
THE TOWN OF BAY ROBERTS

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2005

WALTER P. MILLER & COMPANY

Chartered Accountants



Partners

Stephen Belanger, B.Comm., F.C.A.
Boyde Clarke, B.Comm., C.A.
Peter Miller, B.Comm., C.A.

Principal

Raymond White, C.G.A.

Associates

Gordon D. Cook, F.C.G.A.
Russell E. Pelley, F.C.A.

February 23, 2006

**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, 2005:

1. Expenditure in relation to budget:

Expenditure at \$4,390,036 exceeded the limits of the adopted budget by \$224,945. Detailed expenditure variances are shown in Schedule 1 to these financial statements. The main reasons for the excess are as follows:

During the year, the Town incurred expenditures of \$282,255 on recreation and community events. An amount of \$115,000 was provided in the budget.

2. Arrears of revenue:

Taxes receivable totalled \$1,146,026 at December 31, 2005. Of this amount, \$672,394 has been outstanding for one year or longer, while the balance of \$473,632 represents arrears on current year's taxes.

Sundry accounts receivable decreased from \$85,309 at December 31, 2004, to \$72,236 at December 31, 2005.

The allowance for doubtful accounts amounted to \$481,264 at December 31, 2005. 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 \$35,000 is carried on each employee of the Council who is in a position of trust. In our opinion, the coverage is sufficient.


CHARTERED ACCOUNTANTS

St. John's, Newfoundland and Labrador

CONTENTS

	<u>Page</u>
AUDITORS' REPORT	1
BALANCE SHEET	2
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS	3
STATEMENT OF INVESTMENT IN CAPITAL ASSETS	4
STATEMENT OF CHANGES IN CASH RESOURCES	5
SCHEDULE 1 - DETAILED STATEMENT OF EXPENDITURE	6
NOTES TO FINANCIAL STATEMENTS	8



**WALTER P. MILLER
& CO.** CHARTERED ACCOUNTANTS

P.O. Box 8505
108 LeMarchant Road
St. John's, NL A1B 3N9
Telephone: 709-579-2161
Facsimile: 709-738-2391
www.walterpmiller.com

Partners

Stephen Belanger, B.Comm., F.C.A.
Boyde Clarke, B.Comm., C.A.
Peter Miller, B.Comm., C.A.

Principal

Raymond White, C.G.A.

Associates

Gordon D. Cook, F.C.G.A.
Russell E. Pelley, F.C.A.

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, 2005, 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, 2005, 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.


CHARTERED ACCOUNTANTS

St. John's, Newfoundland and Labrador
February 23, 2006

THE TOWN OF BAY ROBERTS
BALANCE SHEET
AS AT DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
<u>ASSETS</u>		
Current		
Cash	189,494	302,170
Taxes receivable (net of allowance for doubtful accounts: 2005-\$481,264; 2004-\$489,518)	736,999	763,736
Current portion of long-term receivable (Note 6)	314,090	293,933
	<u>1,240,583</u>	<u>1,359,839</u>
Due from Province (Note 6)	4,748,082	5,669,829
Capital assets (Notes 1 and 2)	34,071,883	33,416,201
	<u>40,060,548</u>	<u>40,445,869</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	52,042	43,948
Portion of long-term debt due within one year (Note 3)	764,090	855,460
	<u>816,132</u>	<u>899,408</u>
Long-term		
Long-term debt, less portion due within one year (Note 3)	9,498,429	9,962,926
Capital demand loans	467,380	1,075,983
Contract holdback payable	3,522	58,260
	<u>9,969,331</u>	<u>11,097,169</u>
	<u>10,785,463</u>	<u>11,996,577</u>
Contingent Liability (Note 5)		
<u>EQUITY</u>		
Investment in capital assets	28,623,862	27,753,783
Surplus	491,267	565,553
Reserves (Note 7)	159,956	129,956
	<u>29,275,085</u>	<u>28,449,292</u>
	<u>40,060,548</u>	<u>40,445,869</u>

Signed on behalf of the Council:

Mayor

Town Clerk

Edwin Bradshaw

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, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
<u>REVENUE</u>		
Taxation		
Municipal taxes (Note 4)	3,009,687	2,849,169
Licenses and permits	13,675	4,715
Grants in lieu	26,868	2,856
Other fees	25,949	46,806
	<u>3,076,179</u>	<u>2,903,546</u>
Contributions		
Province of Newfoundland		
Municipal Assistance Grant	162,109	202,181
General (Note 3)	968,543	953,761
Other contributions	20,400	-
	<u>1,151,052</u>	<u>1,155,942</u>
Pool and playground revenue	<u>37,361</u>	<u>42,855</u>
Miscellaneous	<u>81,158</u>	<u>161,456</u>
Total Revenue	<u>4,345,750</u>	<u>4,263,799</u>
<u>EXPENDITURE</u>		
General government (Schedule 1)	598,931	570,400
Protective services (Schedule 1)	109,969	108,874
Transportation services (Schedule 1)	884,219	712,183
Environmental health (Schedule 1)	385,210	379,479
Recreation (Schedule 1)	510,289	464,521
Planning and development (Schedule 1)	121,568	115,929
Fiscal services (Schedule 1)	<u>1,779,850</u>	<u>1,808,099</u>
Total Expenditure	<u>4,390,036</u>	<u>4,159,485</u>
Excess (deficiency) of revenue over expenditure	(44,286)	104,314
Surplus, beginning of year	565,553	491,239
	<u>521,267</u>	<u>595,553</u>
Transferred to reserve (Note 7)	<u>30,000</u>	<u>30,000</u>
Surplus, end of year	<u>491,267</u>	<u>565,553</u>

See accompanying notes to financial statements.

THE TOWN OF BAY ROBERTS
STATEMENT OF INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
Balance, beginning of year	<u>27,753,783</u>	<u>26,698,373</u>
Add: Debt reduction	562,880	551,015
Capital grants	237,732	504,395
Capital expenditure	69,467	-
	<u>870,079</u>	<u>1,055,410</u>
Balance, end of year	<u><u>28,623,862</u></u>	<u><u>27,753,783</u></u>

See accompanying notes to financial statements.

THE TOWN OF BAY ROBERTS
STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
Operating Activities		
Excess (deficiency) of revenue over expenditure	(44,286)	104,314
Non-cash operating items		
- debt principal reduction	562,880	551,015
- capital expenditure	69,467	-
Changes in non-cash working capital components:		
Receivables	26,737	(26,708)
Accounts payable and accrued liabilities	8,094	(3,491)
Cash provided by operating activities	<u>622,892</u>	<u>625,130</u>
Investing Activities		
Capital asset additions (Note 2)	(655,682)	(904,717)
Decrease (increase) in long-term receivable	901,590	(112,272)
Cash used by investing activities	<u>245,908</u>	<u>(1,016,989)</u>
Financing Activities		
New long-term debt	300,000	638,813
Capital demand loans	(608,603)	439,930
Repayment of long-term debt	(855,867)	(825,497)
Capital accounts payable	(54,738)	(218,415)
Province of Newfoundland and Labrador grant	237,732	504,395
Cash provided by financing activities	<u>(981,476)</u>	<u>539,226</u>
Net change in cash during the year	(112,676)	147,367
Cash, beginning of year	<u>302,170</u>	<u>154,803</u>
Cash, end of year	<u><u>189,494</u></u>	<u><u>302,170</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, 2005

	<u>Budget</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$
General Government			
Council	64,100	59,044	61,670
General administration	449,000	438,097	423,571
Property assessments	84,931	84,931	71,933
Public relations	32,500	16,859	13,226
	<u>630,531</u>	<u>598,931</u>	<u>570,400</u>
Protective Services			
Fire protection	36,500	82,206	108,874
Emergency preparedness	15,000	-	-
Municipal enforcement	19,000	27,763	-
Animal and pest control	1,500	-	-
	<u>72,000</u>	<u>109,969</u>	<u>108,874</u>
Transportation Services			
Vehicle operation and maintenance	139,000	237,929	152,290
Road transportation	433,000	443,481	350,338
Snow clearing	134,500	69,117	79,821
Street lighting	144,000	133,692	129,734
	<u>850,500</u>	<u>884,219</u>	<u>712,183</u>
Environmental Health			
Water supply	217,000	178,795	172,436
Garbage collection	232,000	206,415	207,043
	<u>449,000</u>	<u>385,210</u>	<u>379,479</u>
Planning and Development			
Tourism and marketing	60,000	98,211	86,474
Other planning and development	5,000	-	29,455
Community improvement	35,000	23,357	-
	<u>100,000</u>	<u>121,568</u>	<u>115,929</u>

.../Continued

THE TOWN OF BAY ROBERTS
DETAILED STATEMENT OF EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$
Recreation			
Recreation and community events	115,000	282,255	283,539
Recreation facilities	130,000	162,415	113,413
Swimming pool	<u>73,000</u>	<u>65,619</u>	<u>67,569</u>
	<u>318,000</u>	<u>510,289</u>	<u>464,521</u>
Fiscal Services			
Debt charges	720,000	738,743	715,657
Government portion of debt charges (Note 3)	980,060	968,543	953,761
Bank and late charges	15,000	18,158	15,704
Reserve for severance pay	10,000	-	-
Land acquisition	20,000	-	-
Discounts	-	54,406	48,062
Provision for uncollectible accounts	<u>-</u>	<u>-</u>	<u>74,915</u>
	<u>1,745,060</u>	<u>1,779,850</u>	<u>1,808,099</u>
Totals	<u>4,165,091</u>	<u>4,390,036</u>	<u>4,159,485</u>

See accompanying notes to financial statements.

THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

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, 2005

2. Capital Assets

	<u>Balance</u> <u>2004</u> \$	<u>Additions</u> \$	<u>Deletions</u> \$	<u>Balance</u> <u>2005</u> \$
General				
Land	21,163	255,000	-	276,163
Buildings	166,747	-	-	166,747
Equipment	1,454,709	69,467	-	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
Water and Sewerage Utility				
Plant and Equipment	<u>27,498,060</u>	<u>331,215</u>	<u>-</u>	<u>27,829,275</u>
Total Capital Assets	<u><u>33,416,201</u></u>	<u><u>655,682</u></u>	<u><u>-</u></u>	<u><u>34,071,883</u></u>

3. Long-term Debt

	<u>2005</u> \$	<u>2004</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.	788,303	835,864
Multi-year capital project, 6.3% loan, original amount of \$1,150,000, repayable in blended semi-annual installments of \$59,815, maturing 2012.	996,873	1,051,130

.../Continued

THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

3. Long-term Debt

	<u>2005</u>	<u>2004</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.	2,809,615	3,000,785
Multi-year capital project 3.26% loan, repayable in monthly installments of \$4,379, maturing in 2005.	-	51,527
Multi-year capital project 4.41% loan, original amount of \$667,728, repayable in blended monthly installments of \$58,494, maturing in 2006.	<u>5,667,728</u>	<u>5,879,080</u>
Long-term debt	10,262,519	10,818,386
Less: Current portion	<u>764,090</u>	<u>855,460</u>
Total long-term debt, net of current portion	<u><u>9,498,429</u></u>	<u><u>9,962,926</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: 2006-\$764,090; 2007-\$786,095; 2008-\$809,622; 2009-\$831,778; and 2010-\$855,301.

The Newfoundland Municipal Financing Corporation shows loans totalling \$1,584,554 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 \$356,526 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, 2005

4. Municipal Tax Revenue

	<u>2005</u>	<u>2004</u>
	\$	\$
Property tax	1,712,185	1,644,184
Business tax	639,195	595,877
Poll tax	20,018	24,256
Water and sewer tax	<u>638,289</u>	<u>584,852</u>
	<u>3,009,687</u>	<u>2,849,169</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 \$134,343.

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 \$190,002 has been invested in long-term certificates to provide for any future payments.