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**THE TOWN OF BAY ROBERTS**

**AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

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April 14, 2009

**The Mayor and Councillors  
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, 2008:

1. Expenditures in relation to budget:

Expenditures of \$5,138,070 exceeded the limits of the adopted budget by \$103,771. Detailed expenditure variances are shown in Schedule 1 to these financial statements.

2. Arrears of revenue:

Taxes receivable totalled \$1,273,183 at December 31, 2008. Of this amount, \$798,273 has been outstanding for one year or longer, while the balance of \$474,910 represents arrears on current year's taxes.

Sundry accounts receivable increased from \$82,497 at December 31, 2007, to \$92,569 at December 31, 2008.

The allowance for doubtful accounts amounted to \$535,471 at December 31, 2008. 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.

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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.

A handwritten signature in black ink, appearing to read "Robert Clarke". The signature is written in a cursive style with a large initial 'R'.

**CHARTERED ACCOUNTANTS**

St. John's, Newfoundland and Labrador

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## AUDITORS' REPORT

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

We have audited the balance sheet of **The Town of Bay Roberts** as at December 31, 2008, and the statements of revenues, expenditures and surplus and cash flow 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, 2008, 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  
April 14, 2009

**THE TOWN OF BAY ROBERTS**  
**BALANCE SHEET**  
AS AT DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
<b><u>ASSETS</u></b>		
Current		
Cash and bank	643,082	480,466
Taxes receivable (net of allowance for doubtful accounts: 2008-\$535,471; 2007-\$570,005)	830,281	892,590
Current portion of long-term receivable (Note 7)	401,197	378,101
	<u>1,874,560</u>	<u>1,751,157</u>
Due from Province (Note 7)	<u>3,552,533</u>	<u>3,917,264</u>
Capital assets (Notes 1 and 3)	<u>35,412,941</u>	<u>34,227,364</u>
	<u>40,840,034</u>	<u>39,895,785</u>
<b><u>LIABILITIES</u></b>		
Current		
Loan installments due and unpaid	246,193	255,049
Accounts payable and accrued liabilities	140,668	78,976
Portion of long-term debt due within one year (Note 4)	851,197	828,101
Deferred revenue	-	163,580
	<u>1,238,058</u>	<u>1,325,706</u>
Long-term		
Long-term debt, less portion due within one year (Note 4)	7,325,896	8,247,652
Capital demand loans	445,792	-
Capital accounts payable	152,870	-
	<u>7,924,558</u>	<u>8,247,652</u>
	<u>9,162,616</u>	<u>9,573,358</u>
Contingent Liability (Note 6)		
<b><u>EQUITY</u></b>		
Investment in capital assets	30,758,629	29,587,588
Surplus	758,833	574,883
Reserves (Note 8)	159,956	159,956
	<u>31,677,418</u>	<u>30,322,427</u>
	<u>40,840,034</u>	<u>39,895,785</u>
Signed on behalf of the Council:		
_____ Mayor <i>Edwin Madson</i>		
_____ 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, 2008**

	<u>2008</u> \$	<u>2007</u> \$
<b><u>REVENUES</u></b>		
Taxation		
Municipal taxes (Note 5)	3,766,575	3,616,391
Licenses and permits	18,591	17,720
Grants in lieu	14,642	13,275
Other fees	119,975	110,119
	<u>3,919,783</u>	<u>3,757,505</u>
Contributions		
Province of Newfoundland Municipal Assistance Grant General (Note 4)	134,151	134,151
	<u>1,130,609</u>	<u>1,073,971</u>
	<u>1,264,760</u>	<u>1,208,122</u>
Pool and playground revenue	<u>48,746</u>	<u>36,004</u>
Miscellaneous	<u>88,731</u>	<u>56,360</u>
Total Revenues	<u>5,322,020</u>	<u>5,057,991</u>
<b><u>EXPENDITURES</u></b>		
General government (Schedule 1)	761,917	666,669
Protective services (Schedule 1)	183,249	176,922
Transportation services (Schedule 1)	1,074,937	1,105,789
Environmental health (Schedule 1)	643,703	509,588
Planning and development (Schedule 1)	254,734	220,160
Recreation (Schedule 1)	480,005	419,650
Fiscal services (Schedule 1)	<u>1,739,525</u>	<u>1,846,143</u>
Total Expenditures	<u>5,138,070</u>	<u>4,944,921</u>
Excess of revenues over expenditures	183,950	113,070
Surplus, beginning of year	<u>574,883</u>	<u>461,813</u>
Surplus, end of year	<u><u>758,833</u></u>	<u><u>574,883</u></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, 2008**

	<u>2008</u>	<u>2007</u>
	\$	\$
Balance, beginning of year	<u>29,587,588</u>	<u>29,091,343</u>
Add: Debt reduction	533,437	420,761
Capital grants	637,604	51,800
Capital expenditures	-	23,684
	<u>1,171,041</u>	<u>496,245</u>
Balance, end of year	<u><u>30,758,629</u></u>	<u><u>29,587,588</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, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
Operating Activities		
Excess of revenues over expenditures	183,950	113,070
Non-cash operating items		
- debt principal reduction	533,438	420,761
- capital expenditures	-	23,684
Changes in non-cash working capital components:		
Deferred revenue	(163,580)	163,580
Receivables	62,309	(110,422)
Accounts payable and accrued liabilities	61,691	9,992
Loan installments due and unpaid	(8,856)	255,049
Cash provided by operating activities	<u>668,952</u>	<u>875,714</u>
Investing Activities		
Capital asset additions (Note 3)	(1,185,577)	(139,794)
Decrease in long-term receivable	341,635	446,546
Cash provided by investing activities	<u>(843,942)</u>	<u>306,752</u>
Financing Activities		
Proceeds from long-term debt	-	901
Proceeds (repayment) of capital demand loans (net)	445,792	(103,615)
Repayment of long-term debt	(898,660)	(772,426)
Capital accounts payable	152,870	(3,522)
Province of Newfoundland and Labrador grant	637,604	51,800
Cash used by financing activities	<u>337,606</u>	<u>(826,862)</u>
Net change in cash during the year	162,616	355,604
Cash, beginning of year	<u>480,466</u>	<u>124,862</u>
Cash, end of year	<u><u>643,082</u></u>	<u><u>480,466</u></u>

See accompanying notes to financial statements.

**BELANGER CLARKE FOLLETT & MCGETTIGAN**

**THE TOWN OF BAY ROBERTS**  
**DETAILED STATEMENT OF EXPENDITURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget</u> \$	<u>2008</u> \$	<u>2007</u> \$
<b>General Government</b>			
Council	125,500	81,485	72,121
General administration	680,500	590,758	505,368
Property assessments	89,674	89,674	89,180
	<u>895,674</u>	<u>761,917</u>	<u>666,669</u>
<b>Protective Services</b>			
Fire protection	67,500	111,097	123,861
Emergency preparedness	10,000	-	-
Municipal enforcement	20,000	72,152	53,061
Animal and pest control	2,500	-	-
	<u>100,000</u>	<u>183,249</u>	<u>176,922</u>
<b>Transportation Services</b>			
Vehicle operation and maintenance	180,000	232,077	241,096
Road transportation	623,970	537,765	585,867
Snow clearing	166,000	147,116	153,155
Street lighting	150,000	157,979	125,671
	<u>1,119,970</u>	<u>1,074,937</u>	<u>1,105,789</u>
<b>Environmental Health</b>			
Water supply	340,000	379,121	268,765
Garbage collection	250,000	264,582	240,823
	<u>590,000</u>	<u>643,703</u>	<u>509,588</u>
<b>Planning and Development</b>			
Tourism and marketing	100,000	195,234	199,629
Other planning and development	140,000	34,333	15,001
Green committee	15,000	25,167	5,530
	<u>255,000</u>	<u>254,734</u>	<u>220,160</u>

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**THE TOWN OF BAY ROBERTS  
DETAILED STATEMENT OF EXPENDITURE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$
<b>Recreation</b>			
Recreation and community events	83,000	105,821	97,496
Recreation facilities	95,000	282,489	247,738
Swimming pool	65,000	91,695	74,416
	<u>243,000</u>	<u>480,005</u>	<u>419,650</u>
<b>Fiscal Services</b>			
Provision for bad debts	-	-	110,993
Debt charges	740,000	739,493	648,654
Government portion of debt charges (Note 4)	952,505	907,039	952,505
Bank and late charges	-	21,056	20,748
Reserve for severance pay	30,000	-	-
Land acquisition	-	-	25,559
Discounts	-	71,937	64,000
Capital expenditure	108,150	-	23,684
	<u>1,830,655</u>	<u>1,739,525</u>	<u>1,846,143</u>
<b>Totals</b>	<u>5,034,299</u>	<u>5,138,070</u>	<u>4,944,921</u>

See accompanying notes to financial statements.

**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**1. Significant Accounting Policies**

Change In Accounting Policy

Effective January 1, 2009 the Town of Bay Roberts adopted Accounting Guideline 7 of the Public Sector Accounting Handbook with respect to the disclosure of tangible capital assets.

Prior to January 1, 2009 the Town of Bay Roberts recorded tangible capital assets as follows:

1. Tangible capital assets purchased from general revenue in a current year were shown on the Statement of Financial Position at cost with an offsetting amount shown as an Investment in Capital Assets. The cost of the assets were fully expensed in the year of acquisition.
2. Tangible capital assets financed on a long-term basis in a current year were shown on on the Statement of Financial Position at cost with the offsetting amount being the long-term debt. The annual principal payments were expensed, in the form of amortization, over the life of the long-term debt. Instead of being shown on the Statement of Financial Position as accumulated amortization, the accumulated principal loan payments were included in Investment in Capital Assets.

During 2008 the Town of Bay Roberts continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the municipality has prepared a complete listing of tangible capital assets and completed values for buildings and equipment. Values for streets, recreation facilities and water and sewer systems is expected to be completed by August 31, 2009.

The Town of Bay Roberts has adopted the policy of capitalizing interest on temporary borrowings used to finance certain assets during construction, such as water and sewer projects, pending long-term refinancing arrangements.

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**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**1. Significant Accounting Policies (Continued)**

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 and bank, taxes receivable, due from province, loan installments due and unpaid, accounts payable and accrued liabilities, long-term debt, capital demand loans and capital accounts payable. 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 other

**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2008

### 3. Capital Assets

	<u>Balance</u> <u>2007</u> \$	<u>Additions</u> \$	<u>Deletions</u> \$	<u>Balance</u> <u>2008</u> \$
<b>General</b>				
Land	276,163	59,000	-	335,163
Buildings	166,747	-	-	166,747
Equipment	1,524,176	140,072	-	1,664,248
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	58,814	-	1,832,256
Public wells	25,696	-	-	25,696
<b>Water and Sewerage Utility</b>				
Plant and Equipment	<u>27,984,756</u>	<u>927,691</u>	<u>-</u>	<u>28,912,447</u>
<b>Total Capital Assets</b>	<u><u>34,227,364</u></u>	<u><u>1,185,577</u></u>	<u><u>-</u></u>	<u><u>35,412,941</u></u>

### 4. Long-term Debt

	<u>2008</u> \$	<u>2007</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.	626,317	684,160
Multi-year capital project, 6.3% loan, original loan of \$1,150,000, repayable in blended semi-annual installments of \$59,815, maturing 2012.	815,341	877,943

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**THE TOWN OF BAY ROBERTS**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2008

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

	<u>2008</u>	<u>2007</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.	2,158,095	2,386,818
Multi-year capital project 5.02% loan, original loan of \$372,500, repayable in blended semi-annual installments of \$17,820, maturing in 2021.	330,389	346,443
Multi-year capital project 4.54% loan, repayable in blended monthly installments of \$61,624, maturing in 2018.	<u>4,246,951</u>	<u>4,780,389</u>
Long-term debt	8,177,093	9,075,753
Less: Current portion	<u>851,197</u>	<u>828,101</u>
Total long-term debt, net of current portion	<u><u>7,325,896</u></u>	<u><u>8,247,652</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 grants and will be 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 debt retirement provisions are as follows: 2009-\$851,197; 2010-\$875,707; 2011-\$901,062; 2012-\$927,929; and 2013-\$958,947.

The Newfoundland Municipal Financing Corporation shows loans totalling \$955,166 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 \$260,746 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, 2008

**5. Municipal Tax Revenue**

	<u>2008</u>	<u>2007</u>
	\$	\$
Property tax	2,235,194	2,145,436
Business tax	756,049	758,234
Poll tax	56,200	51,252
Water and sewer tax	<u>719,132</u>	<u>661,469</u>
	<u><u>3,766,575</u></u>	<u><u>3,616,391</u></u>

**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. At the end of the year the estimated liability for severance pay of \$58,762 is recorded in the financial statements as a current liability.

**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. 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.