

TOWN OF NORTH WEST RIVER

AUDITORS' REPORT

FINANCIAL STATEMENTS - DECEMBER 31, 2008

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, 2008 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, 2008 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, 2008.

1. **Expenditure in relation to budget**

Expenditure of \$549,581 exceeded the approved budget of \$535,784 by \$13,797 accounted for as follows:

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
General government	\$ 117,137	104,749	12,388
Protective services	15,523	21,507	(5,984)
Transportation services	46,838	101,016	(54,178)
Environmental health	118,716	134,086	(15,370)
Planning and development	-	2,000	(2,000)
Property and equipment out of revenue	54,036	-	54,036
Recreation and cultural services	5,263	14,000	(8,737)
Fiscal services	<u>192,068</u>	<u>158,426</u>	<u>33,642</u>
	<u>\$ 549,581</u>	<u>535,784</u>	<u>13,797</u>

2. **Arrears of revenue**

Taxes receivable totalled \$39,749 at December 31, 2008. Other receivables amounted to \$24,193 at December 31, 2008. Subsequent to year end \$1,309 of taxes receivable and \$0 of other receivables was received.

The allowance for doubtful receivables amounted to \$12,968 at December 31, 2008. 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.

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

18 February, 2009



Chartered Accountants

TOWN OF NORTH WEST RIVER

Statement of Financial Position

December 31, 2008

2008

2007

Assets

Current assets:

Cash - unrestricted	\$ 38,747	47,563
- restricted	30,696	20,000
Receivables (Note 3)	50,974	35,011
Land held for resale	<u>13,154</u>	<u>13,154</u>

Total current assets 133,571 115,728

Property and equipment (Note 4) 6,126,411 6,072,374

\$ 6,259,982 6,188,102

Liabilities and Net Assets

Current liabilities:

Payables and accruals (Note 5)	\$ 52,234	48,682
Deferred revenue	5,902	20,883
Current portion of long-term debt (Schedule 1)	<u>123,600</u>	<u>123,961</u>

Total current liabilities 181,736 193,526

Long-term debt (Schedule 1) 595,446 737,441


Net assets, per accompanying statement:


Investment in property and equipment	5,407,365	5,210,972
Surplus	<u>75,435</u>	<u>46,163</u>

Total net assets 5,482,800 5,257,135

\$ 6,259,982 6,188,102

Approved:


 _____ Mayor


 _____ Town Clerk

TOWN OF NORTH WEST RIVER

Statement of Changes in Net Assets

Year ended December 31, 2008

2008

2007

Investment in property and equipment:

Beginning	\$ 5,210,972	5,072,394
Add (deduct):		
Property and equipment out of revenue	54,036	7,931
Debt reduction from revenue	<u>142,357</u>	<u>130,647</u>
	<u>196,393</u>	<u>138,578</u>
Ending	\$ <u>5,407,365</u>	<u>5,210,972</u>

Surplus:

Beginning	\$ 46,163	44,246
Excess of revenue over expenditures, per accompanying statement	<u>29,272</u>	<u>1,917</u>
Ending	\$ <u>75,435</u>	<u>46,163</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Statement of Operations

Year ended December 31, 2008

2008

2007

Revenue:

Taxation:

Property	\$ 201,797	153,360
Water and sewerage	77,350	51,952
Business and utility	52,013	43,400
Poll	5,644	6,876
	<u>336,804</u>	<u>255,588</u>

Government grants:

Municipal assistance	30,014	30,014
Debt repayment	55,927	54,866
	<u>85,941</u>	<u>84,880</u>

Quarry rental	35,000	30,000
Other (Schedule 2)	121,108	147,591
	<u>578,853</u>	<u>518,059</u>

Total revenue

Expenditures:

General government (Schedule 3)	117,137	143,015
Protective services (Schedule 3)	15,523	11,132
Transportation services (Schedule 3)	46,838	41,346
Environmental health (Schedule 3)	118,716	95,976
Debt charges (Schedule 3)	192,068	196,942
Special projects	5,263	19,800
Property and equipment out of revenue	54,036	7,931
	<u>549,581</u>	<u>516,142</u>

Total expenditures

Excess of revenue over expenditures

\$ 29,272 1,917

See accompanying notes

TOWN OF NORTH WEST RIVER

Statement of Cash Flow

Year ended December 31, 2008

2008

2007

Cash flow:

Operations:

Excess of revenue over expenditures	\$ 29,272	1,917
Debt principal retired through revenue	142,357	130,647
Property and equipment out of revenue	54,036	7,931
	<u>225,665</u>	<u>140,495</u>

Changes in:

Receivables	(15,963)	9,531
Land for resale	-	29,096
Prepays	-	11,674
Payables and accruals	3,552	(31,196)
Deferred revenue	(14,981)	14,071
	<u>198,273</u>	<u>173,671</u>

Investing:

Purchase of property and equipment	(54,036)	(7,931)
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Financing:

Principal repayments and refinancing	(142,357)	(130,647)
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Net increase in cash and cash equivalents 1,880 35,093

Cash and cash equivalents:

Cash, beginning	<u>67,563</u>	<u>32,470</u>
Cash, ending	\$ <u>69,443</u>	<u>67,563</u>

Comprised of:

Cash - unrestricted	\$ 38,747	47,563
- restricted	<u>30,696</u>	<u>20,000</u>
	\$ <u>69,443</u>	<u>67,563</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Long -Term Debt

Schedule 1

December 31, 2008

2008

2007

Newfoundland Municipal Financing Corporation:		
7.375% loan, repayable in blended semi-annual instalments of \$13,979; maturing, 2012	\$ 84,879	105,433
6.750% loan, repayable in blended semi-annual instalments of \$6,953; maturing, 2013	53,204	63,029
6.375% loan, repayable in blended semi-annual instalments of \$9,606; maturing, 2015	100,948	113,139
Bank loan at prime plus 2.0%, repayable in blended quarterly payments of \$7,250 ; maturing, 2014	91,692	120,692
Bank loan at prime plus 2.0%, repayable in blended quarterly payments of \$5,000; maturing, 2015	104,983	117,010
Bank loan at prime plus 2.5%, repayable in blended quarterly payments of \$2,850; maturing, 2014	58,605	65,134
2.9% conditional sales contract, GMAC, repayable \$811 monthly, including interest; maturing, 2009	760	10,316
RBC capital lease, repayable \$5,092 monthly including interest; maturing October, 2011 with option to purchase for \$72,250	<u>223,975</u>	<u>266,649</u>
	719,046	861,402
Less current portion	<u>123,600</u>	<u>123,961</u>
	\$ 595,446	<u>737,441</u>

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

2009	123,600
2010	131,658
2011	140,587
2012	124,405
2013	23,411

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.

See accompanying notes

TOWN OF NORTH WEST RIVER

Revenue - Other

Schedule 2

Year ended December 31, 2008

2008

2007

Special projects	\$	38,947	19,799
Land		-	51,047
Rentals		54,290	55,182
Cost sharing - fire hall		9,086	7,618
Interest and service charges		5,930	1,373
Insurance recovery		7,205	-
Licences, permits and miscellaneous		5,650	12,572
	\$	<u>121,108</u>	<u>147,591</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Expenditures

Schedule 3

Year ended December 31, 2008

2008

2007

General Government:

Salaries	\$ 49,514	40,474
Office and computer expenses	5,016	3,360
Utilities	5,445	5,717
Communications	3,996	2,637
Assessment fees	7,826	7,878
Bad debt	10,399	8,696
Land Development	1,553	41,097
Other	33,388	33,156
	<u>\$ 117,137</u>	<u>143,015</u>

Protective Services:

Fire protection	\$ 12,243	8,576
Insurance	3,280	2,441
Animal control	-	115
	<u>\$ 15,523</u>	<u>11,132</u>

Transportation Services:

Snow clearing	\$ 14,367	16,777
Road maintenance	6,636	2,562
Street lighting	9,472	9,247
Wages - snow clearing	16,363	12,760
	<u>\$ 46,838</u>	<u>41,346</u>

Environmental Health:

Water and sewer	\$ 66,025	51,488
Utilities	8,527	7,040
Sanitation and waste removal	44,164	37,448
	<u>\$ 118,716</u>	<u>95,976</u>

Debt Charges:

Principal	\$ 142,357	130,647
Interest	49,711	66,295
	<u>\$ 192,068</u>	<u>196,942</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2008

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>2008</u>	<u>2007</u>
Taxes	\$ 39,749	20,662
Sales taxes	7,058	-
Accrued interest receivable - Province	4,349	5,150
Employees - cash shortage	3,700	4,800
Fire Hall - cost sharing	<u>9,086</u>	<u>6,968</u>
	63,942	37,580
Less allowance for doubtful accounts	<u>12,968</u>	<u>2,569</u>
	\$ <u>50,974</u>	<u>35,011</u>

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2008

4. Property and equipment:	2008	2007
Buildings	\$ 216,428	216,428
Equipment	99,892	88,515
Equipment under capital lease	312,120	312,120
Recreation facilities	56,396	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>6,126,411</u>	<u>6,072,374</u>
5. Payables and accruals:	2008	2007
Trade	\$ 17,885	17,824
HST	-	2,803
Funds held in trust	30,000	20,000
Accrued interest	<u>4,349</u>	<u>8,055</u>
	\$ <u>52,234</u>	<u>48,682</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.

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2008

7. PSAB Compliance:

Effective January 1, 2008 the municipality adopted Accounting Guideline 7 (PSG-7) of the Public Sector Handbook with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section PS 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

Prior to January 1, 2008, the municipality recorded tangible capital assets including assets held under capital leases at cost in the period they were acquired on the Statement of Financial Position and as an expenditure within the capital fund. The capital assets recorded on the Statement of Financial Position were not amortized.

During 2008, the Municipality continued to work towards compliance with the new recommendations for accounting for tangible capital assets. A complete listing of assets and values is currently underway and is expected to be completed by October, 2009.

As of January 1, 2008, capital assets including assets held under capital leases are recorded at cost in the period they are acquired and recorded as expenditure within the capital fund. Contributed assets related to road, water distribution and wastewater collection systems are capitalized and are recorded at their estimated fair value upon acquisition. Works of art for display in municipal property are not included as capital assets. Certain capital assets for which historical cost information is not available has been recorded at current fair market or replacement value, discounted by relevant inflation factor.

The Municipality has adopted a policy that states that it does capitalize interest as part of the cost of its capital assets.