
THE TOWN OF BAY ROBERTS

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2004

WALTER P. MILLER & COMPANY

Chartered Accountants



March 9, 2005

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

In compliance with the requirements of Section 91 of The Municipalities Act, 2000, we report as follows on the audit of the accounts of the Council for the year ended December 31, 2004:

1. Expenditure in relation to budget:

Expenditure at \$4,159,485 exceeded the limits of the adopted budget by \$79,677. Detailed expenditure variances are shown in Schedule 1 to these financial statements. The main reasons for the excess are as follows:

The Town received payments totalling \$953,760 from the Province of Newfoundland and Labrador, which were applied to installments due on the Province's share of a long-term bank loan. These payments are shown in the financial statements as contributions from the Province, with an offsetting amount shown under debt charges. Only \$948,775 was reflected in the budget.

During the year, the Town incurred expenditures of \$283,539 on recreation and community events. An amount of \$196,000 was provided in the budget. This additional expense was financed by contributions and fund raising activities.

2. Arrears of revenue:

Taxes receivable totalled \$1,167,946 at December 31, 2004. Of this amount, \$636,034 has been outstanding for one year or longer, while the balance of \$531,912 represents arrears on current year's taxes.

Sundry accounts receivable increased from \$66,963 at December 31, 2003, to \$85,309 at December 31, 2004.

The allowance for doubtful accounts amounted to \$489,518 at December 31, 2004. In our opinion, the allowance is adequate.

3. The manner in which the accounts have been kept and the adequacy of the safeguards against fraud:

The position in these respects was considered satisfactory.

4. Sufficiency of bonds:

Fidelity bond coverage of \$25,000 is carried on each employee of the Council who is in a position of trust. In our opinion, the coverage is sufficient.

Walter P. Miller & Company
CHARTERED ACCOUNTANTS

St. John's, Newfoundland and Labrador

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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, 2004, and the statements of revenue, expenditure 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.

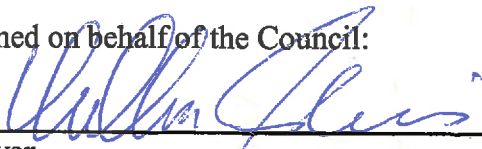
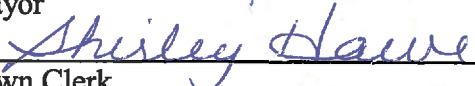
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2004, and the results of its operations and the changes in its cash resources for the year then ended in accordance with Canadian generally accepted accounting principles.

In compliance with the requirements of Section 91 of The Municipalities Act, 2000, our report on the statutory requirements is included herewith.

Walter P. Miller & Company
CHARTERED ACCOUNTANTS

St. John's, Newfoundland and Labrador
March 9, 2005

THE TOWN OF BAY ROBERTS
BALANCE SHEET
AS AT DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
	\$	\$
<u>ASSETS</u>		
Current		
Cash	302,170	154,803
Taxes receivable (net of allowance for doubtful accounts: 2004-\$489,518; 2003-\$489,229)	763,736	737,031
Current portion of long-term receivable (Note 6)	293,933	275,071
	<u>1,359,839</u>	<u>1,166,905</u>
Due from Province (Note 6)	<u>5,669,829</u>	<u>5,576,417</u>
Capital assets (Notes 1 and 2)	<u>33,416,201</u>	<u>32,511,484</u>
	<u>40,445,869</u>	<u>39,254,806</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	43,948	47,439
Portion of long-term debt due within one year (Note 3)	855,460	819,571
	<u>899,408</u>	<u>867,010</u>
Long-term		
Long-term debt, less portion due within one year (Note 3)	9,962,926	10,185,500
Capital demand loans	1,075,983	636,053
Contract holdback payable	58,260	276,675
	<u>11,097,169</u>	<u>11,098,228</u>
	<u>11,996,577</u>	<u>11,965,238</u>
Contingent Liability (Note 5)		
<u>EQUITY</u>		
Investment in capital assets	27,753,783	26,698,373
Surplus	565,553	491,239
Reserves (Note 7)	129,956	99,956
	<u>28,449,292</u>	<u>27,289,568</u>
	<u>40,445,869</u>	<u>39,254,806</u>
Signed on behalf of the Council:		
		
Mayor		
		
Town Clerk		

See accompanying notes to financial statements.

WALTER P. MILLER & COMPANY

THE TOWN OF BAY ROBERTS
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
	\$	\$
<u>REVENUE</u>		
Taxation		
Municipal taxes (Note 4)	2,849,169	2,580,467
Licenses and permits	4,715	4,105
Grants in lieu	2,856	14,546
Other fees	46,806	26,851
	<u>2,903,546</u>	<u>2,625,969</u>
Contributions		
Province of Newfoundland		
Municipal Assistance Grant	202,181	202,181
General (Note 3)	953,761	942,954
Other contributions	-	245,978
	<u>1,155,942</u>	<u>1,391,113</u>
Pool and playground revenue	<u>42,855</u>	<u>46,836</u>
Miscellaneous	<u>161,456</u>	<u>108,643</u>
Total Revenue	<u>4,263,799</u>	<u>4,172,561</u>
<u>EXPENDITURE</u>		
General government (Schedule 1)	570,400	556,149
Protective services (Schedule 1)	108,874	86,310
Transportation services (Schedule 1)	712,183	798,140
Environmental health (Schedule 1)	379,479	382,272
Recreation (Schedule 1)	464,521	526,632
Planning and development (Schedule 1)	115,929	108,257
Fiscal services (Schedule 1)	<u>1,808,099</u>	<u>1,669,076</u>
Total Expenditure	<u>4,159,485</u>	<u>4,126,836</u>
Excess of revenue over expenditure	104,314	45,725
Surplus, beginning of year	491,239	475,514
	<u>595,553</u>	<u>521,239</u>
Transferred to reserve (Note 7)	<u>30,000</u>	<u>30,000</u>
Surplus, end of year	<u>565,553</u>	<u>491,239</u>

See accompanying notes to financial statements.

WALTER P. MILLER & COMPANY

THE TOWN OF BAY ROBERTS
STATEMENT OF INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u> \$	<u>2003</u> \$
Balance, beginning of year	<u>26,698,373</u>	<u>25,114,563</u>
Add: Debt reduction	551,015	476,500
Province of Newfoundland grant	<u>504,395</u>	<u>1,107,310</u>
	<u>1,055,410</u>	<u>1,583,810</u>
Balance, end of year	<u><u>27,753,783</u></u>	<u><u>26,698,373</u></u>

See accompanying notes to financial statements.

WALTER P. MILLER & COMPANY

THE TOWN OF BAY ROBERTS
STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
	\$	\$
Operating Activities		
Excess of revenue over expenditure	104,314	45,725
Non-cash operating items		
- debt principal reduction	551,015	476,500
- reserve expenditure for severance pay	-	(20,044)
Changes in non-cash working capital components:		
Receivables	(26,708)	(30,231)
Accounts payable and accrued liabilities	(3,491)	26,752
Cash provided by operating activities	<u>625,130</u>	<u>498,702</u>
Investing Activities		
Capital asset additions (Note 2)	(904,717)	(1,779,923)
Increase in long-term receivable	(112,272)	(300,644)
Cash used by investing activities	<u>(1,016,989)</u>	<u>(2,080,567)</u>
Financing Activities		
New long-term debt	638,813	600,427
Capital demand loans	439,930	559,480
Repayment of long-term debt	(825,497)	(733,231)
Capital accounts payable	(218,415)	119,966
Province of Newfoundland grant	504,395	1,107,310
Cash provided by financing activities	<u>539,226</u>	<u>1,653,952</u>
Net change in cash during the year	147,367	72,087
Cash, beginning of year	<u>154,803</u>	<u>82,716</u>
Cash, end of year	<u><u>302,170</u></u>	<u><u>154,803</u></u>

See accompanying notes to financial statements.

WALTER P. MILLER & COMPANY

THE TOWN OF BAY ROBERTS
DETAILED STATEMENT OF EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>2004</u>	<u>2003</u>
	\$	\$	\$
General Government			
Council	62,100	61,670	50,800
General administration	411,500	423,571	424,971
Property assessments	71,933	71,933	68,232
Public relations	36,500	13,226	12,146
	<u>582,033</u>	<u>570,400</u>	<u>556,149</u>
Protective Services			
Fire protection	48,500	108,874	86,310
Emergency preparedness	15,000	-	-
Municipal enforcement	19,000	-	-
Animal and pest control	1,500	-	-
	<u>84,000</u>	<u>108,874</u>	<u>86,310</u>
Transportation Services			
Vehicle operation and maintenance	139,000	152,290	165,751
Road transportation	436,500	350,338	344,905
Snow clearing	134,500	79,821	159,445
Street lighting	135,000	129,734	128,039
	<u>845,000</u>	<u>712,183</u>	<u>798,140</u>
Environmental Health			
Water supply	225,000	172,436	151,224
Garbage collection	236,000	207,043	231,048
	<u>461,000</u>	<u>379,479</u>	<u>382,272</u>
Planning and Development			
Tourism and marketing	60,000	86,474	96,417
Other planning and development	5,000	29,455	-
Community improvement	30,000	-	11,840
	<u>95,000</u>	<u>115,929</u>	<u>108,257</u>

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THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. 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".

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.

Financial Instruments

The carrying values of the financial instruments of The Town of Bay Roberts, with the exception of long-term debt, approximate their fair market value due to the short-term maturity and normal trade credit terms of those instruments. The Town intends to hold its long-term debt instruments to maturity and, therefore, does not anticipate that any differences between carrying value and fair value will be recorded in the accounts.

THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

2. Capital Assets

	<u>Balance</u> <u>2003</u> \$	<u>Additions</u> \$	<u>Deletions</u> \$	<u>Balance</u> <u>2004</u> \$
General				
Land	21,163	-	-	21,163
Buildings	166,747	-	-	166,747
Equipment	1,308,370	146,339	-	1,454,709
Roads and improvements	2,348,234	93,338	-	2,441,572
Municipal dump	2,122	-	-	2,122
Town plan	32,690	-	-	32,690
Recreation facilities	1,728,017	45,425	-	1,773,442
Public wells	25,696	-	-	25,696
Water and Sewerage Utility				
Plant and Equipment	<u>26,878,445</u>	<u>619,615</u>	<u>-</u>	<u>27,498,060</u>
Total Capital Assets	<u><u>32,511,484</u></u>	<u><u>904,717</u></u>	<u><u>-</u></u>	<u><u>33,416,201</u></u>

3. Long-term Debt

	<u>2004</u> \$	<u>2003</u> \$
Bank Loans		
Multi-year capital project, 6.56% loan, original amount of \$961,243, repayable in blended semi-annual installments of \$50,834, maturing 2017.	835,864	880,467
Multi-year capital project, 6.3% loan, original amount of \$1,150,000, repayable in blended semi-annual installments of \$59,815, maturing 2012.	1,051,130	1,102,062

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THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

3. Long-term Debt

	<u>2004</u>	<u>2003</u>
	\$	\$
Bank Loans (Continued)		
Multi-year capital project 6.75% loan, original amount of \$3,650,000, repayable in blended semi-annual installments of \$195,360, maturing 2015.	3,000,785	3,179,733
Multi-year capital project 3.26% loan, repayable in monthly installments of \$4,379, maturing in 2005.	51,527	101,617
Multi-year capital project 3.13% loan, original amount of \$5,743,440, repayable in blended monthly installments of \$55,274, maturing in 2006.	<u>5,879,080</u>	<u>5,741,192</u>
Long-term debt	10,818,386	11,005,071
Less: Current portion	<u>855,460</u>	<u>819,571</u>
Total long-term debt, net of current portion	<u><u>9,962,926</u></u>	<u><u>10,185,500</u></u>

The \$3,650,000, \$1,150,000 and \$961,243 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 payments of \$612,017 of principal and interest.

The aggregate amount of payments required in each of the next five years to meet retirement provisions are as follows: 2005-\$855,460; 2006-\$839,090; 2007-\$876,095; 2008-\$919,622 and 2009-\$956,778.

The Newfoundland Municipal Corporation shows loans totalling \$1,334,023 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 \$341,744 on these loans. The payments are shown as debt charges and are offset by a revenue contribution in the financial statements.

THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

4. Municipal Tax Revenue

	<u>2004</u>	<u>2003</u>
	\$	\$
Property tax	1,644,184	1,493,973
Business tax	595,877	564,327
Poll tax	24,256	16,056
Water and sewer tax	584,852	506,111
	<u>2,849,169</u>	<u>2,580,467</u>

5. Contingent Liability

During the year, the Town approved a severance pay policy for long-term employees. The effect of the liability is not recorded in the financial statements as the amount has not been budgeted and is contingent upon employees' retirement. At December 31, 2002, the potential liability is \$106,772.

6. 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.

7. 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 \$156,130 has been invested in long-term certificates to provide for any future payments.