### **CITY OF MOUNT PEARL**

### CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016



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### Statement of Responsibility

The accompanying consolidated financial statements and all other information contained in this Annual Report are the responsibility of the management of the City of Mount Pearl. The consolidated financial statements have been prepared by management in compliance with legislation and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Association of Chartered Professional Accountants of Canada.

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

Council of the City of Mount Pearl has 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.

Harris Ryan, Chartered Professional Accountants, the City of Mount Pearl's appointed external auditors, have audited the accompanying consolidated financial statements. The Auditor's Report is addressed to the Mayor and members of City 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 tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly, the consolidated financial position and results of operations of the City of Mount Pearl in accordance with Canadian generally accepted accounting principles.

Mayor November 7<sup>th</sup>, 2017

Director of Corporate Services

# HARRIS RYAN

### **Independent Auditors' Report**

His Worship the Mayor and Councillors, City of Mount Pearl

We have audited the accompanying consolidated financial statements of the City of Mount Pearl, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, changes in net debt 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Mount Pearl as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

St. John's, NL November 7<sup>th</sup>, 2017

Harry Ryan

**Chartered Professional Accountants** 

### City of Mount Pearl Consolidated Statement of Financial Position

Year ended December 31

Tear ended December 51	2016	2015
Financial Assets		
Current		
Cash and investments	\$ 7,031,366	\$ 4,374,383
Receivables (note 3)	8,129,641	9,547,198
	15,161,007	13,921,581
Long-term receivables (note 3)	2,917,577	1,106,759
		15,028,340
Liabilities		
Current Payables and accruals (note 4)	10 020 011	10,767,114
Current portion of long term debt (note 5)	10,939,011 1,490,248	
Current portion of long term debt (note 5)	1,490,248	1,684,911
	12,429,259	12,452,025
Long term debt (note 5)	32,157,267	33,647,515
Unfunded pension liability (note 6)	2,227,141	1,128,685
Accrued post-retirement benefits (note 7)	5,098,500	4,297,000
Accrued employee benefits (note 8)	1,988,502	2,006,804
Accrued early retirement pension benefit (note 9)	473,610	521,314
	54,374,279	54,053,343
Net Debt	36,295,695	39,025,003
Non-Financial Assets		
Tangible capital assets (note 10)	179,364,346	175,113,541
Inventories, at estimated cost	1,039,414	888,677
Prepaid expenses	582,151	802,997
	180,985,911	176,805,215
Non-Financial Liabilities		NATE CONTRACTOR
Deferred capital contributions (note 11)	37,835,509	34,526,595
Accumulated Surplus	\$ <u>106,854,707</u>	\$_103,253,617
Commitments (note 12)		
On behalf of Council	11.	

Mayor

Director of Corporate Services

The accompanying notes form an integral part of these financial statements

### City of Mount Pearl Consolidated Statement of Changes in Net Debt

Year ended December 31

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		2015	
	Actual	Budget	Actual
Annual (surplus) deficit	\$(3,601,090)	\$1,214,965	\$(2,941,455)
Acquisition of capital assets	12,042,740	27,115,558	15,338,503
Amortization of capital assets	(7,702,500)	(7,451,000)	(7,599,993)
Disposals of capital assets	(653,114)	8500	(2,438,066)
Accumulated amortization			
on disposals of capital assets	563,679		2,180,448
	4,250,805	19,664,558	7,480,892
(Usage) acquisition of supplies inventories	150,737	-	(104,429)
Acquisition (usage) of prepaid expenses	(220,846)	·=:	(244,391)
Amortization of deferred capital contributions	2,519,313	2,200,000	5,446,354
Acquisition of deferred capital contributions	(5,828,227)	(18,847,527)	(7,869,930)
	(3,379,023)	(16,647,527)	(2,772,396)
Increase (decrease) in net debt	(2,729,308)	4,231,996	1,767,041
Net debt, beginning of year	39,025,003	39,025,003	37,257,962
Net debt, end of year	\$ <u>36,295,695</u>	\$43,256,999	\$

### **City of Mount Pearl Consolidated Statement of Operations**

Year ended December 31

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	2016			2015	
	Actu	Actual B		Actua	
Revenue					
Taxation and utility fees (note 13)	\$ 45,446,558	\$	45,094,062	\$	41,301,291
Grants from other governments	3,103,811		2,238,000		2,327,330
Sales of goods and services	2,336,946		2,155,574		2,337,194
Other revenue from own sources	1,058,415		970,750		1,157,511
Developer donated assets	1,863,885		-		3,801,978
Net revenues from land sales (note 14)	1994 - 1995 -		<u>~</u>		119,000
Grants in lieu of taxes	18,916	ł	16,607	7	16,606
Total revenue	53,828,531	-	50,474,993	-	51,060,910
Expenditures					
Interest on long-term debt	1,510,512		1,696,755		1,529,006
Transportation services	16,372,916		17,214,576		15,465,270
General government services	7,097,882		5,666,506		4,752,909
Protective services	5,778,099		6,181,135		5,846,668
Community services	9,979,471		10,480,573		9,627,559
Environmental health services	7,996,080		8,605,492		9,357,333
Planning and development	1,479,276		1,844,921		1,499,865
Loss on disposal of tangible capital assets	13,205	3	-	5 <del>-</del>	40,845
Total expenditures	50,227,441	-	51,689,958	15	48,119,455
Annual surplus (Deficit)	3,601,090		(1,214,965)		2,941,455
Accumulated surplus, beginning of year	103,253,617	-	103,253,617	-	100,312,162
Accumulated surplus, end of year	\$ <u>106,854,707</u>	\$_	102,038,652	\$_	103,253,617

### City of Mount Pearl Consolidated Statement of Cash Flows

Year ended December 31

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		2016		2015
Cash derived from (applied to)				
Operating activities				
Annual surplus	\$	3,601,090	\$	2,941,455
Add non-cash items				
Amortization of tangible capital assets		7,702,500		7,599,993
Amortization of deferred capital contributions		(2,519,313)		(5,446,354)
Unfunded pension liability		1,098,456		(225,737)
Accrued post-retirement benefits		801,500		198,100
Accrued employee benefits		(18,302)		(33,091)
Accrued early retirement pension benefit		(47,704)		(38,309)
Loss on disposal of tangible capital assets	-	13,205	-	40,845
		10,631,432		5,036,902
Change in non-cash working capital				
Receivables		1,417,557		(4,397,877)
Provincial government financing grants receivable		-		89,371
Inventories		(150,737)		104,429
Long-term receivables		(1,810,818)		(154,049)
Prepaid expenses		220,846		244,391
Payables and accruals	8	171,897		2,904,835
		10,480,177		3,828,002
Financing activities				
Proceeds of long term debt		<b>7</b> 0		15,000,000
Repayment of long term debt	(r <del></del>	(1,684,911)	1	(9,621,718)
	3	(1,684,911)	-	5,378,282
Capital activities				
Acquisition of tangible capital assets		(12,042,740)		(15,338,503)
Proceeds on disposal of capital assets		76,230		216,773
Receipt of deferred capital contributions	_	5,828,227	-	7,869,930
	.—	(6,138,283)	-	(7,251,800)
Increase (decrease) in cash and cash equivalents		2,656,983		1,954,484
Cash, beginning of year	_	4,374,383	-	2,419,899
Cash, end of year	\$	7,031,366	\$_	4,374,383

Year ended December 31, 2016

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### 1. Status of the City of Mount Pearl

The City of Mount Pearl is a municipal government that was incorporated in 1955 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The municipality was granted city status in 1988 pursuant to the passing of The City of Mount Pearl Act in the provincial legislature. The City provides or funds municipal services such as fire, public transportation, public works, community services programming, library services, recreation and general government operations.

### 2. Significant Accounting Policies

The consolidated financial statements have been prepared to conform with generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board ("PSAB") of the Association of Chartered Professional Accountants of Canada ("CPA Canada") and reflect the following significant accounting policies:

### a) The reporting entity

The reporting entity includes the accounts and financial activities of organizations which are controlled by the City of Mount Pearl ("the City"). These organizations are accountable to Council for the administration of their financial affairs.

The financial position and results of operations of the following organization which is controlled by the City has been included in the City's consolidated financial statements.

Admiralty House Museum & Archives

### b) Purchased services

The City has agreements in place for the purchase of certain municipal services provided on a regional basis including; public transit services, regional fire services, landfill services, the supply of potable water and wastewater treatment services. These services are billed to the City on a cost of supply or consumption basis and are provided by the following organizations:

St. John's Regional Fire Department St. John's Regional Water Authority St. John's Transportation Commission Robin Hood Bay Solid Waste Treatment Facility Riverhead Wastewater Treatment Facility

Year ended December 31, 2016

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### 2. Significant Accounting Policies (continued)

### c) Basis of accounting

The consolidated financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. The City recognizes government transfers for capital projects in accordance with PS 3410.26. As such, capital grant revenues are deferred and amortized to income on the same basis as the amortization of the underlying assets which the capital grant was expended to acquire.

### d) Cash and investments (bank indebtedness)

Cash and investments (bank indebtedness) includes cash on hand, cash on deposit, bank indebtedness and short-term liquid investments that are readily convertible to cash and are not subject to significant risk of changes in value. Short-term liquid investments have a maturity date of ninety days or less from the date of acquisition.

### e) Inventories

Inventories held for consumption are recorded at the lower of estimated cost and replacement value. Allowances have been made for unusable and obsolete parts.

### f) Post-employment benefits

The City offers a post-employment benefit package to retired employees and retired elected officials. The benefits provided include life insurance, accidental death and dismemberment coverage, health care and dental benefits. The costs associated with these benefits are recorded in the financial statements on an annual basis. The estimated future liability for post-employment benefits is reported in the City's consolidated statement of financial position.

### g) Pension costs

All qualified permanent employees of the City are covered by a pension plan administered by Mercer Canada Limited. Contributions to the plan are required by the employees and the City at the rate of 8.75% of regular pay for a career average plan or 9.75% of regular pay for a best five years plan. The annual contributions for pensions as well as special payments to address the current unfunded liability in the pension plan are recognized in the consolidated financial statements on an accrual basis. The total of the current unfunded liability within the pension plan has been accrued in the City's consolidated financial statements.

### h) Non-financial assets

Non-financial assets include all assets of a fixed or permanent nature, claims to goods and services and consumable goods.

Year ended December 31, 2016

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### 2. Significant Accounting Policies (continued)

### i) Non-financial liabilities

Non-financial liabilities are comprised of the non-amortized portion of government grants received for the construction or acquisition of tangible capital assets. Due to the nature of the liability, these amounts will not be required to be repaid by the City but will be amortized at the same rate as the corresponding tangible capital asset for which they were granted until extinguished. The amortization of the non-financial liabilities is included in government grants as reported in the statement of operations.

### j) Vacation and severance costs

The City accounts for severance and vacation pay on the accrual basis. Severance pay is calculated based upon unused sick leave or years of service. Entitlement to severance pay is earned after 5 years of service for management employees and 10 years of service for unionized employees. Management employees hired after January 1<sup>st</sup>, 2016 are not eligible for severance payments upon retirement. No provision has been recorded for employees with less than the required years of service. The amount is payable when the employee ceases employment with the City. The accrual does not include any additional compensation which an employee may be entitled to if the City declares an employee's position redundant. Vacation pay is calculated based upon employees' unused vacation leave entitlement at year end.

### k) 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.

Government grants received towards the construction or acquisition cost of tangible capital assets are deferred and amortized, at the same rate as the corresponding tangible capital asset which was acquired. The amortization of the capital grant is included in government grants as reported in the statement of operations.

Assets under construction are not amortized until the asset is put into use.

Land and land improvements are not amortized.

Year ended December 31, 2016

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### 2. Significant Accounting Policies (continued)

### k) Tangible capital assets (continued)

The cost of tangible capital assets is amortized on a straight line basis over the estimated useful lives as follows:

### General Tangible Capital Assets

Buildings Vehicles Machinery and heavy equipment	40 5 15	years years years
Computer hardware	4	years
Computer software	5	years
Office furniture and equipment	10	years
Recreation equipment	5 to 20	years
Infrastructure Assets		
Water and sewer		
Underground networks	35 to 75	years
Culverts, dams and detention ponds	35 to 50	years
Transportation		
Road surface	12 to 20	years

## Road surface12 to 20yearsRoad bed30yearsSidewalks, curbs and gutters30yearsTraffic lights20years

### l) Bonding

As required by Section 89 of The City of Mount Pearl Act, we report that all employees whose duties include collecting, receiving and depositing of cash are bonded.

### m) Use of estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

### n) Contribution of tangible capital assets

Contributions of tangible capital assets are recorded at fair value at the time care and control of the asset has been conferred to the City. The contribution is recorded as revenue.

Year ended December 31, 2016

### 3. Receivables

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	2016	2015
Taxes and rates receivable	\$ 1,781,037	\$ 1,729,187
Interest on arrears	84,196	58,100
Accounts receivable	1,079,397	1,118,795
Capital works funding receivable	5,882,628	7,062,310
Other receivables	2,256,288	728,736
	11,083,546	10,697,128
Long-term receivables	(2,917,577)	(1,106,759)
Less: Allowance for doubtful accounts	(36,328)	(43,171)
	\$8,129,641	\$ <u>9,547,198</u>

Taxes and rates receivable at December 31, 2016 were \$1,781,037 increased from \$1,729,187 at December 31, 2015. Of these receivables, \$338,638 (2015: \$226,461) has been outstanding for one year or longer.

### Long-term Receivables

Long-term receivables are comprised of interest free loans due from the Mount Pearl Soccer Association, Campia Gymnastics and the Mount Pearl Men's Softball Association for the construction of recreation facilities.

		2016		2015
Mount Pearl Soccer Association				
Repayable in 80 quarterly installments of \$8,750 payable by March 1 <sup>st</sup> , June 1 <sup>st</sup> , September 1 <sup>st</sup> and December 1 <sup>st</sup> of each year, commencing June 1, 2014. The remaining principle balance of \$7,960 is payable upon maturity.	\$	611,710	\$	646,710
Campia Gymnastics				
Repayable in 25 annual installments of \$82,840 on June 30 <sup>th</sup> of each year, commencing June 30 <sup>th</sup> , 2017		2,071,000		207,116
Mount Pearl Men's Softball Association				
Repayable in 15 annual installments of \$18,067 payable by February 28 <sup>th</sup> of each year, commencing February 28 <sup>th</sup> , 2015.	-	234,867	-	252,933
	\$_	2,917,577	\$_	1,106,759

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4.	Payables and Accruals	2016	2015
	Trade payables Other accruals Deferred revenue	\$ 7,664,761 2,723,931 550,319	\$ 7,321,320 2,935,228 510,566
		\$ <u>10,939,011</u>	\$ <u>10,767,114</u>
5.	Long Term Debt	2016	2015
	CIBC	2010	2015
	4.23% bank loan, repayable in monthly principal and interest instalments of \$24,417, maturing November 2016	\$-	\$ 260,373
	Royal Bank		
	5.28% bank loan, repayable in monthly principal and interest instalments of \$80,546, maturing June 2023	5,308,127	5,975,173
	5.16% bank loan, repayable in monthly principal and interest instalments of \$89,100, maturing June 2038	14,073,388	14,406,880
	0.39% banker's acceptance loan combined with a 2.48%, 25 year interest rate swap, repayable in monthly principal and interest instalments of \$70,000, maturing April 2040	_14,266,000	_14,690,000
	Less: Current portion	33,647,515 (1,490,248)	35,332,426 (1,684,911)
		\$ <u>32,157,267</u>	\$ <u>33,647,515</u>

Year ended December 31, 2016

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### 5. Long Term Debt (continued)

Estimated principal repayments on long term debt over the next five years are as follows:

2017	\$ 1,490,248
2018	\$ 1,559,841
2019	\$ 1,633,473
2020	\$ 1,709,306
2021	\$ 1,789,512

### 6. Unfunded Pension Liability

The City maintains a defined benefit pension plan ("the Plan") which provides pension benefits to both management and unionized employees. The Plan is a multi-employer plan administered by Newfoundland and Labrador Municipal Employee Benefits Inc. The Plan is equally funded by participating employers and members.

For years of service prior to December 31, 2012, on retirement, on or after the normal retirement age, the retiree will receive a lifetime benefit representing 2% of the average earnings of the best five consecutive years prior to retirement, multiplied by the number of years of Plan membership up to December 31, 2012. This pension benefit was frozen as of December 31, 2012.

Commencing January 1, 2013 the pension plan benefit calculation has been modified such that, for years of service after January 1, 2013, participants over the age of 50 at January 1, 2013 could enroll in a retirement plan in which the retirement benefit will be calculated on a career average basis or a new best five years plan. Participants under the age of 50 at January 1, 2013 were enrolled in the new best five years plan.

Under the career average plan, on retirement, on or after the normal retirement age, the retiree will receive a lifetime benefit representing 2% of the career average earnings of the years subsequent to January 1, 2013 to retirement, multiplied by the number of years of Plan membership after January 1, 2013.

Under the new best five years plan, for years of service commencing on January 1, 2013, on retirement, on or after the normal retirement age, the retiree will receive a lifetime benefit representing 2% of the average earnings of the best five consecutive years prior to retirement, multiplied by the number of years of Plan membership subsequent to January 1, 2013.

Year ended December 31, 2016

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### 6. Unfunded Pension Liability (continued)

Normal retirement age under both Plans is 60 years of age. Early retirement is permitted at any time after age 50 on a reduced pension. The pension reduction is calculated at ½ of 1% for each month that early retirement precedes normal retirement age. On January 1<sup>st</sup> of each year after retirement, retirement benefits in the career average plan are adjusted by the percentage change in the Consumer Price Index up to a maximum increase of 6% per year. On January 1<sup>st</sup> of each year after retirement, retirement benefits in the best five years plan are adjusted by 85% of the percentage change in the Consumer Price Index up to a maximum increase of 6% per year.

During the year ended December 31, 2016 the City contributed \$1,715,547 (2015: \$1,774,560) to the Plans. Since January 1<sup>st</sup>, 2013 the City and the members are each contributing 9.75% of regular earnings to the best five years plan or 8.75% of regular earnings to the career average plan. The City is also contributing special payments in an effort to retire the current unfunded liability. During the year ended December 31, 2016 the City contributed special payments of \$225,737 (2015: \$225,732) to the Plans.

The last actuarial valuation of the plan was calculated as of December 31<sup>st</sup>, 2015. The next actuarial valuation is scheduled to be calculated for the year ended December 31<sup>st</sup>, 2016.

### 7. Accrued Post-Retirement Benefits

The City provides an extension of AD&D, life insurance benefits and health and dental benefits to employees and elected officials who retire from the municipality. Life insurance and AD&D coverage is provided to a maximum of \$30,000. Health and dental benefits provided to retirees are similar to those of active employees. During the year, the City engaged Johnson Inc. to complete an actuarial valuation of the City's Post-Retirement Benefit Plan. The actuarial valuation was completed with a valuation date of March 31, 2017. The accrued liability recorded in the City's financial statements was adjusted to reflect the actuarially calculated liability. The liability amounts recorded are as follows:

		2016		2015		Expense
Life and AD&D benefits	\$	31,900	\$	24,700	\$	700
Health benefits		4,059,800		3,514,400		118,400
Dental benefits	-	1,006,800	-	757,900	-	27,000
	\$_	5,098,500	\$_	4,297,000	\$_	146,100

Significant assumptions used in benefit calculations:

Retirement age	60
Discount rate	5.00%
Annual rate of increase in Retiree health care costs	4.00%
Annual rate of increase in Retiree dental costs	3.00%

Year ended December 31, 2016

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### 8. Accrued Employee Benefits

The City provides severance benefits to employees upon the cessation of employment. Severance payments are calculated based upon unused sick leave or years of service. Entitlement to severance payments is earned after 5 years of service for management employees and 10 years of service for unionized employees. Management employees hired after January 1<sup>st</sup>, 2016 are not eligible for severance payments upon retirement. The amount of the severance benefit is calculated as the number of completed years of service or the remaining unused sick leave credits, up to the equivalent of a maximum of 24 weeks pay. No benefit provision has been recorded for employees with less than the required years of service. The accrual does not include any additional compensation which an employee may be entitled to if the City declares an employee's position redundant.

Vacation pay is calculated based upon employees' unused vacation leave entitlement at year end.

All severance and vacation benefits are calculated and recorded in the financial statements during the year it is earned.

	2016		2015
Accrued severance benefit Accrued vacation benefit	\$ 1,688,253 300,249	\$	1,708,616 298,188
	\$ 1,988,502	\$_	2,006,804

### 9. Accrued Early Retirement Pension Benefit

Prior to July 1<sup>st</sup>, 1999, the City's pension plan ("the Old Plan") established a normal retirement age of 65. Subsequent to July 1<sup>st</sup>, 1999 the City's pension plan ("the New Plan") established a normal retirement age of 60. Pursuant to an agreement dated November 19<sup>th</sup>, 2003, the City agreed to reimburse retirees for any penalties calculated on the Old Plan benefits arising from retirement prior to attaining age 65 but subsequent to attaining age 60. To be eligible to receive the early retirement benefit an employee must continue to be employed by the City up until the attainment of age 60. Retirement prior to age 60 or resignation from employment with the City will result in the forfeiture of this benefit.

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10. Tangible Capital Assets

				<b>2016 General Capital Assets</b>	apital Assets			
	Land	Buildings	Vehicles & Equip	Playing Surfaces & Trails	Computer Hardware Software	<b>Recreation</b> Equipment	Office Furniture	Totals
Cost, Jan 1 <sup>st</sup> Additions Disposals	\$ 10,184,452 556,860	\$ 78,446,007 7,025,099	\$ 16,353,011 958,834 (397,860)	<pre>\$ 5,579,887 1,247,164 (121,186)</pre>	<pre>\$ 1,091,834</pre>	<pre>\$ 4,566,557 326,145 (54,619)</pre>	\$ 330,772 27,465 (972)	\$116,552,520 10,227,405 (616,130)
Cost, Dec 31st	10,741,312	85,471,106	16,913,985	6,705,865	1,136,179	4,838,083	357,265	126,163,795
Accumulated amortization, Jan 1 <sup>st</sup> Amortization Disposals		12,526,695 2,146,179	8,503,537 1,081,964 (369,331)	1,992,993 276,459 (60,280)	796,879 137,364 (41,493)	1,667,727 336,901 (54,619)	177,481 36,138 (972)	25,665,312 4,015,005 (526,695)
Accumulated amortization, Dec 31st		14,672,874	9,216,170	2,209,172	892,750	1,950,009	212,647	29,153,622
Net Book Value, Dec 31 <sup>st</sup>	\$ 10,741,312	\$ 10,741,312 \$ 70,798,232	\$ 7,697,815	\$ 4,496,693	\$ 243,429	\$ 2,888,074	\$ 144,618	\$ 97,010,173

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10. Tangible Capital Assets (continued)

			2(	<b>2016 Infrastructure Assets</b>	ire Assets		
	Roads Curbs & Sidewalks	Traffic Lights	Work in Progress	Water & Wastewater Networks	Pumping & Lift Stations	Tools & Equipment	Total
Cost, Jan 1 <sup>st</sup> Additions Disposals	\$ 64,948,925 \$ 2,760,184 	\$ 2,760,184 	\$ 16,400,658 8,655,890 (7,095,470)	\$ 63,887,255 	\$ 711,368 15,164	<pre>\$ 3,212,159 239,751 (36,984)</pre>	\$ 151,920,549 8,910,805 (7,132,454)
Cost, Dec 31st	64,948,925	2,760,184	17,961,078	63,887,255	726,532	3,414,926	153,698,900
Accumulated amortization, Jan 1 <sup>st</sup> Amortization Disposals	39,145,239 2,319,904	1,457,169 105,814		25,640,451 1,013,560	461,058 24,947	990,299 223,270 (36,984)	67,694,216 3,687,495 (36,984)
Accumulated amortization, Dec 31st	41,465,143	1,562,983	Ĩ	26,654,011	486,005	1,176,585	71,344,727
Net Book Value, Dec 31 <sup>st</sup>	\$ <u>23,483,782</u> \$ 1,197,201	\$ 1,197,201	\$ 17,961,078	\$ 37,233,244	\$ 240,527	\$ 2,238,341	\$ 82,354,173

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10. Tangible Capital Assets (continued)

				<b>2015 General Capital Assets</b>	apital Assets			
	Land	Buildings	Vehicles & Equip	Playing Surfaces & Trails	Computer Hardware Software	Recreation Equipment	Office Furniture	Totals
Cost, Jan 1 <sup>st</sup> Additions Disposals	\$ 9,802,052 382,400	\$ 78,317,412 128,595	\$ 15,864,121 2,530,154 (2,041,264)	\$ 5,669,614 85,803 (175,530)	<pre>\$ 1,145,300 70,182 (123,648)</pre>	<pre>\$ 4,440,982 169,791 (44,216)</pre>	\$ 347,687 12,673 (29,588)	\$115,587,168 3,379,598 (2,414,246)
Cost, Dec 31st	10,184,452	78,446,007	16,353,011	5,579,887	1,091,834	4,566,557	330,772	116,552,520
Accumulated amortization, Jan 1 <sup>st</sup> Amortization Disposals		10,473,524 2,053,171	9,301,934 998,554 (1,796,951)	1,909,707 249,962 (166,676)	772,290 147,170 (122,581)	1,394,419 314,594 (41,286)	171,271 35,344 (29,134)	24,023,145 3,798,795 (2,156,628)
Accumulated amortization, Dec 31st		12,526,695	8,503,537	1,992,993	796,879	1,667,727	177,481	25,665,312
Net Book Value, Dec 31 <sup>st</sup>	\$ <u>10,184,452</u> \$ <u>65,919,312</u>	\$ 65,919,312	\$ 7,849,474	\$ 3,586,894	\$ 294,955	\$ 2,898,830	\$ 153,291	\$ 90,887,208

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			2(	<b>2015 Infrastructure Assets</b>	ire Assets		
	Roads Curbs & Sidewalks	Traffic Lights	Work in Progress	Water & Wastewater Networks	Pumping & Lift Stations	Tools & Equipment	Total
Cost, Jan 1 <sup>st</sup> Additions Disposals	\$ 64,877,936 70,989	\$ 2,714,067 46,117	\$ 4,828,883 11,797,440 (225,665)	\$ 63,887,255 	\$ 711,368 	<pre>\$ 2,965,955 270,024 (23,820)</pre>	\$ 139,985,464 12,184,570 (249,485)
Cost, Dec 31st	64,948,925	2,760,184	16,400,658	63,887,255	711,368	3,212,159	151,920,549
Accumulated amortization, Jan 1 <sup>st</sup> Amortization Disposals	36,718,950 2,426,289	1,352,508 104,661		24,612,371 1,028,080	436,869 24,189	796,140 217,979 (23,820)	63,916,838 3,801,198 (23,820)
Accumulated amortization, Dec 31st	39,145,239	1,457,169		25,640,451	461,058	990,299	67,694,216
Net Book Value, Dec 31st	\$ 25,803,686	\$ 25,803,686 \$ 1,303,015	\$ 16,400,658	\$ 38,246,804	\$ 250,310 \$ 2,221,860	\$ 2,221,860	\$ 84,226,333

Year ended December 31, 2016

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### **11. Deferred Capital Contributions**

In accordance with PS 3410.26, capital contributions from the Province of Newfoundland and Labrador for cost shared projects are not recorded as revenues when received nor when they become receivable. The provincial portion of cost shared projects is deferred and amortized at the same rate and on the same basis as the underlying asset that was acquired or constructed. The amortization of the capital contribution is included in government grants in the City's financial statements.

	2016	2015
Deferred capital grants	\$ <u>37,835,509</u>	\$ <u>34,526,595</u>

### 12. Commitments and Contractual Obligations

The City has commitments under long term leases and other agreements for office equipment, communication and maintenance services requiring payments as follows:

2017	\$ 27,667
2018	27,667
2019	17,446
2020	13,915
2021	7,590

Leases and service agreements are renewed or replaced as they expire. Several leases and service agreements are currently up for renewal but have not been finalized to date. Accordingly, the continuing annual commitment is not likely to be less than \$50,000.

### 13. Taxation and Utility Fees

	2016	2015
Residential property tax	\$ 16,527,240	\$ 14,889,019
Residential water and wastewater fees	6,115,579	6,080,050
Commercial property tax	8,346,359	7,153,437
Commercial business tax	10,487,779	9,291,937
Commercial water and wastewater fees	2,152,661	2,036,445
Cable and utility tax	1,620,572	1,654,533
Waste management fees	196,368	195,870
	\$ <u>45,446,558</u>	\$ <u>41,301,291</u>

Year ended December 31, 2016

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### 14. Net Revenues from Land Sales

The City developed land parcels within Donovans Business Park and sold the developed parcels to commercial enterprises to foster the expansion of the business base within the City. All parcels within Donovans Business Park have now been sold. Future land sale revenues will be reduced to miscellaneous and partial parcels within the City. The gross sales revenues are as follows:

	2016	2015
Land sales revenues	\$ -	\$ 119,000

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### 15. Schedule of Expenditure by Object

		2016	2015
	Actual	Budget	Actual
Amortization	\$ 7,702,499	\$ 7,451,000	\$ 7,599,993
Debt and financing charges	1,510,512	1,722,605	1,529,006
Grants and subsidies	707,325	741,288	564,671
Loss on disposal of tangible capital assets	13,205	( <b>-</b> )	40,845
Professional development	120,335	231,740	138,278
Purchased services	17,596,685	19,561,852	18,886,748
Professional services	1,188,979	1,178,643	997,385
Salaries and employee benefits	18,748,922	18,077,321	15,797,722
Supplies and parts	2,638,979	2,725,509	2,564,807
	\$_50,227,441	\$ <u>51,689,958</u>	\$ <u>48,119,455</u>

### 16. Budget

In accordance with The City of Mount Pearl Act, council must adopt a financial plan for each fiscal year 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 City of Mount Pearl has modified its financial plan to present a budget that is consistent with the scope and accounting principles used to report actual results. The budget figures reported in these consolidated financial statements have been approved by council.

The reconciliation between the City's cash based financial plan and the PSAB accrual based budget figures reported in these consolidated financial statements is disclosed in Schedule C - Reconciliation of the Cash Based Financial plan to the Budget.

Year ended December 31, 2016

### **17. Financial Instruments**

### a) Fair values

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The City's financial instruments are comprised of cash and investments, receivables, payables and accruals and deferred grant revenue. The fair value of these financial instruments approximate their carrying amount due to their short-term nature.

The fair value of long-term debt is based on rates currently available to the City with similar terms and maturities and approximates its carrying value.

It is management's opinion that the City is not exposed to significant interest, currency or credit risk arising from these financial instruments.

### b) Credit risk

The City is exposed to credit related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing only with credit worthy counterparties.

### City of Mount Pearl Schedule A Consolidated Schedule of Revenues

Year ended December 31, 2016

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	2016	2015
Taxation		
Residential property tax	\$ 16,527,240	\$ 14,889,019
Residential water and wastewater fees	6,115,579	6,080,050
Commercial property tax	8,346,359	7,153,437
Commercial business tax	10,487,779	9,291,937
Commercial water and wastewater fees	2,152,661	2,036,445
Cable and utility tax	1,620,572	1,654,533
Waste management fees	196,368	195,870
	45,446,558	41,301,291
Sales of goods and services		
Rental income	120,022	119,766
Recreation fees	2,152,616	2,189,571
Planning and development fees	15,550	5,300
Engineering fees	44,483	19,337
Bulk garbage fees	4,275	3,220
		2,337,194
Other revenues from own sources		
Investment income	140,018	142,911
Interest on taxes	244,125	186,382
Compliance letter fees	41,400	51,450
Tax certificate fees	63,600	74,300
Business permits	140,729	192,296
Local improvement assessments	64,213	203,553
Residential occupancy permits	55,720	55,741
Contractor's permits and licensing	23,639	18,407
Traffic fines	54,988	51,358
Other revenues	217,752	166,587
Animal control fees	5,918	8,126
Taxi licensing	2,405	2,640
Transportation fees	3,908	3,760
	1,058,415	1,157,511

### City of Mount Pearl Schedule A Consolidated Schedule of Revenues

Year ended December 31, 2016

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	2016	2015
Grants from other governments		
Government of Canada		
Special projects grants	113,830	92,827
Government of Newfoundland and Labrador		
Cost shared grants	2,699,694	2,117,620
Provincial gas tax program	249,941	( <b>.</b>
Financing grant		89,372
Other grants	40,346	27,511
Grants from other governments	3,103,811	_2,327,330
Other revenues		
Developer donated assets	1,863,885	3,801,978
Net revenues from land sales (note 14)	83 SV <del>1</del>	119,000
Grants in lieu of taxes	18,916	16,606
	1,882,801	
Consolidated revenues	\$ <u>53,828,531</u>	\$ <u>51,060,910</u>

### **City of Mount Pearl** Schedule B **Consolidated Schedule of Expenses** Year ended December 31, 2016

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	2016	2015
Transportation services		
Transportation administration	\$ 1,791,150	\$ 1,764,756
Snow removal	2,134,338	2,323,001
Fleet	2,576,483	2,783,339
Roads and streets	3,762,538	2,481,098
Public transit	1,588,998	1,553,448
Traffic and street lights	1,015,831	1,081,090
Amortization	3,503,578	3,478,538
	16,372,916	15,465,270
General government services	3,711,905	1,730,545
Council and administration	174,531	1,750,545
Community marketing Finance	1,079,209	1,090,917
Human resources	739,466	634,764
Information technology	861,646	798,118
Amortization	240,631	235,999
Other general government services	290,494	262,566
		4,752,909
Protective services		
Fire protection	4,928,270	4,993,868
Municipal enforcement	722,900	733,565
Animal control	113,791	104,062
Emergency response preparedness	11,266	13,299
Other protective services	1,872	1,874
	5,778,099	5,846,668
Environmental baskth complete		
Environmental health services Water and waste water	5,357,618	6,562,676
Garbage disposal	1,116,308	1,211,016
Amortization	1,514,809	1,580,200
Other environmental services	7,345	3,441
	7,996,080	9,357,333

### **City of Mount Pearl** Schedule B Consolidated Schedule of Expenses Year ended December 31, 2016

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	2016	2015
Community services		
Recreation administration	773,118	747,150
Healthy living program	519,884	480,572
Swimming pool	806,712	890,091
Glacier	1,244,705	1,225,243
Summit / Reid Centre	2,234,933	1,977,124
Gloria Pearson Community Centre	142,033	136,366
Admiralty House Museum	114,337	99,014
Legion	27,261	29,250
Library	21,182	20,659
Parks	1,077,418	906,092
Youth development	301,120	278,884
Community events	245,024	242,443
Amortization	2,432,294	2,293,717
Other recreation services	39,450	300,954
	<u>9,979,471</u>	9,627,559
Planning and development		
Planning and zoning	1,331,197	1,272,402
Economic development	126,479	107,289
Community marketing	10,413	108,635
Amortization	11,187	11,539
	1,479,276	1,499,865
Fiscal services	1,510,512	1,529,006
Interest on long term debt	1,310,312	40,845
Loss on disposal of tangible capital assets		40,045
	1,523,717	
Consolidated expenses	\$ <u>50,227,441</u>	\$ <u>48,119,455</u>

City of Mount Pearl Schedule C

# Reconciliation of the Cash Based Financial Plan to the PSAB Budget Year ended December 31, 2016

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Consolidated PSAB Totals	\$ 45,094,062 2,238,000 2,155,574 970,750 16,607	\$ 50,474,993	1,696,755 17,214,576 5,666,506 6,181,135 6,181,135 8,605,492 1,844,921 
Debt Payments & Reserves	99 9		(2,326,457) - - - - - - - - 2,508,074
Amortization	ч ч ч ч ч 9		3,479,000 105,000 2,289,000 1,568,000 10,000
Other Government Grants	\$		- - (79,300) - 18,847,527
Capital Fund Adjustments	ч ч ч ч ч Ф		1,779,330 55,395 55,395 - 285,045 - 276,305 (25,433,617)
Admiralty House	\$	108,400	- 108,400 - - - - - - - - - - -
City of Mount Pearl	\$ 45,094,062 25,500 2,138,974 970,750 16,607	48,245,893	4,023,212 11,956,246 5,533,748 6,181,135 7,037,492 1,558,616 4,078,016 4,078,016
	Revenues Taxation Grants from other governments Sales of goods and services Own source revenues Grants in lieu of taxes		<b>Expenditures</b> Debt servicing Transportation General government Protective services Community services Environmental health Planning and development Transfers to capital fund

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# Schedule D Consolidated Reconciliation to Core Government Results Year ended December 31, 2016

	COVE	Core Government	Controlle Futities	Controlled Futities	Tota	otal
	2016	2015	2016	2015	2016	2015
Revenues Taxation S	\$ 45.446.558	\$ 41.301.291	, S	•	\$ 45.446.558 \$	8 41.301.291
goods and			Ĥ			
services	2,314,263	1,373,898	22,683	963,296	2,336,946	2,337,194
Grants and transfers	3,074,551	2,305,941	29,260	21,389	3,103,811	2,327,330
Investment income	140,018	142,911	1		140,018	142,911
Own source revenues	918,397	1,014,600		4	918,397	1,014,600
Other revenues	1,882,801	3,937,584			1,882,801	3,937,584
	53,776,588	50,076,225	51,943	984,685	53,828,531	51,060,910
Expenditures						
Personnel services	18,674,172	15,014,572	74,750	783,150	18,748,922	15,797,722
Contract services	15,486,499	16,358,630	22,759	271,015	15,509,258	16,629,645
Utilities	2,076,048	1,957,339	11,379	299,764	2,087,427	2,257,103
Materials and supplies	2,638,276	2,539,036	703	25,771	2,638,979	2,564,807
Grants and contributions	707,325	564,671			707,325	564,671
Interest on long-term debt	Τ,	1,529,006	ų.	а	1,510,512	1,529,006
Amortization	3	7,598,450	1,062	1,543	7,702,499	7,599,993
Professional services	1,188,979	997,385			1,188,979	997,385
Professional development		132,957	248	5,321	120,335	138,278
Loss on disposal of						
tangible capital assets	13,205	40,845	1		13,205	40,845
	50,116,540	46,732,891	110,901	1,386,564	50,227,441	48,119,455
Surplus (Deficit) \$	\$ 3,660,048	\$ 3,343,334	\$ (58,958)	\$ (401,879)	\$ 3,601,090 \$	\$ 2,941,455

Year ended December 31, 2016 General General	16 <b>Opera</b> 16 Ge	perations by Pro General Government	gram Protective Services	100	Transportation Services	rtation	Environmental Health Services	ital Health ces
	<b>2016</b> \$ 36,981,950	\$ 32,988,926	- s0102	- sus	- s	- sus	2016 8,464,608	<b>2015</b> \$ 8,312,365
Sales of goods and Services Grants and transfers Investment income Own source revenues Other revenues	120,022 259,305 529,445 1,882,801	119,766 96,902 - 461,998 3,937,584	- - - -	59,484	6,100 2,018,205 3,908	5,900 1,571,614 3,759	42,658 136,922 20,000	16,657 129,059 - -
	39,773,523	37,605,176	60,906	59,484	2,028,213	1,581,273	8,664,188	8,458,081
Expenditures Personnel services	4,570,162	2,509,855	795,007	809,100	5,063,757	4,806,996	1,896,115	1,705,552
Contract services Utilities Materials and supplies	963,727 232,227 90,548	879,038 237,353 98,213	4,9/6,356 - 6,556	5,021,131 - 5,672	4,229,841 1,167,244 1,867,298	3,618,534 1,234,805 1,845,440	4,157,942 - 419,870	5,726,480 - 341,660
Grants and contributions Interest on long-term debt	t n	266,325 - -			- - 3 503 578	-		- 000 085 1
Professional services Professional development Loss on disposal of		437,606 88,520		- - 4,159	530,269	467,269 13,688	7,344	3,441
tangible capital assets	7,097,882	4,752,909	5,778,099	5,846,668	16,372,916	15,465,270	7,996,080	9,357,333
Surplus (Deficit)	\$ 32,675,641	\$ 32,852,267	\$ (5,717,193)	\$ <u>(5,717,193)</u> <u>\$</u> (5,787,184)	\$(14,344,703)	\$(13,883,997)	\$ 668,108	\$ (899,252)

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City of Mount Pearl Schedule E

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City of Mount Pearl
Schedule E
<b>Consolidated Statement of Operations by Pr</b>
Year ended December 31, 2016

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2,337,194 2,327,330 40,845 51,060,910 564,671 138,278 3,937,584 6,629,645 2,257,103 \$ 2,941,455 41,301,291 1,014,600 2,564,807 ,529,006 7,599,993 997,385 48,119,455 15,797,722 142,911 2015 Total \$ \$ 45,446,558 1,188,979 13,205 \$ 3,601,090 2,336,946 140,018 918,397 53,828,531 5,509,258 2,087,427 2,638,979 1,510,512 7,702,499 50,227,441 3,103,811 ,882,801 8,748,922 707,325 120,335 2016 \$ (1,383,699) \$ (1,426,940) ï 40,845 1,529,006 1,569,851 142,911 142,911 2015 Services 5 Fiscal 13,205 140,018 140,018 1,510,512 1,523,717 2016 5 \$ (7,145,701) \$ (6,914,436) 514,076 9,476 293,346 9.657 26,747 9,627,559 2,713,123 4,657,499 784,945 ,300,023 261,625 2,293,717 2,189,571 2015 Community Services 5 2,152,616 669,379 4,176 27,949 687,956 11,775 2,833,770 243,222 ,063,350 9,979,471 5,168,523 352,001 2,432,294 2016 (999,003)ï 77,833 11,539 5,300 15,679 12,197 5,000 79,412 1,499,865 1,308,720 5,164 479,883 500,862 2015 **Planning and** Development \$ 60 \$ (1,151,363) 15,550 20,000 41,925 ,255,358 11,485 11,187 32,511 8,976 1,479,276 292,363 327,913 117,834 2016 5 Professional development Interest on long-term debt Grants and contributions tangible capital assets Materials and supplies Own source revenues Professional services Grants and transfers Loss on disposal of Investment income Personnel services Sales of goods and Contract services Other revenues Amortization Surplus (Deficit) Services Expenditures Taxation Utilities Revenues



### Auditors' Report on Statutory Requirements

His Worship the Mayor and Councillors City of Mount Pearl

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a.

In compliance with the requirements of Section 112 of The City of Mount Pearl Act, we report as follows on our examination of the accounts of the City for the year ended December 31<sup>st</sup>, 2016.

### Expenditure in relation to cash based budget.

Actual expenditures of \$48,989,853 are over budget by \$743,960.

### Revenue in relation to cash based budget.

Actual revenues of \$49,213,009 are over budget by \$967,116.

### Arrears of Revenue.

The comparative position with respect to arrears of revenue is presented on page 11. Taxes and rates receivable at December 31<sup>st</sup>, 2016 were \$1,781,037 increased from \$1,729,187 at December 31<sup>st</sup>, 2015. Of these receivables, \$338,638 (2015: \$226,461) has been outstanding for one year or longer.

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

The position in these respects is considered satisfactory.

As required by Section 89 of The City of Mount Pearl Act, we report that all employees whose duties include collecting, receiving and depositing of cash are adequately bonded.

Hams Ryan

**Chartered Professional Accountants** 

St. John's, Newfoundland and Labrador November 7th, 2017