

TOWN OF NORTH WEST RIVER

AUDITORS' REPORT

FINANCIAL STATEMENTS - DECEMBER 31, 2007

TOWN OF NORTH WEST RIVER

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AUDITORS' REPORT

To the Mayor and Councillors of

TOWN OF NORTH WEST RIVER

We have audited the statement of financial position of the **Town of North West River** as at December 31, 2007 and the statements of changes in net assets, operations and cash flow for the year 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements, which are generally accepted accounting policies for municipalities in the Province of Newfoundland and Labrador.

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS (CONTINUED)

In Compliance with the requirements of Section 91 of the Municipalities Act, 1999, we reported on the audit of the accounts of the **Town of North West River** for the year ended December 31, 2007.

1. **Expenditure in relation to budget**

Expenditure of \$496,342 exceeded the approved budget of \$485,873 by \$10,469 accounted for as follows:

	<u>Actual</u>	<u>Budget</u>	<u>(Over) Under Budget</u>
Property and equipment out of revenue	\$ 7,931	22,051	14,120
General government	101,918	107,283	(5,365)
Protective services	11,132	13,375	2,243
Transportation services	41,346	14,200	(27,146)
Environmental health	95,976	123,280	27,304
Debt charges	196,942	203,684	6,742
Planning and development	<u>41,097</u>	<u>2,000</u>	<u>(39,097)</u>
	<u>\$ 496,342</u>	<u>485,873</u>	<u>(10,469)</u>

2. **Arrears of revenue**

Taxes receivable totalled \$20,662 at December 31, 2007. Other receivables amounted to \$14,349 at December 31, 2007. Subsequent to year end \$2,974 of taxes receivable and \$200 of other receivables was received.

The allowance for doubtful receivables amounted to \$2,569 at December 31, 2007. In our opinion this allowance is adequate.

3. **The manner in which the accounts have been kept and the adequacy of safe guards against fraud**

The position in these respects was considered satisfactory. At balance sheet date a receivable was set up for \$4,800 with respect to a former Town employee for fraud detected in the previous year. This amount was determined by the provincial court and a restitution order was served. The balance is to be repaid \$100 monthly by the employee, commencing February 1, 2008 for 48 months. A claim has been submitted to the insurance company, however at this time we are unsure whether this amount is recoverable, and accordingly, no receivable has been set up from the insurance company. Any amounts received on this claim will be reported in subsequent financial statements as insurance recovery revenue.

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS (CONTINUED)

4. **The sufficiency of bond coverage**

Fidelity bond coverage of \$120,000 was in place on all persons having positions of trust. The amount of this bond was considered adequate.

5. **Other matters**

Only as shown in the financial statements.

Happy Valley-Goose Bay

March 14, 2008


Chartered Accountants

TOWN OF NORTH WEST RIVER

Statement of Financial Position

December 31, 2007

2007

2006

Assets

Current assets:

Cash - unrestricted	\$ 47,563	22,470
- restricted	20,000	10,000
Receivables (Note 3)	35,011	44,542
Land held for resale	13,154	42,250
Prepays	<u>-</u>	<u>11,674</u>

Total current assets 115,728 130,936

Property and equipment (Note 4) 6,072,374 6,064,443

\$ 6,188,102 6,195,379

Liabilities and Net Assets

Current liabilities:

Payables and accruals (Note 5)	\$ 48,682	79,878
Deferred revenue	20,883	6,812
Current portion of long-term debt (Schedule 1)	<u>123,961</u>	<u>115,115</u>

Total current liabilities 193,526 201,805

Long-term debt (Schedule 1) 737,441 876,934

Equity, per accompanying statement:

Investment in property and equipment	5,210,972	5,072,394
Surplus	<u>46,163</u>	<u>44,246</u>

Total equity 5,257,135 5,116,640

\$ 6,188,102 6,195,379

Approved: _____ Mayor

_____ Town Clerk

TOWN OF NORTH WEST RIVER

Statement of Changes in Net Assets

Year ended December 31, 2007

2007

2006

Investment in property and equipment:

Beginning	\$	5,072,394	4,723,776
Add (deduct):			
Property and equipment out of revenue		7,931	324
Debt reduction from revenue		130,647	348,294
		138,578	348,618
Ending	\$	5,210,972	5,072,394

Surplus:

Beginning	\$	44,246	121,890
Excess (deficiency) of revenue over expenditures, per accompanying statement		1,917	(77,644)
Ending	\$	46,163	44,246

See accompanying notes

TOWN OF NORTH WEST RIVER

Statement of Operations

Year ended December 31, 2007

2007

2006

Revenue:

Taxation:

Property	\$ 153,360	125,999
Water and sewerage	51,952	51,215
Business and utility	43,400	43,228
Poll	6,876	5,485
	<u>255,588</u>	<u>225,927</u>

Government grants:

Municipal assistance	30,014	30,016
Debt repayment	54,866	286,856
	<u>84,880</u>	<u>316,872</u>

Quarry rental	30,000	30,000
Other (Schedule 2)	<u>147,591</u>	<u>53,317</u>
	<u>518,059</u>	<u>626,116</u>

Total revenue

Expenditures:

General government (Schedule 3)	143,015	108,243
Protective services (Schedule 3)	11,132	11,062
Transportation services (Schedule 3)	41,346	56,215
Environmental health (Schedule 3)	95,976	117,442
Debt charges (Schedule 3)	196,942	410,474
Special projects	19,800	-
Property and equipment out of revenue	<u>7,931</u>	<u>324</u>

Total expenditures 516,142 703,760

Excess (deficiency) of revenue over expenditures \$ 1,917 (77,644)

See accompanying notes

TOWN OF NORTH WEST RIVER

Statement of Cash Flow

Year ended December 31, 2007

2007

2006

Cash flow:

Operations:

Excess (deficiency) of revenue over expenditures	\$ 1,917	(70,832)
Debt principal retired through revenue	130,647	348,294
Property and equipment out of revenue	<u>7,931</u>	<u>324</u>
	140,495	277,786

Changes in:

Receivables	9,531	45,580
Land for resale	29,096	(42,250)
Prepays	11,674	(11,674)
Payables and accruals	(31,196)	4,048
Deferred revenue	<u>14,071</u>	<u>(1,700)</u>
	173,671	271,790

Investing:

Purchase of property and equipment	<u>(7,931)</u>	<u>(312,444)</u>
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Financing:

Loan proceeds	-	312,120
Principal repayments and refinancing	<u>(130,647)</u>	<u>(348,294)</u>
	(130,647)	(36,174)

Net increase (decrease) in cash and cash equivalents **35,093** (76,828)

Cash and cash equivalents:

Cash, beginning	<u>32,470</u>	<u>109,298</u>
Cash, ending	\$ <u>67,563</u>	<u>32,470</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Long -Term Debt

Schedule 1

December 31, 2007

2007

2006

Newfoundland Municipal Financing Corporation:		
7.375% loan, repayable in blended semi-annual instalments of \$13,979; maturing, 2012	105,433	124,552
6.750% loan, repayable in blended semi-annual instalments of \$6,953; maturing, 2013	63,029	72,204
6.375% loan, repayable in blended semi-annual instalments of \$9,606; maturing, 2015	113,139	124,589
Bank loan at prime plus 2.0%, repayable in blended quarterly payments of \$7,250 ; maturing, 2014	120,692	149,692
Bank loan at prime plus 2.0%, repayable in blended quarterly payments of \$5,000; maturing, 2015	117,010	127,032
Bank loan at prime plus 2.5%, repayable in blended quarterly payments of \$2,850; maturing, 2014	65,134	70,652
2.9% conditional sales contract, GMAC, repayable \$811 monthly, including interest; maturing, 2009	10,316	19,603
RBC capital lease, repayable \$5,092 monthly including interest; maturing October, 2011 with option to purchase for \$72,250	266,649	303,725
Bank bridge financing for ongoing projects	-	-
	861,402	992,049
Less current portion	123,961	115,115
	\$ 737,441	876,934

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

2008	123,961
2009	123,429
2010	138,816
2011	140,587
2012	46,227

During 1999 the town refinanced its portion of the outstanding Newfoundland Municipal Finance Corporation Debt. The remaining portion is being repaid with government repayment grants.

Bridge financing loan for ongoing projects represent the towns permission to borrow for the governments share of ongoing projects. This was repaid by the province in the current year.

See accompanying notes

TOWN OF NORTH WEST RIVER

Revenue - Other

Schedule 2

Year ended December 31, 2007

2007

2006

Special projects	\$	19,799	1,700
Land		51,047	-
Rentals		55,182	38,720
Cost sharing - fire hall		7,618	4,689
Interest and service charges		1,373	1,131
Licences, permits and miscellaneous		<u>12,572</u>	<u>7,077</u>
	\$	<u>147,591</u>	<u>53,317</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Expenditures

Schedule 3

Year ended December 31, 2007

2007

2006

General Government:

Salaries	\$ 40,474	52,833
Office and computer expenses	3,360	5,353
Utilities	5,717	6,269
Communications	2,637	3,715
Assessment fees	7,878	7,476
Bad debt	8,696	(221)
Land Development	41,097	-
Other	33,156	32,818
	<u>\$ 143,015</u>	<u>108,243</u>

Protective Services:

Fire protection	\$ 8,576	5,857
Insurance	2,441	3,273
Animal control	115	1,932
	<u>11,132</u>	<u>11,062</u>

Transportation Services:

Snow clearing	\$ 16,777	36,879
Road maintenance	2,562	4,751
Street lighting	9,247	9,093
Wages - snow clearing	12,760	4,992
Other	-	500
	<u>\$ 41,346</u>	<u>56,215</u>

Environmental Health:

Water and sewer	\$ 51,488	77,348
Utilities	7,040	7,425
Sanitation and waste removal	37,448	32,669
	<u>\$ 95,976</u>	<u>117,442</u>

Debt Charges:

Principal	\$ 130,647	348,294
Interest	66,295	62,180
	<u>\$ 196,942</u>	<u>410,474</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2007

1. **Nature of operations:**

The Town is responsible for the provision of municipal services to the residents of the Town of North West River and is incorporated under and operates in accordance with the Municipalities Act of Newfoundland and Labrador.

2. **Significant accounting policies:**

These financial statements have been prepared in accordance with the significant accounting policies set out below which are generally accepted accounting policies for municipalities in the Province of Newfoundland and Labrador. The basis of the accounting policies used in these financial statements materially differ from Canadian generally accepted accounting principles because:

- a) Amortization is not provided on property and equipment.
- b) Property and equipment purchased from revenue are charged to operations in the year the expenditure is incurred or project is completed.
- c) Principal payments on long-term debt are charged to operations in the year the expenditure is incurred.

Other policies considered particularly significant by the Town are as follows:

- a) The Town follows the accrual method of accounting.
- b) Land held for resale is valued at the lower of cost or net realizable value.
- c) The Town's equity in its capital assets is represented by the equity account, "Investment in Property and Equipment".
- d) Property and equipment disposals are removed from the "Investment of Property and Equipment" account at original cost.

3. **Receivables:**

	<u>2007</u>	<u>2006</u>
Taxes	\$ 20,662	14,858
Sales taxes	-	11,310
Accrued interest receivable - Province	5,150	6,211
Employees-cash shortage	4,800	8,882
Fire Hall - cost sharing	<u>6,968</u>	<u>4,888</u>
	37,580	46,149
Less allowance for doubtful	<u>2,569</u>	<u>1,607</u>
	<u>\$ 35,011</u>	<u>44,542</u>

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2007

4. Property and equipment:	<u>2007</u>	<u>2006</u>
Buildings	\$ 216,428	216,428
Equipment	88,515	80,584
Equipment under capital lease	312,120	312,120
Recreation facilities	13,736	13,736
Vehicle	45,252	45,252
Water and sewer systems	4,236,927	4,236,927
Road improvements	1,087,005	1,087,005
Fire truck	68,841	68,841
Land	<u>3,550</u>	<u>3,550</u>
	\$ <u>6,072,374</u>	<u>6,064,443</u>
5. Payables and accruals:	<u>2007</u>	<u>2006</u>
Trade	\$ 17,824	60,334
HST	2,803	
Funds held in trust	20,000	10,000
Accrued interest	<u>8,055</u>	<u>9,544</u>
	\$ <u>48,682</u>	<u>79,878</u>

6. 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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.