

TOWN OF NORTH WEST RIVER
AUDITORS' REPORT
FINANCIAL STATEMENTS - DECEMBER 31, 2009

TOWN OF NORTH WEST RIVER

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STATEMENT OF RESPONSIBILITY

The accompanying Financial Statements are the responsibility of the management of the Town of North West River 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 Municipality met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Walters Hoffe Chartered Accountants as the Municipality's appointed external auditors, have audited the 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 test and other procedures as they consider necessary to obtain reasonable assurance that the Financial Statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian generally accepted accounting principles.

Ernest McLean
Mayor

Ken Nelson
Town Manager

AUDITORS' REPORT

To the Mayor and members of Council of the
Town of North West River

We have audited the statement of financial position of the **Town of North West River as at** December 31, 2009 and the statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended. These financial statements are the responsibility of the Municipality'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 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 of North West River as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Happy Valley-Goose Bay, NL

April 9, 2010


Chartered Accountants

TOWN OF NORTH WEST RIVER

Statement of Financial Position

December 31, 2009

	2009	2008
Financial assets		
Cash - unrestricted	\$ 110,999	38,747
- restricted	40,696	30,696
Receivables (Note 3)	50,333	50,974
Inventories held for resale	<u>-</u>	<u>13,154</u>
Total financial assets	<u>202,028</u>	<u>133,571</u>
Liabilities		
Payables and accrued liabilities (Note 4)	\$ 54,508	52,234
Deferred revenue	61,363	5,902
Long-term debt (Note 5)	395,830	495,071
Obligations under capital leases (Note 6)	<u>175,704</u>	<u>223,975</u>
Total liabilities	<u>687,405</u>	<u>777,182</u>
Net Debt	<u>\$ (485,377)</u>	<u>(643,611)</u>
Non-financial assets		
Tangible capital assets (Schedule 3)	\$ <u>3,185,965</u>	<u>3,404,742</u>
Total non-financial assets	<u>3,185,965</u>	<u>3,404,742</u>
Accumulated Surplus	<u>\$ 2,700,588</u>	<u>2,761,131</u>

See accompanying notes

Approved: _____

Mayor

Town Clerk

TOWN OF NORTH WEST RIVER

Statement of Operations and Accumulated Surplus

Year ended March 31, 2009

	2009 Budget	2009 Actual	2008 Actual
Revenue:			
Taxation (Schedule 1)	\$ 327,517	338,308	338,274
Sales of goods and services (Schedule 1)	16,504	10,174	9,086
Grants and transfers (Schedule 1)	105,083	155,515	124,878
Investment income (Schedule 1)	1,500	4,238	5,930
Other (Schedule 1)	85,180	97,860	100,685
Total revenue	<u>535,784</u>	<u>606,095</u>	<u>578,853</u>
Expenditures:			
General government (Schedule 2)	362,819	368,001	357,828
Protective services (Schedule 2)	21,507	20,317	15,523
Transportation services (Schedule 2)	101,016	66,210	46,838
Environmental health (Schedule 2)	134,086	124,819	118,716
Recreation services (Schedule 2)	14,000	29,855	-
Regional planning and development	2,000	-	-
Debt charges (Schedule 2)	-	38,480	49,711
Gas tax projects	-	18,956	-
	<u>635,428</u>	<u>666,638</u>	<u>588,616</u>
Excess of revenue over expenses	(99,644)	(60,543)	(9,763)
Accumulated surplus, beginning of year	<u>2,777,721</u>	<u>2,761,131</u>	<u>2,770,894</u>
Accumulated surplus, end of year	\$ <u>2,678,077</u>	<u>2,700,588</u>	<u>2,761,131</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Statement of Cash Flow

Year ended December 31, 2009

2009

2008

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Cash flow:		
Operations:		
Excess of revenue over expenditures	\$ (60,543)	(9,763)
Amortization of capital assets	<u>218,777</u>	<u>224,053</u>
	158,234	214,290
Changes in:		
Receivables	641	(15,963)
Land for resale	13,154	-
Payables and accruals	2,274	3,552
Deferred revenue	<u>55,461</u>	<u>(14,981)</u>
	229,764	186,898
Investing:		
Purchase of property and equipment	<u>-</u>	<u>(42,661)</u>
Financing:		
Principal repayment of long-term debt	(99,241)	(99,683)
Principal repayment of capital lease	<u>(48,271)</u>	<u>(42,674)</u>
	(147,512)	(142,357)
Net increase in cash and cash equivalents	82,252	1,880
Cash and cash equivalents:		
Cash, beginning	<u>69,443</u>	<u>67,563</u>
Cash, ending	\$ <u>151,695</u>	<u>69,443</u>
Comprised of:		
Cash - unrestricted	\$ 110,999	38,747
- restricted	<u>40,696</u>	<u>30,696</u>
	\$ <u>151,695</u>	<u>69,443</u>

See accompanying notes

TOWN OF NORTH WEST RIVER

Revenues

Schedule 1

Year ended December 31, 2009

2009

2008

Taxation:

Property tax	\$ 182,232	186,771
Poll tax	10,700	5,644
Business tax	15,435	15,301
Water and sewer tax	92,672	92,376
Utility tax	36,059	36,712
Other municipal taxes levied	1,210	1,470
Penalties and interest	-	-
	<u>338,308</u>	<u>338,274</u>

Sales of goods and services:

Fire protection service fees	<u>10,174</u>	<u>9,086</u>
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Grants and transfers:

Government of Canada		
Other federal revenue	1,850	840
Government of Newfoundland and Labrador		
Municipal operating grant	33,961	30,014
Gas tax revenue	18,955	-
Debt repayment	59,910	55,927
Special assistance	-	15,500
Other provincial grants and/or subsidies	40,839	22,597
	<u>155,515</u>	<u>124,878</u>

Investment income:

Interest income	<u>4,238</u>	<u>5,930</u>
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Other revenue:

Gain on sale of real estate held for sale	4,191	-
Rental	53,342	54,290
Quarry rental	35,000	35,000
Insurance recovery	-	7,205
Miscellaneous	5,327	4,190
	<u>97,860</u>	<u>100,685</u>

	\$ <u>606,095</u>	<u>578,853</u>
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See accompanying notes

TOWN OF NORTH WEST RIVER

Expenditures

Schedule 2

Year ended December 31, 2009

2009

2008

General Government:

Salaries	\$ 50,082	49,514
Office and computer expenses	5,868	5,016
Utilities	7,754	5,445
Communications	4,145	3,996
Assessment fees	8,568	7,826
Bad debt	21,530	10,399
Land Development	135	1,553
Printing, subscriptions and publications	167	5,263
Amortization	218,777	224,053
Other	50,975	44,763
	<u>\$ 368,001</u>	<u>357,828</u>

Protective Services:

Fire protection	\$ 16,135	12,243
Insurance	4,182	3,280
	<u>\$ 20,317</u>	<u>15,523</u>

Transportation Services:

Snow clearing	\$ 22,580	14,367
Road maintenance	12,956	6,636
Street lighting	9,472	9,472
Wages - snow clearing	21,202	16,363
	<u>\$ 66,210</u>	<u>46,838</u>

Environmental Health:

Water and sewer	\$ 75,533	66,025
Utilities	6,680	8,527
Sanitation and waste removal	42,606	44,164
	<u>\$ 124,819</u>	<u>118,716</u>

Recreation Services:

Trail groomer services	\$ 29,855	-
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Debt Charges:

Interest	\$ 38,480	49,711
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See accompanying notes

TOWN OF NORTH WEST RIVER

Schedule of Tangible Capital Assets

Schedule 3

Year Ended December 31, 2009

	General Capital Assets					Infrastructure		Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Roads, Streets, and Bridges	Water and Sewer	2009	2008		
Cost									
Opening costs	\$ 67,985	100,312	443,656	3,184,151	2,719,637	6,515,741	6,473,080		
Additions during the year	-	-	-	-	-	-	42,661		
Disposals and write downs	-	-	-	-	-	-	-		
Closing costs	67,985	100,312	443,656	3,184,151	2,719,637	6,515,741	6,515,741		
Accumulated Amortization									
Opening accum'd amortization	1,067	22,533	174,888	1,156,506	1,756,005	3,110,999	2,886,946		
Amortization	4,266	2,991	34,101	126,974	50,445	218,777	224,053		
Disposals and write downs	-	-	-	-	-	-	-		
Closing accum'd amortization	5,333	25,524	208,989	1,283,480	1,806,450	3,329,776	3,110,999		
Net Book Value of Tangible Capital Assets	\$ 62,652	74,788	234,667	1,900,671	913,187	3,185,965	3,404,742		

See accompanying notes

TOWN OF NORTH WEST RIVER

Reconciliation of the Financial Plan to the Budget

Schedule 4

Year Ended December 31, 2009

	Financial Plan	Amortization (TCA)	Interest Expense	PSAB Budget
REVENUE				
Taxation	\$ 327,517	-	-	327,517
Sales of goods and services	16,504	-	-	16,504
Grants and transfers	105,083	-	-	105,083
Investment income	1,500	-	-	1,500
Other revenue	85,180	-	-	85,180
Transfers from accumulated surplus	-	-	-	-
Transfers from reserves	-	-	-	-
Total revenue	\$ 535,784	-	-	535,784
EXPENSES				
General government services	\$ 104,749	219,590	38,480	362,819
Protective services	21,507	-	-	21,507
Transportation services	101,016	-	-	101,016
Environmental health services	134,086	-	-	134,086
Regional planning and development	2,000	-	-	2,000
Recreation and cultural services	14,000	-	-	14,000
Fiscal services:				-
Capital expenditures	-	-	-	-
Debt charges	158,426	-	(158,426)	-
Total expenses	\$ 535,784	219,590	(119,946)	635,428
Surplus (Deficit)	\$ -	(219,590)	119,946	(99,644)

See accompanying notes

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2009

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:

The 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 accounting

The 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.

(b) 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.

(c) 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 be sold outside the reporting entity within one year of the balance sheet date.

(d) 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 revenues over expenses, provides the change in net financial assets for the year.

Real estate properties and inventories held for sale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year of the reporting date.

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2009

(e) *Tangible capital assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is put into use. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Indefinite
Land improvements	10 to 50 years
Buildings and leasehold improvements	
Buildings	25 to 40 years
Leasehold improvements	Term of lease
Vehicle 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 and fixtures	5 years
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
Underground networks	15 to 60 years
Machinery and equipment	15 years
Dams and other surface water structures	25 to 50 years

(f) *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.

(g) *Revenue recognition*

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

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2009

(h) *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.

3. Receivables:	<u>2009</u>	<u>2008</u>
Taxes	\$ 55,610	39,749
Sales taxes	4,488	7,058
Accrued interest receivable - Province	3,182	4,349
Employees - cash shortage	2,500	3,700
Fire Hall - cost sharing	<u>10,174</u>	<u>9,086</u>
	75,954	63,942
Less allowance for doubtful accounts	<u>25,621</u>	<u>12,968</u>
	\$ <u>50,333</u>	<u>50,974</u>
4. Payables and accruals:	<u>2009</u>	<u>2008</u>
Trade	\$ 11,326	17,885
Funds held in trust	40,000	30,000
Accrued interest	<u>3,182</u>	<u>4,349</u>
	\$ <u>54,508</u>	<u>52,234</u>

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2009

5. Long-term debt:

	<u>2009</u>	<u>2008</u>
Newfoundland Municipal Financing Corporation, 7.375% loan, repayable in blended semi-annual instalments of \$13,979; maturing, 2012	\$ 62,781	84,879
Newfoundland Municipal Financing Corporation, 6.750% loan, repayable in blended semi-annual instalments of \$6,953; maturing, 2013	42,714	53,204
Newfoundland Municipal Financing Corporation, 6.375% loan, repayable in blended semi-annual instalments of \$9,606; maturing, 2015	87,967	100,948
Bank loan at prime plus 2.0%, repayable in blended quarterly payments of \$7,250 ; maturing, 2014	62,692	91,692
Bank loan at prime plus 2.0%, repayable in blended quarterly payments of \$5,000; maturing, 2015	89,566	104,983
Bank loan at prime plus 2.5%, repayable in blended quarterly payments of \$2,850; maturing, 2014	50,110	58,605
2.9% conditional sales contract, GMAC, repayable \$811 monthly, including interest; maturing, 2009	<u>-</u>	<u>760</u>
	<u>\$ 395,830</u>	<u>495,071</u>

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

2010	\$ 151,587
2011	162,826
2012	149,332
2013	50,593
2014	46,201

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.

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2009

6. Obligation under capital lease:

Equipment under capital lease, minimum lease payments of \$5,092 monthly including interest. Future minimum lease payments under the capital lease are as follows:

2010	\$	53,869
2011		59,349
2012		<u>77,760</u>
Total minimum lease payments		190,978
Less amount representing future interest		<u>15,274</u>
Balance of obligation	\$	<u>175,704</u>

The cost of the equipment under capital lease is \$312,120 (2008 - \$312,120). Accumulated amortization is \$98,318 (2008 - \$70,227).

7. Financial instruments:

The Municipality, as part of its operations, carried a number of financial instruments. It is management's opinion the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

8. Budget:

In accordance with the Province of Newfoundland and Labrador's Municipalities Act, every council must adopt a financial plan for each fiscal period in a form approved by the minister. The financial plan is prepared on a revenue and expenditure basis that does not meet the recommendations for PSAB. For comparative purposes, the Town of North West River 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 statements is disclosed in Schedule 4 - Reconciliation of the Financial Plan to the Budget.

TOWN OF NORTH WEST RIVER

Notes to the Financial Statements

December 31, 2009

9. Changes in accounting policies:

The Municipality has restated its financial statements to comply with the adoption of generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB).

Section PS3150 requires governments to record and amortize tangible capital assets on their financial statements. In addition, leases, which substantially transfer all of the risks and benefits of ownership to the government, should be treated as capital leases.

	<u>2009</u>	<u>2008</u>
Opening fund balances:		
Investment in property and equipment	\$ 5,407,365	5,210,972
Surplus	<u>75,435</u>	<u>46,163</u>
Opening accumulated surplus, as previously reported	5,482,800	5,257,135
Adjustments:		
Tangible capital assets - net	2,685,696	2,724,731
Fixed assets in investment in property and equipment	<u>(5,407,365)</u>	<u>(5,210,972)</u>
	<u>\$ 2,761,131</u>	<u>2,770,894</u>