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**THE TOWN OF BAY ROBERTS**

**AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

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## AUDITORS' REPORT

**To the Mayor and Councilors  
The Town of Bay Roberts  
Newfoundland and Labrador**

We have audited the balance sheet of **The Town of Bay Roberts** as at December 31, 2007, and the statements of revenues, expenditures and surplus and changes in cash resources for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2007, and the results of its operations and the changes in its cash resources for the year then ended in accordance with Canadian generally accepted accounting principles.

In compliance with the requirements of Section 91 of The Municipalities Act, 1999, our report on the statutory requirements is included herewith.

  
CHARTERED ACCOUNTANTS

St. John's, Newfoundland and Labrador  
June 3, 2008

**EASTERN OFFICE**

53 Bond Street, Suite 200, PO Box 8505  
St. John's, NL A1B 3N9

**CENTRAL OFFICE**

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**THE TOWN OF BAY ROBERTS**  
**BALANCE SHEET**  
AS AT DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
<b><u>ASSETS</u></b>		
Current		
Cash	480,466	124,862
Taxes receivable (net of allowance for doubtful accounts: 2007-\$570,005; 2006-\$469,076)	892,590	782,168
Current portion of long-term receivable (Note 7)	378,101	353,681
	<u>1,751,157</u>	<u>1,260,711</u>
Due from Province (Note 7)	<u>3,917,264</u>	<u>4,388,230</u>
Capital assets (Notes 1 and 3)	<u>34,227,364</u>	<u>34,087,570</u>
	<u>39,895,785</u>	<u>39,736,511</u>
<b><u>LIABILITIES</u></b>		
Current		
Loan installments due and unpaid	255,049	-
Accounts payable and accrued liabilities	78,976	68,984
Portion of long-term debt due within one year (Note 4)	828,101	803,681
Deferred revenue (Note 8)	163,580	-
	<u>1,325,706</u>	<u>872,665</u>
Long-term		
Long-term debt, less portion due within one year (Note 4)	8,247,652	9,043,597
Capital demand loans	-	103,615
Contract holdback payable	-	3,522
	<u>8,247,652</u>	<u>9,150,734</u>
	<u>9,573,358</u>	<u>10,023,399</u>
Contingent Liability (Note 6)		
<b><u>EQUITY</u></b>		
Investment in capital assets	29,587,588	29,091,343
Surplus	574,883	461,813
Reserves (Note 9)	159,956	159,956
	<u>30,322,427</u>	<u>29,713,112</u>
	<u>39,895,785</u>	<u>39,736,511</u>
Signed on behalf of the Council:		

\_\_\_\_\_  
Mayor

*Adwin Fred'sham*  
\_\_\_\_\_  
Town Manager

See accompanying notes to financial statements.

**BELANGER CLARKE FOLLETT & MCGETTIGAN**

**THE TOWN OF BAY ROBERTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
	\$	\$
<b><u>REVENUES</u></b>		
Taxation		
Municipal taxes (Note 5)	3,616,391	3,182,302
Licenses and permits	17,720	16,786
Grants in lieu	13,275	11,988
Other fees	110,119	53,033
	<u>3,757,505</u>	<u>3,264,109</u>
Contributions		
Province of Newfoundland		
Municipal Assistance Grant	134,151	134,151
General (Note 4)	1,073,971	985,282
	<u>1,208,122</u>	<u>1,119,433</u>
Pool and playground revenue	<u>36,004</u>	<u>51,865</u>
Miscellaneous	<u>56,360</u>	<u>127,194</u>
Total Revenues	<u>5,057,991</u>	<u>4,562,601</u>
<b><u>EXPENDITURES</u></b>		
General government (Schedule 1)	666,669	643,441
Protective services (Schedule 1)	176,922	132,664
Transportation services (Schedule 1)	1,105,789	890,737
Environmental health (Schedule 1)	509,588	450,074
Planning and development (Schedule 1)	220,160	138,805
Recreation (Schedule 1)	419,650	569,378
Fiscal services (Schedule 1)	<u>1,846,143</u>	<u>1,766,956</u>
Total Expenditures	<u>4,944,921</u>	<u>4,592,055</u>
Excess (deficiency) of revenues over expenditures	113,070	(29,454)
Surplus, beginning of year	<u>461,813</u>	<u>491,267</u>
Surplus, end of year	<u>574,883</u>	<u>461,813</u>

See accompanying notes to financial statements.

**BELANGER CLARKE FOLLETT & MCGETTIGAN**

**THE TOWN OF BAY ROBERTS**  
**STATEMENT OF INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
	\$	\$
Balance, beginning of year	<u>29,091,343</u>	<u>28,623,862</u>
Add: Debt reduction	420,761	467,481
Capital grants	51,800	-
Capital expenditures	23,684	-
	<u>496,245</u>	<u>467,481</u>
Balance, end of year	<u><u>29,587,588</u></u>	<u><u>29,091,343</u></u>

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See accompanying notes to financial statements.

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**BELANGER CLARKE FOLLETT & MCGETTIGAN**

**THE TOWN OF BAY ROBERTS**  
**STATEMENT OF CASH FLOW**  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
<b>Operating Activities</b>		
Excess (deficiency) of revenues over expenditures	113,070	(29,454)
Non-cash operating items		
- debt principal reduction	420,761	467,481
- capital expenditures	23,684	-
Changes in non-cash working capital components:		
Deferred revenue	163,580	-
Receivables	(110,422)	(45,168)
Accounts payable and accrued liabilities	9,992	16,942
Loan installments due and unpaid	255,049	-
Cash provided by operating activities	<u>875,714</u>	<u>409,801</u>
<b>Investing Activities</b>		
Capital asset additions (Note 4)	(139,794)	(15,688)
Decrease in long-term receivable	446,546	320,261
Cash provided by investing activities	<u>306,752</u>	<u>304,573</u>
<b>Financing Activities</b>		
Proceeds form long-term debt	901	372,500
Repayment of capital demand loans	(103,615)	(363,765)
Repayment of long-term debt	(772,426)	(787,741)
Repayment of capital accounts payable	(3,522)	-
Province of Newfoundland and Labrador grant	51,800	-
Cash used by financing activities	<u>(826,862)</u>	<u>(779,006)</u>
Net change in cash during the year	355,604	(64,632)
Cash, beginning of year	<u>124,862</u>	<u>189,494</u>
Cash, end of year	<u><u>480,466</u></u>	<u><u>124,862</u></u>

See accompanying notes to financial statements.

**THE TOWN OF BAY ROBERTS**  
**DETAILED STATEMENT OF EXPENDITURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budget</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$
<b>General Government</b>			
Council	105,200	72,121	64,367
General administration	615,270	505,368	476,595
Property assessments	89,180	89,180	88,582
Public relations	16,000	-	13,897
	<u>825,650</u>	<u>666,669</u>	<u>643,441</u>
<b>Protective Services</b>			
Fire protection	62,000	123,861	89,856
Emergency preparedness	10,000	-	-
Municipal enforcement	20,000	53,061	42,808
Animal and pest control	2,500	-	-
	<u>94,500</u>	<u>176,922</u>	<u>132,664</u>
<b>Transportation Services</b>			
Vehicle operation and maintenance	165,000	241,096	239,129
Road transportation	520,000	585,867	397,207
Snow clearing	127,500	153,155	117,461
Street lighting	150,000	125,671	136,940
	<u>962,500</u>	<u>1,105,789</u>	<u>890,737</u>
<b>Environmental Health</b>			
Water supply	250,500	268,765	208,166
Garbage collection	235,000	240,823	241,908
	<u>485,500</u>	<u>509,588</u>	<u>450,074</u>
<b>Planning and Development</b>			
Tourism and marketing	180,000	199,629	99,802
Other planning and development	10,000	15,001	-
Green committee	10,000	5,530	39,003
	<u>200,000</u>	<u>220,160</u>	<u>138,805</u>

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**THE TOWN OF BAY ROBERTS**  
**DETAILED STATEMENT OF EXPENDITURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budget</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$
Recreation			
Recreation and community events	82,000	97,496	312,753
Recreation facilities	90,250	247,738	184,742
Swimming pool	60,250	74,416	71,883
	<u>232,500</u>	<u>419,650</u>	<u>569,378</u>
Fiscal Services			
Provision for bad debts	-	110,993	-
Debt charges	700,000	648,654	701,926
Government portion of debt charges (Note 3)	952,505	952,505	985,282
Bank and late charges	-	20,748	22,985
Reserve for severance pay	30,000	-	-
Land acquisition	-	25,559	-
Discounts	-	64,000	56,763
Capital expenditure	163,580	23,684	-
	<u>1,846,085</u>	<u>1,846,143</u>	<u>1,766,956</u>
Totals	<u>4,646,735</u>	<u>4,944,921</u>	<u>4,592,055</u>

See accompanying notes to financial statements.

**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2007

**1. Significant Accounting Policies**

Capital Assets

No provision for amortization of capital assets is recorded in the financial statements of the municipality. Capital assets purchased out of general revenue are fully charged against revenue in the year of acquisition. The annual instalment of principal and interest on long-term borrowings, obtained to finance the purchase of capital assets, is recorded in the statements as current expenditure.

Capital assets disposed of are deleted from the accounts at their original cost.

Investment in Capital Assets

The equity of the municipality in the capital assets is represented by a credit account, "Investment in Capital Assets".

Revenue Recognition

Taxes and other revenues are recorded on the accrual basis.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure 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 those estimates; however, such differences would not be expected to have a material impact on these financial statements.

**2. Financial Instruments**

The town's financial instruments consist of cash, taxes receivable, due from province, loan installments due and unpaid, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the town is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2007

**3. Capital Assets**

	<u>Balance</u> <u>2006</u> \$	<u>Additions</u> \$	<u>Deletions</u> \$	<u>Balance</u> <u>2007</u> \$
<b>General</b>				
Land	276,163	-	-	276,163
Buildings	166,747	-	-	166,747
Equipment	1,524,176	-	-	1,524,176
Roads and improvements	2,441,572	-	-	2,441,572
Municipal dump	2,122	-	-	2,122
Town plan	32,690	-	-	32,690
Recreation facilities	1,773,442	-	-	1,773,442
Public wells	25,696	-	-	25,696
<b>Water and Sewerage Utility</b>				
Plant and Equipment	<u>27,844,962</u>	<u>139,794</u>	<u>-</u>	<u>27,984,756</u>
<b>Total Capital Assets</b>	<u><u>34,087,570</u></u>	<u><u>139,794</u></u>	<u><u>-</u></u>	<u><u>34,227,364</u></u>

**4. Long-term Debt**

	<u>2007</u> \$	<u>2006</u> \$
<b>Bank of Montreal Loans</b>		
Multi-year capital project, 6.56% loan, original loan of \$961,243, repayable in blended semi-annual installments of \$50,834, maturing 2017.	684,160	738,283
Multi-year capital project, 6.3% loan, original loan of \$1,150,000, repayable in blended semi-annual installments of \$59,815, maturing 2012.	877,943	939,362

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**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2007

**4. Long-term Debt (Continued)**

	<u>2007</u>	<u>2006</u>
	\$	\$
Bank of Montreal Loans (Continued)		
Multi-year capital project 6.75% loan, original loan of \$3,650,000, repayable in blended semi-annual installments of \$195,360, maturing 2015.	2,386,818	2,605,357
Multi-year capital project 5.02% loan, original loan of \$372,500, repayable in blended semi-annual installments of \$17,820, maturing in 2021.	346,443	364,029
Multi-year capital project 4.56% loan, original loan of \$667,728, repayable in blended monthly installments of \$54,054, maturing in 2018.	<u>4,780,389</u>	<u>5,200,247</u>
Long-term debt	9,075,753	9,847,278
Less: Current portion	<u>828,101</u>	<u>803,681</u>
Total long-term debt, net of current portion	<u><u>8,247,652</u></u>	<u><u>9,043,597</u></u>

The \$3,650,000, \$1,150,000, \$961,243 and \$372,500 loans are the Province of Newfoundland and Labrador's share of a multi-year capital works program. The semi-annual payments will be issued to Council as a grant and made payable to the Town and its financial institution. During the year, the Province made principal and interest payments of \$647,659.

The aggregate amount of payments required in each of the next five years to meet retirement provisions are as follows: 2008-\$828,101; 2009-\$851,197; 2010-\$875,707; 2011-\$901,062; and 2012-\$927,929.

The Newfoundland Municipal Financing Corporation shows loans totalling \$1,137,187 in the name of the Town of Bay Roberts. These loans are 100% the responsibility of the Province of Newfoundland and Labrador. During the year, the Province paid principal and interest totalling \$304,847 on these loans. The payments are shown as debt charges and are offset by a revenue contribution in the financial statements.

**5. Municipal Tax Revenue**

	<u>2007</u>	<u>2006</u>
	\$	\$
Property tax	2,145,436	1,846,220
Business tax	758,234	663,934
Poll tax	51,252	20,438
Water and sewer tax	<u>661,469</u>	<u>651,710</u>
	<u><u>3,616,391</u></u>	<u><u>3,182,302</u></u>

**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
 DECEMBER 31, 2007

**6. Contingent Liability**

In 2007 the Town amended the severance pay policy so that an employee is entitled to receive severance pay when a combination of age and years of service total 70. Employees will have the option to request payments to a maximum of \$5,000 per year any time after the qualifying period is reached. During the year, an amount of \$36,000 was paid. At the end of the year the estimated liability for severance pay was \$104,366.

**7. Long-term Receivable from Province**

This represents the Province of Newfoundland and Labrador's 50% share of a multi-year capital works project. Under the agreement, the Town is required to finance the Province's share of the cost over a period of fifteen years and the Province will pay the semi-annual installments, as required, to the Town as a grant. The Town would transfer the payment to its financial institution.

**8. Annual Expenditure Report for Federal Gas Tax Revenue**

	<u>Annual</u>	<u>Cumulative</u>
	\$	\$
Opening balance of unspent funding	-	-
Received from the Province of Newfoundland and Labrador	163,580	163,580
Accrued interest on investment	3,105	3,105
	<u>166,685</u>	<u>166,685</u>
Spent on eligible projects	<u>-</u>	<u>-</u>
Closing balance	<u><u>166,685</u></u>	<u><u>166,685</u></u>

These funds are invested in a guaranteed investment certificate with a rate of 2.8%, maturing on April 2, 2008 with a renewable option.

**9. Reserves**

The Town has provided amounts in the budget to record reserves for future severance pay and land purchases. At the end of the year, an amount of \$159,956 has been invested in long-term certificates to provide for any future payments.