations for recording tangible capital assets and the new financial statement presentation. The tangible asset section, PS 3150, establishes standards on how to account and report tangible capital assets in government financial statements. The financial statement presentation section, PS 1200, establishes general reporting principles and standards for the disclosure of information based on the underlying financial statement concepts and the objectives of the government financial statements.

**17 Donated/Contributed tangible capital assets**

In 2014, the Town added nine subdivisions to its tangible capital asset inventory. These costs were derived from consultations with external consultant and Town's engineering staff. These assets will be amortized as per the Town's Tangible Capital Asset Policy.

**SCHEDULE 1**

**TOWN OF GRAND FALLS-WINDSOR**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**Year Ended December 31, 2013**

Asset Cost	General Capital Assets				Infrastructure Assets				Totals	
	Land and Land Improvements	Buildings	Vehicles and Equipment	Asset Under Construction	Transportation	Water and Sewer	Assets Under Construction	2013	2012	
	\$ 5,172,200	\$ 17,318,582	\$ 10,465,834	\$ 1,522,347	\$ 44,527,022	\$ 41,770,554	\$ 2,356,417	\$ 123,132,956	\$ 119,457,059	
Additions during the year	967,832	12,198	866,617	564,672	7,929,925	4,722,965	2,657,152	17,741,361	5,953,967	
Transfers	908,129	152,502	41,568	(1,160,641)	1,340,700	372,790	(1,655,048)	-	-	
Disposals and write downs	-	-	(276,283)	(239,886)	(856,842)	(56,845)	-	(1,429,856)	(2,278,070)	
Balance, end of year	\$ 7,048,161	\$ 17,483,282	\$ 11,097,736	\$ 706,492	\$ 52,940,805	\$ 46,809,464	\$ 3,358,521	\$ 139,444,461	\$ 123,132,956	
<b>Accumulated Amortization</b>										
Opening accum'd amortization	\$ 1,549,372	\$ 5,849,202	\$ 5,373,018	\$ -	\$ 26,161,595	\$ 22,472,762	\$ -	\$ 61,405,949	\$ 60,157,402	
Amortization	143,428	477,509	727,163	-	1,668,665	767,000	-	3,783,765	3,398,504	
Disposals and write downs	-	-	(272,039)	-	(806,999)	(56,845)	-	(1,135,883)	(2,149,957)	
Balance, end of year	\$ 1,692,800	\$ 6,326,711	\$ 5,828,142	\$ -	\$ 27,023,261	\$ 23,182,917	\$ -	\$ 64,053,831	\$ 61,405,949	
<b>Net book value, end of year</b>	<b>5,355,361</b>	<b>11,156,571</b>	<b>5,269,594</b>	<b>706,492</b>	<b>25,917,544</b>	<b>23,626,547</b>	<b>3,358,521</b>	<b>75,390,630</b>	<b>61,727,007</b>	
Net book value, beginning of year	3,622,828	11,469,380	5,092,816	1,522,347	18,365,427	19,297,792	2,356,417	61,727,007	59,299,657	
Change in net book value	1,732,533	(312,809)	176,778	(815,855)	7,552,117	4,328,755	1,002,104	13,663,623	2,427,350	

**TOWN OF GRAND FALLS-WINDSOR**  
**SCHEDULE OF REVENUES**  
**Year Ended December 31, 2013**

**SCHEDULE 2**

	2013 Budget	2013 Actual	2012 Actual
<b>Taxation</b>			
Property tax	\$ 7,693,487	7,792,666	\$ 6,854,901
Water and sewer tax	3,334,679	3,446,816	3,180,766
Business tax	1,309,265	1,423,323	1,087,994
Poll tax	175,000	190,859	166,414
	<u>12,512,431</u>	<u>12,853,664</u>	<u>11,290,075</u>
<b>Grants in lieu of taxes</b>			
Federal properties and crown corporations	44,615	47,550	44,615
Provincial crown corporations	9,500	9,873	9,278
Municipal Utility(Sales)	747,293	782,299	727,389
	<u>801,408</u>	<u>839,722</u>	<u>781,282</u>
<b>Sales of goods and services</b>			
Recreation, parks, tourism	26,100	23,416	12,704
Animal and pest control fees	4,000	3,080	4,500
Land sales	-	300,553	358,509
Water supply	274,539	272,563	251,279
Landfill fees	-	-	16,780
	<u>304,639</u>	<u>599,612</u>	<u>643,772</u>
<b>Other revenue from own sources</b>			
Licences and permits	101,000	105,433	102,047
Fines	6,600	2,280	6,900
Interest on overdue accounts	38,000	57,753	37,231
Interest income	22,000	23,890	20,104
Tax certificates	30,000	34,900	31,400
EXCITE Centre	221,075	226,819	197,033
Joe Byrne Stadium	166,461	138,924	119,681
Windsor Stadium	191,762	164,151	177,796
Salmon Festival(net)	-	171,998	-
Other revenue from own sources	45,000	58,400	70,811
	<u>821,898</u>	<u>984,548</u>	<u>763,003</u>
<b>Grants and transfers</b>			
Government of Canada			
Capital grant	449,375	449,375	569,731
Gas tax revenue	569,919	437,819	1,145,080
e-Health projects	-	4,021	52,004
Cranberry industry development-ACOA	-	23,764	34,915
Other federal grants	44,000	51,641	47,755
Government of Newfoundland and Labrador			
Municipal operating grant	394,298	-	433,728
Municipal capital grant	3,304,946	3,304,946	1,232,090
Debt charge grants	621,298	621,298	1,465,633
Other provincial grants	-	18,000	-
Cranberry industry development-ITR	-	22,630	26,198
e-Health Project	-	-	231,886
	<u>5,383,836</u>	<u>4,933,494</u>	<u>5,239,020</u>
<b>Other revenue</b>			
Cranberry industry development-producers	-	61,375	5,318
Donated/Contributed tangible capital assets	-	9,909,576	33,176
	<u>-</u>	<u>9,970,951</u>	<u>38,494</u>
<b>Total Revenue</b>	<u>\$ 19,824,212</u>	<u>\$ 30,181,991</u>	<u>\$ 18,755,646</u>

**TOWN OF GRAND FALLS-WINDSOR  
SCHEDULE OF EXPENSES  
Year Ended December 31, 2013**

SCHEDULE 3

	2013 Budget	2013 Actual	2012 Actual
<b>General government services</b>			
Council	\$ 258,516	\$ 227,252	\$ 235,914
General administrative	1,092,374	1,127,706	1,030,203
Engineering & works administrative	853,183	797,006	778,893
Employee benefits	1,938,550	1,863,357	1,752,451
Provision for uncollectible taxes fees and charges	20,000	2,624	14,199
Discounts and rebates	268,825	273,728	250,066
Municipal election	30,000	24,823	-
Property assessment services	172,521	167,607	170,984
General insurance	112,875	113,138	108,454
General maintenance	476,247	557,131	464,109
Amortization of capital assets	1,348,100	1,348,100	1,214,781
Loss/(gain) on disposal	-	244,129	4,554
	<u>6,571,191</u>	<u>6,746,601</u>	<u>6,024,608</u>
<b>Protective services</b>			
Fire protection	268,708	254,444	254,218
Emergency preparedness and response	219,223	164,583	176,843
Animal and pest control	54,241	54,002	52,754
Municipal enforcement	138,902	130,692	141,521
Other protective services and inspections	112,140	120,628	115,114
	<u>793,214</u>	<u>724,349</u>	<u>740,450</u>
<b>Transportation services</b>			
Vehicle and fleet maintenance	965,620	964,124	951,560
Road transport			
Road, street, sidewalk maintenance	289,700	376,632	356,821
Snow removal	353,914	358,536	360,020
Street lighting	410,000	404,767	392,131
Traffic services	146,068	97,907	140,963
Other transportation services	82,986	85,650	79,437
Amortization of capital assets	1,668,666	1,668,666	1,443,728
Loss/(gain) on disposal	-	49,842	123,559
	<u>3,916,954</u>	<u>4,006,124</u>	<u>3,848,219</u>
<b>Environmental health services</b>			
Water supply and distribution	387,707	359,671	382,111
Water treatment plant	748,437	693,481	640,619
Sewage collection and disposal	497,526	407,295	470,628
Sewage treatment plant	84,565	83,641	71,882
Garbage and waste collection and disposal	671,381	662,944	606,752
Landfill operations	-	-	73,639
Amortization of capital assets	767,001	767,001	739,995
	<u>3,156,617</u>	<u>2,974,033</u>	<u>2,985,626</u>
<b>Regional planning and development</b>			
Regional development			
e-Health project	-	17,221	276,780
Cranberry industry development	-	107,769	66,431
Tourism and marketing	289,653	284,093	288,565
EXCITE centre	124,500	121,739	138,373
	<u>414,153</u>	<u>530,822</u>	<u>770,149</u>
<b>Recreation and cultural services</b>			
Recreation administration	314,817	290,691	271,997
Development and programs	111,800	143,921	86,284
Community grants	112,724	122,208	244,677
Stadiums			
Joe Byrne Memorial	261,862	248,708	231,959
Windsor	222,967	171,354	190,374
Parks and playgrounds	574,423	578,616	554,945
Salmon festival (net)	-	-	2,529
	<u>1,598,593</u>	<u>1,555,498</u>	<u>1,582,765</u>
<b>Fiscal Services</b>			
Long-term debt interest	428,454	397,642	372,864
	<u>428,454</u>	<u>397,642</u>	<u>372,864</u>
<b>Total Expenses</b>	<u>\$ 16,879,176</u>	<u>\$ 16,935,069</u>	<u>\$ 16,324,681</u>

**TOWN OF GRAND FALLS-WINDSOR  
LONG-TERM DEBT  
As at December 31, 2013**

**SCHEDULE 4**

	<u>PROJECT</u>	<u>LOAN BALANCES</u>	
		<u>2013</u>	<u>2012</u>
<b>NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION</b>			
<b>NMFC - GOVERNMENT LOANS</b>			
7.5% payable over a period of fifteen years maturing in 2014	Water Tank	21,951	63,502
7.375% payable over a period of fifteen years maturing in 2013	Water and sewer	-	705
7.375% payable over a period of fifteen years maturing in 2013	Water and sewer	-	662
8.375% payable over a period of fifteen years maturing in 2014	Water Tank	16,359	31,429
7.5% payable over a period of fifteen years maturing in 2014	Sewage Treatment	12,024	34,784
7.5% payable over a period of fifteen years maturing in 2014	Sewage Treatment	1,366	3,952
8.125% payable over a period of fifteen years maturing in 2015	Water and Sewer	21,385	30,866
7.75% payable over a period of fifteen years maturing in 2016	Water Treatment	49,215	63,278
7.25% payable over a period of fifteen years maturing in 2016	Water and Sewer	14,447	19,543
7.375% payable over a period of fifteen years maturing in 2017	Water and Sewer	32,627	40,529
6.75% payable over a period of fifteen years maturing in 2018	Water and Sewer	38,686	45,823
6.75% payable over a period of fifteen years maturing in 2018	Water and Sewer	32,896	38,965
<b>TOTAL NMFC - GOVERNMENT</b>		<u><u>240,956</u></u>	<u><u>374,038</u></u>

**TOWN OF GRAND FALLS-WINDSOR  
LONG-TERM DEBT  
As at December 31, 2013**

**SCHEDULE 4**

	PROJECT	LOAN BALANCES	
		2013	2012
<b>CANADA MORTGAGE AND HOUSING CORPORATION</b>			
5 1/8% payable over a period of fifty years maturing in 2014	Trunk sanitary sewer (TOWN)	\$ 1,569	\$ 4,188
<b>TOTAL C.M.H.C.</b>		<u>\$ 1,569</u>	<u>\$ 4,188</u>
<b>CANADIAN IMPERIAL BANK OF COMMERCE</b>			
<b>CIBC - TOWN LOANS</b>			
Interest rate of 4.70% payable over a period of ten years maturing in 2013	Multi-year 2002	-	21,008
Interest rate of 4.73% payable over a period of ten years maturing in 2014	Multi-year 2003	56,101	219,202
Interest rate of 5.14% payable over a period of ten years maturing in 2014	Multi-year 2004	117,162	238,848
Interest rate of 5.19% payable over a period of ten years maturing in 2017	Multi-year 2006	344,909	439,873
Interest rate at prime payable over a period of ten years maturing in 2017	Multi-year 2007	163,526	204,408
Interest rate at prime payable over a period of ten years maturing in 2019	Multi-year 2009	405,567	463,505
Interest rate at prime payable over a period of five years maturing in 2017	Maloney 2011	121,616	211,616
Interest rate of 3.17% payable over a period of seven years maturing in 2019	Capital 2011	524,728	607,945
Interest rate of 4.50% payable over a period of fifteen years maturing in 2027	Multi-year 2011	909,977	959,952
Interest rate of 4.40% payable over a period of ten years maturing in 2022	Water treatment plant 2011	217,846	239,542

**TOWN OF GRAND FALLS-WINDSOR  
LONG-TERM DEBT  
As at December 31, 2013**

**SCHEDULE 4**

	PROJECT	LOAN BALANCES	
		2013	2012
Interest rate of 3.39% payable over a period of ten years maturing in 2022	Capital 2012	1,305,341	1,427,328
Interest rate of 3.63% payable over a period of fifteen years maturing in 2027	Roads 2012	1,138,682	1,200,000
Interest rate at prime over a period of fifteen years maturing in 2028	Maloney development 2013	1,000,000	-
<b>TOTAL CIBC - TOWN</b>		<u>6,305,455</u>	<u>6,233,227</u>
<b>C.I.B.C. GOVERNMENT LOANS</b>			
Interest rate of 5.34% payable over a period of fifteen years maturing in 2018	Multi-year 2002	\$ 328,284	\$ 391,253
Interest rate of 5.08% payable over a period of fifteen years maturing in 2019	Multi-year 2003	795,231	917,691
Interest rate of 5.44% payable over a period of fifteen years maturing in 2019	Multi-year 2004	621,900	707,403
Interest rate of 5.34% payable over a period of fifteen years maturing in 2020	Multi-year 2004	224,539	252,930
Interest rate of 4.98% payable over a period of fifteen years	Multi-year 2005	312,501	344,241
<b>TOTAL CIBC - GOVERNMENT</b>		<u>2,282,455</u>	<u>2,613,518</u>
<b>TOTAL C.I.B.C.</b>		<u>\$ 8,587,910</u>	<u>\$ 8,846,745</u>
<b>LONG TERM DEBT</b>			
Newfoundland Municipal Financing Corporation (Page 22)		\$ 240,956	\$ 374,038
Canada Mortgage and Housing Corporation (Page 23)		1,569	4,188
Canadian Imperial Bank of Commerce (Page 23)		8,587,910	8,846,745
		8,830,435	9,224,971
Less: Current portion of long term debt		-1,467,072	-1,393,873
		<u>\$ 7,363,363</u>	<u>\$ 7,831,098</u>
<b>SHARE OF TOTAL DEBT</b>			
Municipal share		\$ 6,307,024	\$ 6,237,415
Provincial share		2,523,411	2,987,556
		<u>\$ 8,830,435</u>	<u>\$ 9,224,971</u>

Principal payments required in each of the next five years are as follows :

2014 - \$1,467,072; 2015 - \$1,233,092; 2016 - \$1,218,358; 2017 - \$1,135,873; 2018 - \$1,057,636



## RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET

Year Ended December 31, 2013

	Financial Plan	Amortization (TCA)	Principal Expense	Capital Grants	Pension Accruals	PSAB Budget
<b>REVENUE</b>						
Taxation	\$ 12,512,431	\$ -	\$ -	\$ -	\$ -	\$ 12,512,431
Grants in lieu of taxes	801,408	-	-	-	-	801,408
Sales of goods and services	304,639	-	-	-	-	304,639
Other revenue from own sources	821,898	-	-	-	-	821,898
Grants and transfers	1,629,515	-	-	3,754,321	-	5,383,836
<b>Total revenue</b>	<b>\$ 16,069,891</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,754,321</b>	<b>\$ -</b>	<b>\$ 19,824,212</b>
<b>EXPENSES</b>						
General government services	\$ 4,969,091	\$ 1,348,100	\$ -	\$ -	\$ 254,000	\$ 6,571,191
Protective services	793,214	-	-	-	-	793,214
Transportation services	2,310,801	1,668,666	(62,513)	-	-	3,916,954
Environmental health services	2,411,090	767,001	(21,474)	-	-	3,156,617
Regional planning and development	414,153	-	-	-	-	414,153
Recreation and cultural services	1,598,593	-	-	-	-	1,598,593
Fiscal services:						
Capital expenditures	1,737,805	(1,737,805)	-	-	-	-
Debt charges	1,835,144	-	(1,406,690)	-	-	428,454
<b>Total expenses</b>	<b>\$ 16,069,891</b>	<b>\$ 2,045,962</b>	<b>\$ (1,490,677)</b>	<b>\$ -</b>	<b>\$ 254,000</b>	<b>\$ 16,879,176</b>
<b>Surplus (Deficit)</b>	<b>\$ -</b>	<b>\$ (2,045,962)</b>	<b>\$ 1,490,677</b>	<b>\$ 3,754,321</b>	<b>\$ (254,000)</b>	<b>\$ 2,945,036</b>