
THE TOWN OF BAY ROBERTS

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

March 16, 2007

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

In compliance with the requirements of Section 91 of The Municipalities Act, 1999, we report as follows on the audit of the accounts of the Council for the year ended December 31, 2006:

1. Expenditure in relation to budget:

Expenditure at \$4,592,055 exceeded the limits of the adopted budget by \$329,313. 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 \$312,753 on recreation and community events. An amount of \$120,500 was provided in the budget.

2. Arrears of revenue:

Taxes receivable totalled \$1,209,200 at December 31, 2006. Of this amount, \$530,632 has been outstanding for one year or longer, while the balance of \$678,568 represents arrears on current year's taxes.

Sundry accounts receivable decreased from \$72,236 at December 31, 2005, to \$42,044 at December 31, 2006.

The allowance for doubtful accounts amounted to \$469,076 at December 31, 2006. In our opinion, the allowance is adequate.

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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

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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, 2006, 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, 2006, 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.

Belanger Clarke
CHARTERED ACCOUNTANTS

St. John's, Newfoundland and Labrador
March 16, 2007

THE TOWN OF BAY ROBERTS
BALANCE SHEET
AS AT DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
<u>ASSETS</u>		
Current		
Cash	124,862	189,494
Taxes receivable (net of allowance for doubtful accounts: 2006-\$469,076; 2005-\$481,264)	782,168	736,999
Current portion of long-term receivable (Note 8)	353,681	314,090
	<u>1,260,711</u>	<u>1,240,583</u>
Due from Province (Note 8)	<u>4,388,230</u>	<u>4,748,082</u>
Capital assets (Notes 1 and 4)	<u>34,087,570</u>	<u>34,071,883</u>
	<u><u>39,736,511</u></u>	<u><u>40,060,548</u></u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	68,984	52,042
Portion of long-term debt due within one year (Note 5)	803,681	764,090
	<u>872,665</u>	<u>816,132</u>
Long-term		
Long-term debt, less portion due within one year (Note 5)	9,043,597	9,498,429
Capital demand loans	103,615	467,380
Contract holdback payable	3,522	3,522
	<u>9,150,734</u>	<u>9,969,331</u>
Contingent Liability (Note 7)	<u>10,023,399</u>	<u>10,785,463</u>
<u>EQUITY</u>		
Investment in capital assets	29,091,343	28,623,862
Surplus	461,813	491,267
Reserves (Note 9)	159,956	159,956
	<u>29,713,112</u>	<u>29,275,085</u>
	<u><u>39,736,511</u></u>	<u><u>40,060,548</u></u>

Signed on behalf of the Council:

Mayor

Town Manager

See accompanying notes to financial statements.

BELANGER CLARKE

THE TOWN OF BAY ROBERTS
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
<u>REVENUE</u>		
Taxation		
Municipal taxes (Note 6)	3,182,302	3,009,687
Licenses and permits	16,786	13,675
Grants in lieu	11,988	26,868
Other fees	53,033	25,949
	<u>3,264,109</u>	<u>3,076,179</u>
Contributions		
Province of Newfoundland		
Municipal Assistance Grant	134,151	162,109
General (Note 5)	985,282	968,543
Other contributions	-	20,400
	<u>1,119,433</u>	<u>1,151,052</u>
Pool and playground revenue	<u>51,865</u>	<u>37,361</u>
Miscellaneous	<u>127,194</u>	<u>81,158</u>
Total Revenue	<u>4,562,601</u>	<u>4,345,750</u>
<u>EXPENDITURE</u>		
General government (Schedule 1)	643,441	598,931
Protective services (Schedule 1)	132,664	109,969
Transportation services (Schedule 1)	890,737	884,219
Environmental health (Schedule 1)	450,074	385,210
Recreation (Schedule 1)	569,378	510,289
Planning and development (Schedule 1)	138,805	121,568
Fiscal services (Schedule 1)	<u>1,766,956</u>	<u>1,779,850</u>
Total Expenditure	<u>4,592,055</u>	<u>4,390,036</u>
Deficiency of revenue over expenditure	(29,454)	(44,286)
Surplus, beginning of year	491,267	565,553
	<u>461,813</u>	<u>521,267</u>
Transferred to reserve (Note 9)	<u>-</u>	<u>30,000</u>
Surplus, end of year	<u>461,813</u>	<u>491,267</u>

See accompanying notes to financial statements.

BELANGER CLARKE

THE TOWN OF BAY ROBERTS
STATEMENT OF INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u> \$	<u>2005</u> \$
Balance, beginning of year	<u>28,623,862</u>	<u>27,753,783</u>
Add: Debt reduction	467,481	562,880
Capital grants	-	237,732
Capital expenditure	-	69,467
	<u>467,481</u>	<u>870,079</u>
Balance, end of year	<u><u>29,091,343</u></u>	<u><u>28,623,862</u></u>

See accompanying notes to financial statements.

BELANGER CLARKE

THE TOWN OF BAY ROBERTS
STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
Operating Activities		
Deficiency of revenue over expenditure	(29,454)	(44,286)
Non-cash operating items		
- debt principal reduction	467,481	562,880
- capital expenditure	-	69,467
Changes in non-cash working capital components:		
Receivables	(45,168)	26,737
Accounts payable and accrued liabilities	16,942	8,094
Cash provided by operating activities	<u>409,801</u>	<u>622,892</u>
Investing Activities		
Capital asset additions (Note 4)	(15,688)	(655,682)
Decrease in long-term receivable	320,261	901,590
Cash used by investing activities	<u>304,573</u>	<u>245,908</u>
Financing Activities		
New long-term debt	372,500	300,000
Capital demand loans	(363,765)	(608,603)
Repayment of long-term debt	(787,741)	(855,867)
Capital accounts payable	-	(54,738)
Province of Newfoundland and Labrador grant	-	237,732
Cash provided by financing activities	<u>(779,006)</u>	<u>(981,476)</u>
Net change in cash during the year	(64,632)	(112,676)
Cash, beginning of year	<u>189,494</u>	<u>302,170</u>
Cash, end of year	<u><u>124,862</u></u>	<u><u>189,494</u></u>

See accompanying notes to financial statements.

THE TOWN OF BAY ROBERTS
DETAILED STATEMENT OF EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budget</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$
General Government			
Council	70,700	64,367	59,044
General administration	452,500	476,595	438,097
Property assessments	88,582	88,582	84,931
Public relations	33,500	13,897	16,859
	<u>645,282</u>	<u>643,441</u>	<u>598,931</u>
Protective Services			
Fire protection	37,000	89,856	82,206
Emergency preparedness	15,000	-	-
Municipal enforcement	37,800	42,808	27,763
Animal and pest control	1,500	-	-
	<u>91,300</u>	<u>132,664</u>	<u>109,969</u>
Transportation Services			
Vehicle operation and maintenance	144,000	239,129	237,929
Road transportation	448,500	397,207	443,481
Snow clearing	136,500	117,461	69,117
Street lighting	150,000	136,940	133,692
	<u>879,000</u>	<u>890,737</u>	<u>884,219</u>
Environmental Health			
Water supply	221,963	208,166	178,795
Garbage collection	236,500	241,908	206,415
	<u>458,463</u>	<u>450,074</u>	<u>385,210</u>
Planning and Development			
Tourism and marketing	63,000	99,802	98,211
Other planning and development	5,500	-	-
Community improvement	36,000	39,003	23,357
	<u>104,500</u>	<u>138,805</u>	<u>121,568</u>

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THE TOWN OF BAY ROBERTS
DETAILED STATEMENT OF EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budget</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$
Recreation			
Recreation and community events	120,500	312,753	282,255
Recreation facilities	31,237	184,742	162,415
Swimming pool	74,000	71,883	65,619
Museum	6,000	-	-
Recreation and cultural programs	<u>117,000</u>	<u>-</u>	<u>-</u>
	<u>348,737</u>	<u>569,378</u>	<u>510,289</u>
Fiscal Services			
Debt charges	720,000	701,926	738,743
Government portion of debt charges (Note 3)	967,460	985,282	968,543
Bank and late charges	18,000	22,985	18,158
Reserve for severance pay	10,000	-	-
Land acquisition	20,000	-	-
Discounts	<u>-</u>	<u>56,763</u>	<u>54,406</u>
	<u>1,735,460</u>	<u>1,766,956</u>	<u>1,779,850</u>
Totals	<u>4,262,742</u>	<u>4,592,055</u>	<u>4,390,036</u>

See accompanying notes to financial statements.

BELANGER CLARKE

THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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".

2. 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.

3. 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, 2006

4. Capital Assets

	<u>Balance</u> <u>2005</u> \$	<u>Additions</u> \$	<u>Deletions</u> \$	<u>Balance</u> <u>2006</u> \$
General				
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
Water and Sewerage Utility				
Plant and Equipment	<u>27,829,275</u>	<u>15,687</u>	<u>-</u>	<u>27,844,962</u>
Total Capital Assets	<u>34,071,883</u>	<u>15,687</u>	<u>-</u>	<u>34,087,570</u>

5. Long-term Debt

	<u>2006</u> \$	<u>2005</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.	738,283	788,303
Multi-year capital project, 6.3% loan, original amount of \$1,150,000, repayable in blended semi-annual installments of \$59,815, maturing 2012.	939,362	996,873

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THE TOWN OF BAY ROBERTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

5. Long-term Debt (Continued)

	<u>2006</u>	<u>2005</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.	2,605,357	2,809,615
Multi-year capital project 5.02% loan, original amount to \$372,500, repayable in blended semi-annual installments of	364,029	-
Multi-year capital project 4.41% loan, original amount of \$667,728, repayable in blended monthly installments of \$58,494, maturing in 2006.	<u>5,200,247</u>	<u>5,667,728</u>
Long-term debt	9,847,278	10,262,519
Less: Current portion	<u>803,681</u>	<u>764,090</u>
Total long-term debt, net of current portion	<u><u>9,043,597</u></u>	<u><u>9,498,429</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 payments of \$629,838 of principal and interest.

The aggregate amount of payments required in each of the next five years to meet retirement provisions are as follows: 2007-\$803,681; 2008-\$828,101; 2009-\$851,197; 2010-\$875,707 and 2011-\$901,062,

The Newfoundland Municipal Financing Corporation shows loans totalling \$1,345,809 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 \$355,444 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, 2006

6. Municipal Tax Revenue

	<u>2006</u>	<u>2005</u>
	\$	\$
Property tax	1,846,220	1,712,185
Business tax	663,934	639,195
Poll tax	20,438	20,018
Water and sewer tax	<u>651,710</u>	<u>638,289</u>
	<u><u>3,182,302</u></u>	<u><u>3,009,687</u></u>

7. Contingent Liability

During the prior 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 \$141,877.

8. 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.

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.