

TOWN OF BAY ROBERT'S

**AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

TOWN OF BY ROBERTS
Consolidated Financial Statements
For the year ended December 31, 2013

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STATEMENT OF RESPONSIBILITY

The accompanying Consolidated Financial Statements of the Town of Bay Roberts for the year ended December 31, 2013 are the responsibility of the management of the Town of Bay Roberts and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Council of the Town of Bay Roberts met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

BDO Canada LLP as the Municipality's appointed external auditors, have audited the Consolidated Financial Statements. The Auditor's report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of the operations of the Municipality in accordance with Canadian generally accepted accounting principles.



Philip Wood
Mayor



Nigel Black
Town Manager

Bay Roberts, Newfoundland and Labrador
September 19, 2014

AUDITORS' REPORT

To the Mayor and Members of Council of the Town of Bay Roberts

We have audited the accompanying financial statements of the Town of Bay Roberts for the year ending December 31, 2013, which is comprised of the Consolidated Statement of Financial Position, the Consolidated Statement of Operations, the Consolidated Statement of Change in Net Financial Assets, the Consolidated Statement of Cash Flows, a summary of the significant accounting policies and other explanatory information for the year then ended.

Municipality's Responsibility for the Consolidated Financial Statements

It is the responsibility of the management of the Town of Bay Roberts to ensure the accompanying Consolidated Financial Statements have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles as established by the Public Sector Board of the Canadian Institute of Chartered Accountants. It is also management's responsibility to ensure appropriate systems of internal and administrative controls are maintained to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. These 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Bay Roberts as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with the standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants..

St. John's, Newfoundland and Labrador
September 19, 2014

BDO Canada LLP
BDO Canada LLP
Chartered Accountants

**TOWN OF BAY ROBERTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 5)	105,833	390,821
Amounts receivable (Note 6)	1,250,236	1,038,807
Due from the Province of Newfoundland and Labrador	1,534,928	758,165
	<u>2,890,997</u>	<u>2,187,793</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	815,652	280,024
Employee benefits payable	60,842	46,054
Long-term debt (Note 9)	5,325,060	6,265,592
Deferred revenue	-	125,000
	<u>6,201,554</u>	<u>6,716,670</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>(3,310,557)</u>	<u>(4,528,877)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	28,904,888	27,881,371
Real estate properties held for sale	444,341	430,057
Prepaid expenses	23,682	14,440
	<u>29,372,911</u>	<u>28,325,868</u>
ACCUMULATED SURPLUS	<u>26,062,354</u>	<u>23,796,991</u>

Approved on behalf of Council:



Mayor



Councillor

The accompanying notes are an integral part of these financial statements.

**TOWN OF BAY ROBERTS
CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 2013**

	2013 Budget (PSAB)	2013 Actual	2012 Actual
	\$	\$	\$
REVENUE			
Taxation	5,472,959	5,402,677	4,831,051
Sales of goods and services	212,000	356,308	242,468
Grants and transfers	1,384,657	2,366,110	756,325
Other revenue	257,500	88,806	295,964
	<u>7,327,116</u>	<u>8,213,901</u>	<u>6,125,808</u>
EXPENSES			
General government services	1,164,100	1,225,618	1,019,377
Protective services	118,498	282,123	251,924
Transportation services	1,343,807	1,546,844	1,336,500
Environmental health services	1,841,600	1,911,009	2,039,241
Regional planning and development	264,363	235,670	263,127
Recreation and cultural services	368,397	747,274	613,029
	<u>5,100,765</u>	<u>5,948,538</u>	<u>5,523,198</u>
Total revenue (Schedules 2)	<u>7,327,116</u>	<u>8,213,901</u>	<u>6,125,808</u>
Total expenses (Schedules 3)	<u>5,100,765</u>	<u>5,948,538</u>	<u>5,523,198</u>
ANNUAL SURPLUS (DEFICIT)	2,226,351	2,265,363	602,610
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>23,796,991</u>	<u>23,796,991</u>	<u>23,194,381</u>
ACCUMULATED SURPLUS , END OF YEAR	<u>26,023,342</u>	<u>26,062,354</u>	<u>23,796,991</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BAY ROBERTS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS(NET DEBT)
Year Ended December 31, 2013

	2013	2012
	Actual	Actual
	\$	\$
ANNUAL SURPLUS	2,265,363	602,610
Acquisition of tangible capital assets	(2,151,056)	(614,876)
Amortization of tangible capital assets	1,127,539	1,037,671
Increase (decrease) in prepaids	(9,242)	(1,827)
Real estate properties held for resale	(14,284)	(318,305)
	(1,047,043)	102,663
CHANGE IN NET FINANCIAL ASSETS	1,218,320	705,273
NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR	(4,528,877)	(5,234,150)
NET FINANCIAL ASSETS (NET DEBT), END OF YEAR	(3,310,557)	(4,528,877)

The accompanying notes are an integral part of these financial statements.

**TOWN OF BAY ROBERTS
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
OPERATING TRANSACTIONS		
Annual surplus (deficit)	2,265,363	602,610
Changes in non-cash items:		
Amounts receivable	(211,429)	524,445
Prepays	(9,242)	(1,827)
Accounts payable and accrued liabilities	535,628	(1,724,035)
Severance and vested sick leave payable	14,788	3,502
Due from Province of Newfoundland and Labrador	(776,763)	1,196,245
Amortization	1,127,539	1,037,671
Deferred revenue	(125,000)	125,000
Cash provided by operating transactions	<u>2,820,884</u>	<u>1,763,611</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	<u>(2,151,056)</u>	<u>(614,876)</u>
Cash applied to capital transactions	<u>(2,151,056)</u>	<u>(614,876)</u>
INVESTING TRANSACTIONS		
Acquisition of real estate properties	<u>(14,284)</u>	<u>(318,305)</u>
Cash applied to investing transactions	<u>(14,284)</u>	<u>(318,305)</u>
FINANCING TRANSACTIONS		
Proceeds of long-term debt	-	573,400
Debt repayment	<u>(940,532)</u>	<u>(1,296,194)</u>
Cash applied to financing transactions	<u>(940,532)</u>	<u>(722,794)</u>
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	(284,988)	107,636
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>390,821</u>	<u>283,185</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>105,833</u></u>	<u><u>390,821</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BAY ROBERTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2013

1 Status of the Town of Bay Roberts

The incorporated Town of Bay Roberts is a municipal government that was incorporated in 1951 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The Municipality provides or funds municipal services such as fire, public works, parks and recreation, library, tourism and other general government operations.

2 Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

a) Basis of Consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, agencies, local boards, and committees of the Council which are controlled by the Municipality.

b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

c) Cash and Temporary Investments

Cash and temporary investments include cash and short-term investments with maturities of three months or less from the date of acquisition.

d) Investments

Temporary investments are accounted for at the lower of cost and market.

e) Real Estate Properties Held for Sale

Real estate properties held for sale are recorded at the lower of cost and net realizable value. Cost includes the amount of acquisition, legal fees, and improvements to prepare the properties for sale or servicing.

It is reasonably anticipated that real estate properties held for resale will not be sold outside the reporting entity within one year of the balance sheet date.

f) Government Transfers

Government transfers are recognized as either expenditure or revenues in the period that the events giving rise to the transfer occurred as long as (a) the transfer is authorized (b) eligibility criteria have been met by the recipient and (c) a reasonable estimate of the amount can be made.

Unearned government transfer amounts received but not earned will be recorded as deferred revenue. Earned government transfer amounts not received will be recorded as a receivable.

a) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

h) Tangible Capital Assets

Tangible capital assets are

General Tangible Capital Assets

Land	Indefinite
Land Improvements	10 to 50 years
Buildings and leasehold improvements	
Buildings	25 to 40 years
Leasehold improvements	Term of lease
Vehicles and Equipment	
Vehicles	5 years
Machinery, equipment and furniture	5 years
Maintenance and road construction equipment	10 years
Computer Hardware and Software	4 years
Furniture & Fixtures	5 years

Infrastructure Assets

Transportation	
Land	Indefinite
Road surface	5 to 20 years
Road grade	30 years
Bridges	30 to 50 years
Traffic lights and equipment	10 to 15 years
Marine Structures	25 years
Water and Sewer	
Land	Indefinite
Land improvements	50 years
Buildings	25 to 40 years
Underground networks	15 to 100 years
Machinery and equipment	15 years
Dams and other surface water structures	25 to 50 years

i) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

j) inventories

The Town does not carry any inventories for resale. Inventories held for consumption are not considered to be of any material amount.

k) Revenue Recognition

Revenues are recognized as earned and when collection is reasonably assured. Tax rates are approved annually by Council.

l) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

m) Landfill Liability

The town does not maintain a waste disposal site. Therefore, there is no reason to consider any liability for costs of closure or post closure

n) Severance Pay

The Town of Bay Roberts severance policy is covered by Article 24 of the union agreement. An employee who has a minimum of five years of seniority is entitled to one week pay for each year of service upon termination of employment. The payment is not to exceed \$15,000. Termination of employment excludes dismissal for just cause or quitting. The severance pay accrued shall be invested in the names of both the employer and employee until such time as the employee is in a qualifying position to receive it. The Town has a policy in place which allows any employee who has a combination of age and years of service totalling seventy to collect severance pay.

o) Post Retirement Benefits

The Town of Bay Roberts provides post retirement benefits in the form of an extended Group Health Plan to employees, the cost of which is shared on a 50-50 basis between the Town and the employees. The Town will pay for each retired employee, who has ten years of service beginning at fifty five years of age, 50% of the cost of Health Insurance premiums. After the age of sixty five, employees will be required to join a Blue Cross or other similar plan. The costs associated with these benefits are recorded in the financial statements on a annual basis. Any future liabilities are not considered to be material.

p) Pension Costs

The Town has a Registered Retirement Savings Plan in place to provide retirement benefits to certain employees. The costs associated with these benefits are recorded in the financial statements on an annual basis. No future liability for retirement benefits is anticipated under this program.

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

The Municipality's position in these respects was considered satisfactory.

4. Sufficiency of Bonds

A Crime Schedule of \$50,000 is included in the municipal insurance policy of the Town. This includes employee dishonesty, forgeries relating to documents and credit cards and computer and funds transfer fraud. In our opinion this coverage is sufficient.

5. Cash and Temporary Investments

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash	<u>105,833</u>	<u>390,821</u>

Temporary investments are comprised mainly of guaranteed investment certificates and term deposits and have a market value approximating cost.

6 Amounts Receivable

	<u>2013</u>	<u>2012</u>
	\$	\$
Property tax	794,650	718,460
Business tax	203,177	200,749
Water and sewer	324,512	329,534
HST Rebate	183,701	48,379
Interest on tax arrears	283,915	216,740
Other	49,621	12,176
	<u>1,839,576</u>	<u>1,526,038</u>
Less allowances for doubtful amounts	<u>589,340</u>	<u>487,231</u>
	<u>1,250,236</u>	<u>1,038,807</u>

7 Portfolio Investments

The Town of Bay Roberts does not carry any portfolio investments.

8 Accounts Payable and Accrued Liabilities

	<u>2013</u>	<u>2012</u>
	\$	\$
Accounts payable	443,199	223,771
Accrued expenses	30,672	23,112
Prepaid taxes	78,018	33,141
Capital payables and holdbacks	263,763	-
	<u>815,652</u>	<u>280,024</u>

9 Long Term Debt

	<u>2013</u>	<u>2012</u>
	\$	\$
Bank of Montreal loan with a prime interest rate, repayable in blended monthly installments of \$61,167: the loan is reviewed annually and consolidated with any loan drawdowns for the previous year.	1,640,532	2,314,386
Bank of Montreal demand loans to be refinanced and consolidated with long term loan in subsequent year.	600,000	600,000
Bank of Montreal loans with an interest rate of 3% repayable in blended monthly installments of \$17,907 commencing January, 2013 and maturing in 2027	2,447,245	2,593,041
Bank of Montreal loan with an interest rate of 6.3%, repayable by the Province of Newfoundland and Labrador		

in blended semi-annual installments of \$59,815, maturing in 2017	413,966	510,387
Bank of Montreal loan with an interest rate of 5.02%, repayable by the Province of Newfoundland and Labrador in blended semi-annual installments of \$17,821, maturing in 2016	<u>223,317</u>	<u>247,778</u>
	<u>5,325,060</u>	<u>6,265,592</u>

Principal payments required in each of the next five years are as follows:

2014	926,603
2015	937,736
2016	568,108
2017	289,790
2018	217,884

10 Obligation Under Capital Lease

The Town of Bay Roberts does not have any liability for capital leases.

11 Commitments

By a motion of Council dated December 8, 2009 the Town approved to borrow up to \$10,000,000 during the period from 2011 to 2014 to cover the cost of multi-year capital works which will be cost shared with the Province of Newfoundland and Labrador on a 80/20 basis.

12 Contingencies

The Town is not aware of any contingent liabilities that will have a material affect on its financial position.

13 Financial Instruments

The Town of Bay Roberts does not carry any financial instruments.

14 Subsequent Events

The Town of Bay Roberts is not aware of any subsequent events that would require disclosure in these financial statements.

15 Budget

In accordance with the Province of Newfoundland and Labrador's Municipalities Act, every council must adopt a financial plan for each period in a form approved by the minister. The financial plan is prepared on a revenue and expenditure basis that does not fully meet the recommendations of PSAB. For comparative purposes, the Town of Bay Roberts has modified its financial plan to prepare a budget that is consistent with the scope and accounting principles used to report the actual results. The budget figures used in these financial statements have been approved by council.

The reconciliation between the Municipality's cash based financial plan and the PSAB accrual based budget figures used in these financial statements is disclosed in Schedule 4 - Reconciliation of the Financial Plan to the Budget.

TOWN OF BAY ROBERTS

Schedule 1

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year Ended December 31, 2013

	General Capital Assets					Infrastructure		Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Roads, Streets, and Bridges	Water and Sewer	Recreational Facilities	2013	2012	
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening costs	276,162	3,417,441	2,109,221	4,063,648	37,204,549	475,352	47,546,373	46,931,497	
Additions during the year	-	-	439,465	-	1,640,862	70,729	2,151,056	614,876	
Disposals and write downs	-	-	-	-	-	-	-	-	
Closing costs	276,162	3,417,441	2,548,686	4,063,648	38,845,411	546,081	49,697,429	47,546,373	
Accumulated Amortization									
Opening accum'd amortization	-	2,999,039	1,150,858	2,393,139	13,121,966	-	19,665,002	18,627,331	
Amortization	-	16,053	160,652	169,685	753,847	27,302	1,127,539	1,037,671	
Disposals and write downs	-	-	-	-	-	-	-	-	
Closing accum'd amortization	-	3,015,092	1,311,510	2,562,824	13,875,813	27,302	20,792,541	19,665,002	
Net Book Value of Tangible Capital Assets	276,162	402,349	1,237,176	1,500,824	24,969,598	518,779	28,904,888	27,881,371	

The accompanying notes are an integral part of these financial statements.

TOWN OF BAY ROBERTS
CONSOLIDATED SCHEDULE OF REVENUES
Year Ended December 31, 2013

SCHEDULE 2

	2013	2012
	Actual	Actual
	\$	\$
Taxation		
Property tax	3,448,924	2,974,078
Poll tax	59,446	44,966
Business tax	1,043,082	983,222
Water and sewer tax	842,609	821,332
Other municipal taxes levied	8,616	7,453
	<u>5,402,677</u>	<u>4,831,051</u>
Sales of goods and services		
Permits and certificates	37,510	38,355
Recreation and cultural services	189,648	78,786
Fire protection service fees	31,100	26,381
Water supply	32,500	41,600
Other sales of goods and services	65,550	57,346
	<u>356,308</u>	<u>242,468</u>
Grants and transfers		
Government of Canada		
Other federal revenue	66,951	70,748
Government of Newfoundland and Labrador		
Municipal operating grant	160,981	160,981
Municipal capital grant	1,121,974	514,596
Gax tax revenue	812,198	-
Other provincial grants and/or subsidies	204,006	10,000
	<u>2,366,110</u>	<u>756,325</u>
Other revenue		
Other contributions	2,545	22,048
Interest earned on tax arrears	86,261	273,916
	<u>88,806</u>	<u>295,964</u>
Total Revenue	<u><u>8,213,901</u></u>	<u><u>9,298,836</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BAY ROBERTS
CONSOLIDATED SCHEDULE OF EXPENSES
Year Ended December 31, 2013**

SCHEDULE 3

	2013	2012
	Actual	Actual
	\$	\$
General government services		
Legislative	103,777	94,457
General administrative	1,121,841	924,920
	1,225,618	1,019,377
Protective services		
Fire	203,964	177,297
Municipal enforcement	78,159	74,627
	282,123	251,924
Transportation services		
Road, street, sidewalk maintenance	939,802	830,715
Snow removal	117,599	94,160
Street lighting	176,460	170,175
Other transportation services	312,983	241,450
	1,546,844	1,336,500
Environmental health services		
Water supply	1,344,373	1,426,202
Garbage and waste collection and disposal	566,636	613,039
	1,911,009	2,039,241
Regional planning and development		
Community improvement and development	38,108	60,514
Tourism and marketing	197,562	202,613
	235,670	263,127
Recreation and cultural services		
Swimming pool	158,005	134,477
Parks and playgrounds	364,280	356,858
Other recreation and cultural services	224,989	121,694
	747,274	613,029
Total Expenses	5,948,538	5,523,198

The accompanying notes are an integral part of these financial statements.

TOWN OF BAY ROBERTS
 RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
 Year Ended December 31, 2013

	Financial Plan	Amortization (TCA)	Interest Expense	Transfers	Long Term Accruals	Consolidated Entities	PSAB Budget
REVENUE							
Taxation	5,472,959	-	-	-	-	-	5,472,959
Sales of goods and services	212,000	-	-	-	-	-	212,000
Grants and transfers	1,384,657	-	-	-	-	-	1,384,657
Other revenue	257,500	-	-	-	-	-	257,500
Total revenue	7,327,116	-	-	-	-	-	7,327,116
EXPENSES							
General government services	999,168	3,520		161,412	-	-	1,164,100
Protective services	91,045	27,453			-	-	118,498
Transportation services	1,125,139	218,669			-	-	1,343,808
Environmental health services	823,538	838,062	180,000		-	-	1,841,600
Regional planning and development	251,830	12,533			-	-	264,363
Recreation and cultural services	341,095	27,302			-	-	368,397
Fiscal services:							
Capital expenditures	1,552,500			(1,552,500)	-	-	-
Debt charges	1,952,506		(1,952,506)		-	-	-
Bank charges and other fiscal services	45,605			(45,605)	-	-	-
Authorized transfers to reserves	28,883			(28,883)	-	-	-
Bad debt provision	115,807			(115,807)	-	-	-
Total expenses	7,327,116	1,127,539	(1,772,506)	(1,581,383)	-	-	5,100,766
Surplus (Deficit)	-	(1,127,538)	1,772,506	1,581,383	-	-	2,226,351

The accompanying notes are an integral part of these financial statements.