

**TOWN OF GRAND FALLS-WINDSOR
AUDITOR'S REPORT
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

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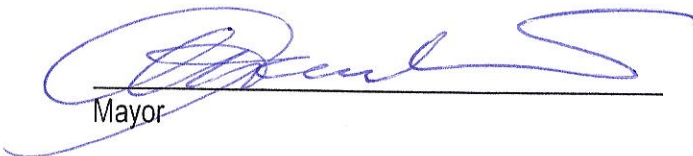
STATEMENT OF RESPONSIBILITY

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.

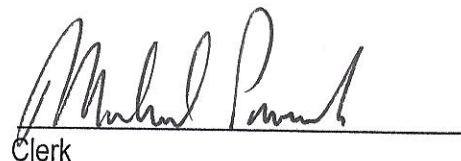
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial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

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, 2014 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, 2014 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
August 31, 2015


LORI K. MERCER
Chartered Professional Accountant

**TOWN OF GRAND FALLS-WINDSOR
STATEMENT OF FINANCIAL POSITION
As at December 31, 2014**

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 5)	\$ 280,392	\$ 429,659
Amounts receivable (Note 6)		
Taxation and other	879,823	998,177
Due from government	3,170,430	3,058,683
Water treatment plant settlement	708,584	-
Loans and advances	7,686	10,715
Land held for resale	456,811	457,588
Other inventories for sale (Note 7)	-	1,540
	<u>\$ 5,503,726</u>	<u>\$ 4,956,362</u>
LIABILITIES		
Bank indebtedness (Note 5)	\$ 1,212,324	\$ 1,069,957
Accounts payable and accrued liabilities (Note 8)	2,861,242	2,180,437
Employee benefit obligations (Note 9)	1,249,174	1,163,045
Deferred revenue (Note 10)	809,319	385,362
Long-term debt (Note 11)		
Municipal share	7,520,016	6,307,024
Provincial share	2,067,701	2,523,411
Obligations under capital leases (Note 12)	74,587	140,876
Other liabilities	106,305	115,919
	<u>15,900,668</u>	<u>13,886,031</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>\$ (10,396,942)</u>	<u>\$ (8,929,669)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	\$ 82,449,947	\$ 75,390,630
Inventories for use (Note 7)	207,141	214,111
Prepaid expenses	-	2,205
	<u>82,657,088</u>	<u>75,606,946</u>
ACCUMULATED SURPLUS (DEFICIT)	<u>\$ 72,260,146</u>	<u>\$ 66,677,277</u>

Approved on behalf of Council:

Mayor

Director of Finance

TOWN OF GRAND FALLS-WINDSOR
STATEMENT OF OPERATIONS
Year Ended December 31, 2014

	2014 Budget	2014 Actual	2013 Actual
REVENUE			
Taxation	\$ 12,941,633	\$ 13,034,655	\$ 12,853,664
Grants in lieu of taxes	835,820	850,289	839,722
Sales of goods and services	843,370	698,056	902,687
Other revenue from own sources	514,875	650,051	681,473
Grants and transfers	5,227,549	5,324,609	4,933,494
Other revenue	-	28,747	61,375
Total revenue (Schedules 2 and 5)	<u>20,363,247</u>	<u>20,586,407</u>	<u>20,272,415</u>
EXPENSES			
General government services	6,562,471	6,771,423	6,746,601
Protective services	865,830	814,835	724,349
Transportation services	4,097,470	4,474,696	4,006,124
Environmental health services	3,390,457	3,261,687	2,974,033
Regional planning and development	465,325	874,990	530,822
Recreation and cultural services	1,825,863	2,287,500	1,555,498
Fiscal services	592,122	374,972	397,642
Total expenses (Schedules 3 and 5)	<u>17,799,538</u>	<u>18,860,103</u>	<u>16,935,069</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	2,563,709	1,726,304	3,337,346
OTHER (Note 17)			
Donated/Contributed tangible capital assets		3,856,565	9,909,576
ANNUAL SURPLUS (DEFICIT)	2,563,709	5,582,869	13,246,922
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	<u>66,677,277</u>	<u>66,677,277</u>	<u>53,430,355</u>
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	<u>\$ 69,240,986</u>	<u>\$ 72,260,146</u>	<u>\$ 66,677,277</u>

**TOWN OF GRAND FALLS-WINDSOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS(NET DEBT)
Year Ended December 31, 2014**

	<u>2014 Actual</u>	<u>2013 Actual</u>
ANNUAL SURPLUS (DEFICIT)	\$ 5,582,869	\$ 13,246,922
Acquisition of tangible capital assets	(7,478,243)	(7,831,785)
Donated/contributed tangible capital assets	(3,856,565)	(9,909,576)
Amortization of tangible capital assets	4,241,974	3,783,765
Loss (Gain) on disposal of tangible capital assets	33,517	293,971
Decrease (increase) in inventories	6,970	(23,095)
Decrease (increase) in prepaids	2,205	(2,205)
	<u>(7,050,142)</u>	<u>(13,688,925)</u>
CHANGE IN NET FINANCIAL ASSETS	(1,467,273)	(442,003)
NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR	(8,929,669)	(8,487,666)
NET FINANCIAL ASSETS (NET DEBT), END OF YEAR	<u><u>\$ (10,396,942)</u></u>	<u><u>\$ (8,929,669)</u></u>

**TOWN OF GRAND FALLS-WINDSOR
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014**

	<u>2014</u>	<u>2013</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 5,582,869	\$ 13,246,922
Changes in non-cash items:		
Amounts receivable	(701,977)	(973,787)
Inventories	8,510	(22,601)
Prepays	2,205	(2,205)
Accounts payable and accrued liabilities	671,191	(962,363)
Employee benefit obligations	86,129	234,829
Deferred revenue	423,957	109,841
Loss on disposal of TCA	33,517	293,971
Tangible capital assets received as donations/contributions	(3,856,565)	(9,909,576)
Amortization	4,241,974	3,783,765
Cash provided by operating transactions	<u>6,491,810</u>	<u>5,798,796</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	<u>(7,478,243)</u>	<u>(7,831,785)</u>
INVESTING TRANSACTIONS		
Proceeds on sale of land for resale	777	298,301
Loans and advances repaid	5,497	12,606
Acquisition of real estate properties	-	(27,960)
Loans and advances issued	(2,468)	(13,736)
Cash applied to investing transactions	<u>3,806</u>	<u>269,211</u>
FINANCING TRANSACTIONS		
Proceeds of long-term debt	2,120,590	1,000,000
Debt repayment	(1,363,308)	(1,394,536)
Repayment of obligation under capital lease	(66,289)	(83,987)
Cash applied to financing transactions	<u>690,993</u>	<u>(478,523)</u>
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	(291,634)	(2,242,301)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>(640,298)</u>	<u>1,602,003</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u>\$ (931,932)</u>	<u>\$ (640,298)</u>
	<u>2014</u>	<u>2013</u>
CASH AND TEMPORARY INVESTMENTS IS COMPRISED OF:		
Cash and temporary investments (Note 5)	\$ 280,392	\$ 429,659
Less: Bank indebtedness (Note 5)	(1,212,324)	(1,069,957)
	<u>\$ (931,932)</u>	<u>\$ (640,298)</u>

TOWN OF GRAND FALLS-WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2014

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.

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, 2014 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, 2014**

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, 2014**

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 Post Closure Costs

The Municipality is unable to estimate post closure costs. No amount has been recorded as a 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, 2014**

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>2014</u>	<u>2013</u>
Cash - Gas Tax Funding	\$ 280,392	\$ 429,659
Cash - General Operations	(1,212,324)	(1,069,957)
	<u>\$ (931,932)</u>	<u>\$ (640,298)</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 2014 was 3.00% (2013 = 3.00%).

6. Amounts Receivable

	<u>2014</u>	<u>2013</u>
Taxation		
Property tax	\$ 387,311	\$ 402,309
Water and sewer tax	416,005	414,491
Business tax	120,573	122,333
Poll tax	99,672	388,625
Local improvement assessment	8,671	8,986
	<u>1,032,232</u>	<u>1,336,744</u>
Other receivables	<u>247,067</u>	<u>282,183</u>
Sub-total	1,279,299	1,618,927
Less: allowances for doubtful amounts	(399,476)	(620,750)
Total taxation and other receivables	<u>879,823</u>	<u>998,177</u>
Due from governments		
Capital grants	2,025,059	2,198,924
Gas tax funds	561,395	284,959
Other government grants	36,944	37,194
HST rebate and input tax credits	495,200	488,626
Gasoline/diesel rebate	51,832	48,980
	<u>3,170,430</u>	<u>3,058,683</u>
Water treatment plant settlement	708,584	-
	<u>\$ 4,758,837</u>	<u>\$ 4,056,860</u>

Arrears of taxation revenue decreased from \$1,336,744 in 2013 to \$1,032,232 in 2014. Of this amount, \$569,813 has been outstanding for one year or longer.

Collections in 2014 on taxes and rates amounted to 102.34% of the amounts levied in 2014. (2013-101.45%).

**TOWN OF GRAND FALLS-WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2014**

7. Inventories

Inventories for sale:	<u>2014</u>	<u>2013</u>
Compost bins	\$ -	\$ 1,540
	<u> </u>	<u> </u>
 Inventories for use:	 <u>2014</u>	 <u>2013</u>
Parts and supplies	\$ 56,804	\$ 56,804
Road salt	111,910	98,571
Water treatment chemicals	38,427	58,736
	<u> </u>	<u> </u>
	<u>\$ 207,141</u>	<u>\$ 214,111</u>

8. Accounts Payable and Accrued Liabilities

	<u>2014</u>	<u>2013</u>
Trade	\$ 2,513,928	\$ 2,012,075
Payroll benefits	263,065	75,559
Accrued interest	11,041	10,715
Deposits	53,350	58,975
Insurance claims	22,000	22,000
HST collections	(2,142)	1,113
	<u> </u>	<u> </u>
	<u>\$ 2,861,242</u>	<u>\$ 2,180,437</u>

TOWN OF GRAND FALLS-WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2014

9. Employee Benefit Obligations

	<u>2014</u>	<u>2013</u>
Accrued severance benefit	\$ 220,807	\$ 207,148
Accrued vacation benefit	184,467	159,597
Accrued pension benefit	843,900	796,300
	<u>\$ 1,249,174</u>	<u>\$ 1,163,045</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 2014 was \$16,307 (2013 - \$8,717).

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 2014 was \$34,226 (2013 - \$25,622).

Pension benefit

Defined Contribution

There were 89 active members in this plan as of December 31, 2014. Employees are required to contribute 6%. The Town is required to contribute an amount equal to the employees' required contributions. Pension expense for this plan in 2014 was \$197,711 (2013-\$165,827).

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, 2014. 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, 2014

Employee Benefit Obligations (continued)
Defined Benefit Pension Plan

The results below are based on an actuarial valuation conducted as at December 31, 2013 and extrapolated to December 31, 2014.

Accrued Pension Liability

	<u>2014</u>	<u>2013</u>
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation-opening	\$ 7,782,000	\$ 7,190,600
Current service cost	233,000	232,100
Impact of substantive commitment	-	230,400
Benefit payments	(332,400)	(321,500)
Interest on average accrued benefit obligation	444,600	401,000
Net actuarial losses(gains)		
Accrued benefit obligation-closing	<u>\$ 8,127,200</u>	<u>\$ 7,732,600</u>
Reconciliation of Plan Assets		
Plan assets - opening	\$ 6,237,200	\$ 5,478,400
Contributions - Town	302,200	347,200
Contributions - employee required	59,100	76,800
Benefit payments	(322,400)	(321,500)
Expected earning on average market-related value	359,500	301,400
Actuarial gain (loss)	(319,400)	305,500
Plan assets - closing	<u>\$ 6,316,200</u>	<u>\$ 6,187,800</u>
Funded status - deficit	<u>\$ (1,811,000)</u>	<u>\$ (1,544,800)</u>
Net unamortized actuarial gains and losses	977,100	748,500
Accrued Pension Liability	<u>\$ (833,900)</u>	<u>\$ (796,300)</u>
Pension Related Expense		
Pension Expense		
Current period benefit cost	\$ 233,000	\$ 232,100
Impact of plan amendment	-	230,400
Amortization of actuarial losses (gains)	90,800	115,900
	<u>323,800</u>	<u>578,400</u>
Less: employee contributions	(59,100)	(76,800)
Pension expense	<u>264,700</u>	<u>501,600</u>
Pension Interest Expense		
Interest on expected average accrued benefit obligation	444,600	401,000
Expected earnings on average pension fund assets	(359,500)	(301,400)
Pension interest expense	<u>85,100</u>	<u>99,600</u>
Total Pension Related Expense	<u>\$ 349,800</u>	<u>\$ 601,200</u>
Reconciliation of Accrued Pension Liability		
Accrued pension liability(asset) recorded-opening balance	\$ 796,300	\$ 542,300
Total pension related expense	349,800	601,200
Employer contributions	(302,200)	(347,200)
Accrued pension liability(asset) recorded-ending balance	<u>\$ 843,900</u>	<u>\$ 796,300</u>

Actuarial Assumptions

Discount rate:	5.00%
Salary growth:	3.25%
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, 2014**

10. Deferred Revenue

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

	<u>2014</u>	<u>2013</u>
Gas tax funding	\$ 540,947	\$ 276,799
Homelessness strategy	159,521	-
Cranberry industry development funds	90,697	107,135
Other	18,154	1,428
	<u>\$ 809,319</u>	<u>\$ 385,362</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.

Homelessness partnering strategy (HPS) was established by the Government of Canada to support projects aimed at reducing homelessness. As the Community Entity(CE), the Town administers HPS Rural and Remote funding for approved projects and monitors Third Party Recipient agreements for Newfoundland & Labrador, except for the city of St. John's. Under the current agreement, April 1,2014 to March 31, 2016, the annual funding is \$534,769 to cover the CE's administration costs and for redistribution to sub-projects.

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.

TOWN OF GRAND FALLS-WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2014

11. Long Term Debt (Schedule 4)	Loan Balances	
	2014	2013
Newfoundland Municipal Financing Corporation	\$ 135,736	\$ 240,956
Canada Mortgage and Housing Corporation	-	1,569
Canadian Imperial Bank of Commerce	9,451,981	8,587,910
	<u>\$ 9,587,717</u>	<u>\$ 8,830,435</u>
Share of total debt		
Town of Grand Falls-Windsor	\$ 7,520,016	\$ 6,307,024
Government of Newfoundland and Labrador	2,067,701	2,523,411
	<u>\$ 9,587,717</u>	<u>\$ 8,830,435</u>

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

	Town	Government	2014	2013
2014	\$ -	\$ -	\$ -	\$ 1,467,072
2015	829,915	433,010	1,262,925	1,233,092
2016	808,970	436,867	1,245,837	1,218,358
2017	732,326	427,931	1,160,257	1,135,873
2018	689,492	389,066	1,078,558	1,057,636
2019	672,670	271,967	944,637	-
	<u>\$ 3,733,373</u>	<u>\$ 1,958,841</u>	<u>\$ 5,692,214</u>	<u>\$ 6,112,031</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:

	2014	2013
2014	\$ -	\$ 66,289
2015	40,054	40,054
2016	31,811	31,811
2017	2,722	2,722
	<u>-</u>	<u>-</u>
Total minimum principal lease payments	<u>\$ 74,587</u>	<u>\$ 140,876</u>

**TOWN OF GRAND FALLS-WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2014**

13. Contingencies/Commitments

(a) Exploits Regional Services Board

A settlement agreement and release was signed on May 27, 2015 ending legal disputes related to the construction of the Town's Water Treatment Facility. The settlement amount of \$708,584 is reflected in the accounts as at December 31, 2014.

(b) Loan Guarantees

As of December 31, 2014, the Town has guaranteed the following bank loans:

<u>Organization</u>	<u>Authorized Limited</u>	<u>Outstanding Balance</u>	
		<u>2014</u>	<u>2013</u>
Grand Falls Golf Club (A)	\$ 336,000	\$ 100,800	\$ 134,400
Grand Falls Golf Club (B)	350,000	140,000	175,000

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 segments 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, 2014

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	2014	2013	
	\$ 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	
Additions during the year	18,608	403,314	738,990	899,086	4,295,755	2,503,954	2,475,101	11,334,808	17,741,361	
Transfers	294,994	411,498	-	(706,492)	15,291	1,398,270	(1,413,561)	-	-	
Disposals and write downs	-	(47,446.00)	-	-	(1,244,889)	(2,029,406)	-	(3,321,741)	(1,429,856)	
Balance, end of year	\$ 7,361,763	\$ 18,250,648	\$ 11,836,726	\$ 899,086	\$ 56,006,962	\$ 48,682,282	\$ 4,420,061	\$ 147,457,528	\$ 139,444,461	
Accumulated Amortization										
Opening accum'd amortization	\$ 1,692,800	\$ 6,326,711	\$ 5,828,142	\$ -	\$ 27,023,261	\$ 23,182,917	\$ -	\$ 64,053,831	\$ 61,405,949	
Amortization	209,783	480,582	769,562	-	1,895,921	876,136	-	4,241,974	3,783,765	
Disposals and write downs	-	(47,446.00)	-	-	(1,211,372)	(2,029,406)	-	(3,288,224)	(1,135,883)	
Balance, end of year	\$ 1,902,583	\$ 6,769,847	\$ 6,597,694	\$ -	\$ 27,707,810	\$ 22,029,647	\$ -	\$ 65,007,581	\$ 64,053,831	
Net book value, end of year	5,459,180	11,480,801	5,239,032	899,086	28,299,152	26,652,635	4,420,061	82,449,947	75,390,630	
Net book value, beginning of year	5,355,361	11,156,571	5,269,594	706,492	25,917,544	23,626,547	3,358,521	75,390,630	61,727,007	
Change in net book value	103,819	324,230	(30,562)	192,594	2,381,608	3,026,088	1,061,540	7,059,317	13,663,623	

**TOWN OF GRAND FALLS-WINDSOR
SCHEDULE OF REVENUES
Year Ended December 31, 2014**

SCHEDULE 2

	2014 Budget	2014 Actual	2013 Actual
Taxation			
Property tax	\$ 8,005,920	8,040,582	7,792,666
Water and sewer tax	3,497,270	3,509,536	3,446,816
Business tax	1,438,443	1,417,796	1,423,323
Poll tax	-	66,741	190,859
	<u>12,941,633</u>	<u>13,034,655</u>	<u>12,853,664</u>
Grants in lieu of taxes			
Federal properties and crown corporations	47,550	48,877	47,550
Provincial crown corporations	-	-	9,873
Municipal Utility(Sales)	788,270	801,412	782,299
	<u>835,820</u>	<u>850,289</u>	<u>839,722</u>
Sales of goods and services			
Joe Byrne Stadium	179,175	120,298	138,924
Windsor Stadium	169,554	197,659	164,151
Recreation, parks, tourism	11,500	15,834	23,416
Animal and pest control fees	4,000	3,100	3,080
Land sales	160,000	38,081	300,553
Water supply	319,141	323,084	272,563
	<u>843,370</u>	<u>698,056</u>	<u>902,687</u>
Other revenue from own sources			
Licences and permits	101,200	68,316	105,433
Fines	30,600	12,421	2,280
Interest on overdue accounts	60,000	105,153	57,753
Interest income	25,000	26,156	23,890
Tax certificates	32,000	46,850	34,900
EXCITE Centre	221,075	220,602	226,819
Salmon Festival(net)	-	-	171,998
Other revenue from own sources	45,000	170,553	58,400
	<u>514,875</u>	<u>650,051</u>	<u>681,473</u>
Grants and transfers			
Government of Canada			
Capital grant	92,511	92,511	449,375
Gax tax revenue	569,919	300,840	437,819
Homelessness strategy		375,248	-
e-Health projects		-	4,021
Cranberry industry development-ACOA		-	23,764
Other federal grants	54,500	49,300	51,641
Government of Newfoundland and Labrador			
Municipal capital grant	3,927,404	3,927,404	3,304,946
Debt charge grants	583,215	579,306	621,298
Other provincial grants	-	-	18,000
Cranberry industry development-ITR	-	-	22,630
e-Health Project	-	-	-
	<u>5,227,549</u>	<u>5,324,609</u>	<u>4,933,494</u>
Other revenue			
Cranberry industry development-producers	-	28,747	61,375
Donated/Contributed tangible capital assets	-	3,856,565	9,909,576
	<u>-</u>	<u>3,885,312</u>	<u>9,970,951</u>
Total Revenue	<u>\$ 20,363,247</u>	<u>\$ 24,442,972</u>	<u>\$ 30,181,991</u>

TOWN OF GRAND FALLS-WINDSOR
 SCHEDULE OF EXPENSES
 Year Ended December 31, 2014

SCHEDULE 3

	2014 Budget	2014 Actual	2013 Actual
General government services			
Council	\$ 275,380	\$ 274,700	\$ 227,252
General administrative	1,152,753	1,109,210	1,127,706
Engineering & works administrative	921,062	939,485	797,006
Employee benefits	1,786,105	1,970,969	1,863,357
Provision for uncollectible taxes, fees and charges	20,000	33,937	2,624
Discounts and rebates	127,092	141,110	273,728
Municipal election	-	-	24,823
Property assessment services	169,232	169,682	167,607
General insurance	135,000	107,151	113,138
General maintenance	505,930	555,262	557,131
Amortization of capital assets	1,469,917	1,469,917	1,348,100
Loss/(gain) on disposal	-	-	244,129
	<u>6,562,471</u>	<u>6,771,423</u>	<u>6,746,601</u>
Protective services			
Fire protection	261,140	264,022	254,444
Emergency preparedness and response	263,198	216,871	164,583
Animal and pest control	58,932	56,464	54,002
Municipal enforcement	155,453	150,911	130,692
Other protective services and inspections	127,107	126,567	120,628
	<u>865,830</u>	<u>814,835</u>	<u>724,349</u>
Transportation services			
Vehicle and fleet maintenance	983,012	1,035,024	964,124
Road transport			
Road, street, sidewalk maintenance	290,024	396,246	376,632
Snow removal	314,937	455,890	358,536
Street lighting	380,400	412,224	404,767
Traffic services	143,765	156,236	97,907
Other transportation services	89,411	89,638	85,650
Amortization of capital assets	1,895,921	1,895,921	1,668,666
Loss/(gain) on disposal	-	33,517	49,842
	<u>4,097,470</u>	<u>4,474,696</u>	<u>4,006,124</u>
Environmental health services			
Water supply and distribution	386,646	373,840	359,671
Water treatment plant	793,970	792,172	693,481
Sewage collection and disposal	504,671	446,804	407,295
Sewage treatment plant	96,864	80,916	83,641
Garbage and waste collection and disposal	732,170	691,819	662,944
Amortization of capital assets	876,136	876,136	767,001
	<u>3,390,457</u>	<u>3,261,687</u>	<u>2,974,033</u>
Regional planning and development			
Regional development			
e-Health project	-	-	17,221
Cranberry industry development	-	28,747	107,769
Tourism and marketing	335,825	322,792	284,093
Homelessness strategy	-	375,248	-
EXCITE centre	129,500	148,203	121,739
	<u>465,325</u>	<u>874,990</u>	<u>530,822</u>
Recreation and cultural services			
Recreation administration	367,763	373,977	290,691
Development and programs	125,700	144,847	143,921
Community grants	164,500	154,173	122,208
Stadiums			
Joe Byrne Memorial	254,800	294,305	248,708
Windsor	207,800	220,118	171,354
Parks and playgrounds	630,300	613,020	578,616
Civic centre operating	75,000	-	-
Salmon festival (net)	-	487,060	-
	<u>1,825,863</u>	<u>2,287,500</u>	<u>1,555,498</u>
Fiscal Services			
Long-term debt interest	592,122	374,972	397,642
	<u>592,122</u>	<u>374,972</u>	<u>397,642</u>
Total Expenses	<u>\$ 17,799,538</u>	<u>\$ 18,860,103</u>	<u>\$ 16,935,069</u>

**TOWN OF GRAND FALLS-WINDSOR
LONG-TERM DEBT
As at December 31, 2014**

SCHEDULE 4

	PROJECT	LOAN BALANCES	
		2014	2013
NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION			
NMFC - GOVERNMENT LOANS			
7.5% payable over a period of fifteen years maturing in 2014	Water Tank	-	21,951
8.375% payable over a period of fifteen years maturing in 2014	Water Tank	-	16,359
7.5% payable over a period of fifteen years maturing in 2014	Sewage Treatment	-	12,024
7.5% payable over a period of fifteen years maturing in 2014	Sewage Treatment	-	1,366
8.125% payable over a period of fifteen years maturing in 2015	Water and Sewer	11,118	21,385
7.75% payable over a period of fifteen years maturing in 2016	Water Treatment	34,040	49,215
7.25% payable over a period of fifteen years maturing in 2016	Water and Sewer	8,975	14,447
7.375% payable over a period of fifteen years maturing in 2017	Water and Sewer	24,133	32,627
6.75% payable over a period of fifteen years maturing in 2018	Water and Sewer	31,059	38,686
6.75% payable over a period of fifteen years maturing in 2018	Water and Sewer	26,411	32,896
TOTAL NMFC - GOVERNMENT		135,736	240,956

**TOWN OF GRAND FALLS-WINDSOR
LONG-TERM DEBT
As at December 31, 2014**

SCHEDULE 4

	PROJECT	LOAN BALANCES	
		2014	2013
CANADA MORTGAGE AND HOUSING CORPORATION			
5 1/8% payable over a period of fifty years maturing in 2014	Trunk sanitary sewer (TOWN)	\$ -	\$ 1,569
TOTAL C.M.H.C.		<u>\$ -</u>	<u>\$ 1,569</u>
CANADIAN IMPERIAL BANK OF COMMERCE			
CIBC - TOWN LOANS			
Interest rate of 4.73% payable over a period of ten years maturing in 2014	Multi-year 2003	-	56,101
Interest rate of 5.14% payable over a period of ten years maturing in 2014	Multi-year 2004	-	117,162
Interest rate of 5.19% payable over a period of ten years maturing in 2017	Multi-year 2006	244,896	344,909
Interest rate at prime payable over a period of ten years maturing in 2017	Multi-year 2007	122,645	163,526
Interest rate at prime payable over a period of ten years maturing in 2019	Multi-year 2009	347,628	405,567
Interest rate at prime payable over a period of five years maturing in 2015	Maloney 2011	31,616	121,616
Interest rate of 3.17% payable over a period of seven years maturing in 2019	Capital 2011	438,834	524,728
Interest rate of 4.50% payable over a period of fifteen years maturing in 2027	Multi-year 2011	857,706	909,977
Interest rate of 4.40% payable over a period of ten years maturing in 2022	Water treatment plant 2011	195,175	217,846
Interest rate of 3.39% payable over a period of ten years maturing in 2022	Capital 2012	1,179,153	1,305,341
Interest rate of 3.63% payable over a period of fifteen years maturing in 2027	Roads 2012	1,075,100	1,138,682

**TOWN OF GRAND FALLS-WINDSOR
LONG-TERM DEBT
As at December 31, 2014**

SCHEDULE 4

	PROJECT	LOAN BALANCES	
		2014	2013
Interest rate at prime over a period of fifteen years maturing in 2029	Maloney development 2013	1,066,713	1,000,000
Interest rate at prime over a period of fifteen years maturing in 2030	Maloney development 2014	1,368,436	-
Interest rate at 3.55% payable over a period of ten years maturing in 2024	Capital 2013	592,114	-
TOTAL CIBC - TOWN		<u>7,520,016</u>	<u>6,305,455</u>
C.I.B.C. GOVERNMENT LOANS			
Interest rate of 5.34% payable over a period of fifteen years maturing in 2018	Multi-year 2002	\$ 261,907	\$ 328,284
Interest rate of 5.08% payable over a period of fifteen years maturing in 2019	Multi-year 2003	663,685	795,231
Interest rate of 5.44% payable over a period of fifteen years maturing in 2019	Multi-year 2004	531,937	621,900
Interest rate of 5.34% payable over a period of fifteen years maturing in 2020	Multi-year 2004	194,612	224,539
Interest rate of 4.98% payable over a period of fifteen years	Multi-year 2005	279,824	312,501
TOTAL CIBC - GOVERNMENT		<u>1,931,965</u>	<u>2,282,455</u>
TOTAL C.I.B.C.		<u>\$ 9,451,981</u>	<u>\$ 8,587,910</u>
LONG TERM DEBT			
Newfoundland Municipal Financing Corporation (Page 22)		\$ 135,736	\$ 240,956
Canada Mortgage and Housing Corporation (Page 23)		-	1,569
Canadian Imperial Bank of Commerce (Page 23)		9,451,981	8,587,910
		<u>9,587,717</u>	<u>8,830,435</u>
Less: Current portion of long term debt		-1,262,925	-1,467,072
		<u>\$ 8,324,792</u>	<u>\$ 7,363,363</u>
SHARE OF TOTAL DEBT			
Municipal share		\$ 7,520,016	\$ 6,307,024
Provincial share		2,067,701	2,523,411
		<u>\$ 9,587,717</u>	<u>\$ 8,830,435</u>

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

2015 - \$1,262,925; 2016 - \$1,245,837; 2017 - \$1,160,256; 2018 - \$1,078,558; 2019 - \$944,637

TOWN OF GRAND FALLS-WINDSOR
 RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
 Year Ended December 31, 2014

	Financial Plan	Amortization (TCA)	Principal Expense	Capital Grants	Pension Accruals	PSAB Budget
REVENUE						
Taxation	\$ 12,941,633	\$ -	\$ -	\$ -	\$ -	\$ 12,941,633
Grants in lieu of taxes	835,820	-	-	-	-	835,820
Sales of goods and services	843,370	-	-	-	-	843,370
Other revenue from own sources	514,875	-	-	-	-	514,875
Grants and transfers	1,207,634	-	-	4,019,915	-	5,227,549
Total revenue	\$ 16,343,332	\$ -	\$ -	\$ 4,019,915	\$ -	\$ 20,363,247
EXPENSES						
General government services	\$ 5,044,954	\$ 1,469,917	\$ -	\$ -	\$ 47,600	\$ 6,562,471
Protective services	865,830	-	-	-	-	865,830
Transportation services	2,267,838	1,895,921	(66,289)	-	-	4,097,470
Environmental health services	2,514,321	876,136	-	-	-	3,390,457
Regional planning and development	465,325	-	-	-	-	465,325
Recreation and cultural services	1,825,863	-	-	-	-	1,825,863
Fiscal services:						
Capital expenditures	1,403,771	(1,403,771)	-	-	-	-
Debt charges	1,955,430	-	(1,363,308)	-	-	592,122
Total expenses	\$ 16,343,332	\$ 2,838,203	\$ (1,429,597)	\$ -	\$ 47,600	\$ 17,799,538
Surplus (Deficit)	\$ -	\$ (2,838,203)	\$ 1,429,597	\$ 4,019,915	\$ (47,600)	\$ 2,563,709