

TOWN OF CLARENVILLE
Financial Statements
Year Ended December 31, 2008

TOWN OF CLARENVILLE
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Year Ended December 31, 2008

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AUDITORS' REPORT

To the Mayor and Councilors of Town of Clarenville

We have audited the statement of financial position of Town of Clarenville as at December 31, 2008 and the statements of revenues and expenditures, surplus and cash flows 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 at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Mayor and Councilors of the Town of Clarenville and the Department of Municipal Affairs of the Government of Newfoundland and Labrador. Other users are cautioned that these financial statements may not be appropriate for general purpose users.

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. Expenditure in relation to budget:

Expenditures in relation to the budget is set out in the Statement of Revenue and Expenditures.

2. Arrears of revenue:

Taxes receivable totaled \$ 271,601 at December 31, 2008. Of this amount, \$78,843 has been outstanding for one year or longer, while the balance of \$192,758 represents arrears on account of taxes and rates levied in 2008. The allowance for doubtful accounts amounted to \$27,219 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.

4. Sufficiency of bonds:

Fidelity bond coverage of \$25,000 is carried on employees of the Council who are in a position of trust.

Clarenville, Newfoundland and Labrador
June 15, 2009

BELANGER CLARKE FOLLETT & MCGETTIGAN
CHARTERED ACCOUNTANTS

TOWN OF CLARENVILLE
Statement of Financial Position
As at December 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash (Note 4)	\$ 585,553	\$ 191,341
Receivables (Note 5)	1,230,134	1,190,170
Inventory (Notes 2 and 6)	453,087	441,957
	<u>2,268,774</u>	1,823,468
CAPITAL ASSETS (Note 7)	<u>58,376,842</u>	52,627,216
	<u>\$ 60,645,616</u>	\$ 54,450,684
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 870,474	\$ 631,519
Current portion of long term debt (Note 9)	673,760	760,500
	<u>1,544,234</u>	1,392,019
LONG TERM DEBT (Note 9)	<u>11,253,186</u>	12,477,961
	<u>12,797,420</u>	13,869,980
NET ASSETS		
Investment in capital assets (Schedule 1)	47,835,245	40,642,640
Surplus (deficit)	12,951	(61,936)
	<u>47,848,196</u>	40,580,704
	<u>\$ 60,645,616</u>	\$ 54,450,684

ON BEHALF OF COUNCIL

_____ Mayor

_____ Chair, Finance Committee

TOWN OF CLARENVILLE
Statement of Surplus
Year Ended December 31, 2008

SURPLUS (DEFICIT) - BEGINNING OF YEAR	\$ (61,936)	\$ 106,462
Excess of revenues over expenditures (expenditures over revenues)	<u>74,887</u>	<u>(168,398)</u>
SURPLUS (DEFICIT)- END OF YEAR	\$ 12,951	\$ (61,936)

TOWN OF CLARENVILLE
Statement of Revenues and Expenditures
Year Ended December 31, 2008

	Budget 2008	2008	2007
REVENUES (Schedule 2)			
Taxation	\$ 4,642,500	\$ 4,699,532	\$ 4,353,242
Sale of goods and services	11,400	24,000	125,397
Other revenue from own sources	132,000	153,350	169,448
Government transfer	1,150,166	2,302,632	1,024,376
	<u>5,936,066</u>	<u>7,179,514</u>	<u>5,672,463</u>
EXPENDITURES (Schedule 3)			
General government	719,625	715,915	741,508
Protective services	232,890	162,412	184,447
Transportation services	1,321,500	1,375,704	1,207,710
Environmental services	899,800	987,261	943,416
Planning and development	113,100	52,599	119,164
Recreational and cultural services	252,100	225,039	221,393
Fiscal services	2,397,051	3,585,697	2,423,223
	<u>5,936,066</u>	<u>7,104,627</u>	<u>5,840,861</u>
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	<u>\$ -</u>	<u>\$ 74,887</u>	<u>\$ (168,398)</u>

See accompanying notes to financial statements.

TOWN OF CLARENVILLE
Statement of Cash Flows
Year Ended December 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess of revenues over expenditures (expenditures over revenues)	\$ 74,887	\$ (168,398)
Changes in non-cash working capital:		
Receivables	(39,966)	225,742
Inventory	(11,130)	2,873
Accounts payable and accrued liabilities	238,957	(1,805,010)
	<u>187,861</u>	<u>(1,576,395)</u>
Cash flow from (used by) operating activities	<u>262,748</u>	<u>(1,744,793)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(5,749,626)	(3,455,094)
Increase in investment of capital assets	7,192,605	6,094,468
Cash flow from investing activities	<u>1,442,979</u>	<u>2,639,374</u>
FINANCING ACTIVITY		
Repayment of long term debt	(1,311,515)	(2,660,854)
Cash flow used by financing activity	<u>(1,311,515)</u>	<u>(2,660,854)</u>
INCREASE (DECREASE) IN CASH FLOW	394,212	(1,766,273)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>191,341</u>	<u>1,957,614</u>
CASH AND CASH EQUIVALENTS - END OF YEAR <i>(Note 4)</i>	<u>\$ 585,553</u>	<u>\$ 191,341</u>

See accompanying notes to financial statements.

TOWN OF CLARENVILLE
Investment of Capital Assets
Year Ended December 31, 2008

(Schedule 1)

	2008	2007
Balance, beginning of year	\$ 40,642,640	\$ 34,548,172
Debt principal retired out of revenue	2,919,639	1,328,453
Capital expenditures out of revenue	2,896	364,427
Capital grants - infrastructure	4,270,070	4,278,692
Capital grants - other	-	52,747
Reduction of amount due to Province	-	70,149
Balance, end of year	\$ 47,835,245	\$ 40,642,640

See accompanying notes to financial statements.

TOWN OF CLARENVILLE
Revenues
Year Ended December 31, 2008

(Schedule 2)

	Budget 2008	2008	2007
Taxation			
Property tax	\$ 2,163,000	\$ 2,134,629	\$ 2,030,535
Business tax	1,069,500	1,137,735	1,112,570
Poll tax	200,000	242,068	181,208
Water and sewer tax	1,181,000	1,152,916	997,479
Grant in lieu of taxes	29,000	32,184	31,450
	<u>4,642,500</u>	<u>4,699,532</u>	<u>4,353,242</u>
SALE OF GOODS AND SERVICES			
Land sales	-	1,711	106,926
Incinerator fees	1,800	1,800	1,800
Garbage collection	6,000	5,500	5,500
Other general	3,600	14,989	11,171
	<u>11,400</u>	<u>24,000</u>	<u>125,397</u>
OTHER REVENUES FROM OWN SERVICES			
Licences and permits	27,000	29,838	31,077
Tax certificates	20,000	26,750	21,500
Interest charged on overdue accounts	40,000	31,407	49,663
Other general	-	5,000	-
Interest income	45,000	60,355	67,208
	<u>132,000</u>	<u>153,350</u>	<u>169,448</u>
GOVERNMENT TRANSFERS			
Municipal operating grant	144,583	144,584	144,584
Province portion of debt charges	1,005,583	2,158,048	879,792
	<u>1,150,166</u>	<u>2,302,632</u>	<u>1,024,376</u>
TOTAL REVENUES	<u>\$ 5,936,066</u>	<u>\$ 7,179,514</u>	<u>\$ 5,672,463</u>

See accompanying notes to financial statements.

TOWN OF CLARENVILLE
Expenditures
Year Ended December 31, 2008

(Schedule 3)

	Budget 2008	2008	2007
GENERAL GOVERNMENT			
Wages and benefits	\$ 327,600	\$ 355,291	\$ 309,865
Travel and conventions	12,000	8,590	17,018
Councilors remuneration	39,425	38,844	38,733
Supplies	39,500	26,814	26,368
Councilors travel	4,000	1,045	2,632
Purchased services	31,400	32,379	31,396
Repairs and maintenance	9,000	13,410	42,546
Professional development and training	7,200	6,509	6,086
Professional fees	32,000	39,110	66,854
Insurance	110,000	95,626	107,109
Public relations	32,500	25,374	26,294
Property assessment services	75,000	72,923	66,607
TOTAL GENERAL GOVERNMENT	719,625	715,915	741,508
PROTECTIVE SERVICES			
Wages and Benefits	108,550	85,273	105,795
Travel and training	6,000	4,813	4,640
Supplies and maintenance	49,640	37,162	38,382
Purchased services	14,100	14,745	14,552
Municipal enforcement	51,600	20,419	21,078
TOTAL PROTECTIVE SERVICES	229,890	162,412	184,447
TRANSPORTATION SERVICES			
<u>Vehicle maintenance</u>			
Wages and benefits	53,000	50,270	54,241
Supplies	103,500	167,991	111,361
Purchased service	55,000	56,540	3,789
	211,500	274,801	169,391
<u>Road maintenance</u>			
Wages and benefits	391,000	389,975	368,514
Supplies	112,500	97,080	102,857
	503,500	487,055	471,371
<u>Snow removal</u>			
Wages and benefits	246,500	205,580	207,984
Supplies and fuel	230,000	273,673	231,121
	476,500	479,253	439,105
Street lighting	130,000	134,595	127,843

(continues)

See accompanying notes to financial statements.

TOWN OF CLARENVILLE
Expenditures (continued)
Year Ended December 31, 2008

(Schedule 3)

	Budget 2008	2008	2007
TOTAL TRANSPORTATION SERVICES	1,321,500	1,375,704	1,207,710
ENVIRONMENTAL HEALTH			
<u>Water and Sewer</u>			
Wages and benefits	359,000	362,514	317,343
Supplies	181,000	252,047	221,291
Purchased services	127,000	147,520	193,856
Travel and training	5,500	1,233	1,332
	672,500	763,314	733,822
<u>Garbage and Waste Collection and Disposal</u>			
Supplies	2,300	1,963	2,488
Purchased services - Garbage	225,000	221,984	207,106
	227,300	223,947	209,594
TOTAL ENVIRONMENTAL HEALTH	899,800	987,261	943,416
PLANNING AND DEVELOPMENT			
Land acquisition	-	-	53,200
Community development	113,100	52,599	65,964
TOTAL PLANNING AND DEVELOPMENT	113,100	52,599	119,164
RECREATIONAL AND CULTURAL SERVICES			
Wages and benefits	61,800	60,360	57,891
Stadium - grant	67,550	66,565	63,000
Community grants recreation	-	28	102
Parks and playgrounds	95,550	70,886	76,900
Recreational and cultural program grants	27,200	27,200	23,500
TOTAL RECREATIONAL AND CULTURAL SERVICES	252,100	225,039	221,393
FISCAL SERVICES			
Debt Charges from all Sources	2,244,629	3,520,086	2,005,985
Provision for uncollectible taxes	7,630	32,827	35,194
Capital expenditures out of revenue	128,792	2,896	364,428
Bank service charges and interest	16,000	29,888	17,616
TOTAL FISCAL SERVICES	2,397,051	3,585,697	2,423,223
TOTAL EXPENDITURES	\$ 5,936,066	\$ 7,104,627	\$ 5,840,861

See accompanying notes to financial statements.

TOWN OF CLARENVILLE
Notes to Financial Statements
Year Ended December 31, 2008

1. DESCRIPTION OF OPERATIONS

The Town is incorporated under the terms of The Municipalities Act (Newfoundland and Labrador).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory is valued at the lower of cost and net realizable value.

Capital assets

Capital assets are stated at cost. 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. Government grants received toward the cost of fixed assets are recorded in the "Investment in Capital Assets" account. The annual installments of principal and interest on long-term borrowings, obtained to finance the purchase of capital assets, are recorded in the statements as a current expenditure.

Capital assets disposed of are deleted from the accounts at their original cost.

The Town regularly reviews its capital assets to eliminate obsolete items.

Investment in capital assets

The equity of the municipality in its capital assets is represented by a credit account, "Investment in Capital Assets".

Change in accounting policy - Capital assets

Effective January 1, 2008, the Town of Clarenville adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting 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 Town 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 Town continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the Town has prepared a partial listing of assets. A complete listing of assets and values is expected to be completed by September 30, 2009 to comply with section PS 3150.

Revenue recognition

Revenue is recorded on the accrual basis.

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TOWN OF CLARENVILLE
Notes to Financial Statements
Year Ended December 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and bank, accounts receivable, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the organization 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 otherwise noted.

4. CASH AND BANK

	2008	2007
Operating accounts	\$ 541,022	\$ 124,731
Capital accounts	44,531	66,610
	\$ 585,553	\$ 191,341

5. ACCOUNTS RECEIVABLE

	2008	2007
Taxes		
Property	\$ 97,731	\$ 70,575
Water and sewer	47,731	95,629
Business	38,327	79,468
Service fees	87,812	72,514
	271,601	318,186
Other		
General	260,321	657,315
GST recoverable	725,431	182,577
Gasoline tax rebate	-	52,747
Due from capital funds	-	11,771
	985,752	904,410
Less		
Allowance for doubtful accounts	(27,219)	(32,426)
	\$ 1,230,134	\$ 1,190,170

TOWN OF CLARENVILLE
Notes to Financial Statements
Year Ended December 31, 2008

6. INVENTORY

	2008	2007
Land development	\$ 406,569	\$ 406,569
Maintenance supplies	46,518	35,388
	\$ 453,087	\$ 441,957

7. CAPITAL ASSETS

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	\$ 126,686	\$ -	\$ 126,686	\$ 126,686
Buildings	1,539,593	-	1,539,593	1,539,593
Roads	12,767,667	-	12,767,667	12,730,971
Equipment	3,359,547	-	3,359,547	3,083,663
Recreational and cultural facilities	6,511,531	-	6,511,531	1,397,135
Incinerator project	478,797	-	478,797	478,797
Water and sewer system	32,597,400	-	32,597,400	32,274,750
Subdivision development	110,697	-	110,697	110,697
White hills resort	686,521	-	686,521	686,521
Industrial park	198,403	-	198,403	198,403
	\$ 58,376,842	\$ -	\$ 58,376,842	\$ 52,627,216

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Operating		
Accounts payable and accruals	\$ 335,939	\$ 404,406
Tax prepayments	37,306	53,101
	373,245	457,507
Capital		
Accounts payable and accruals	497,229	174,012
	\$ 870,474	\$ 631,519

9. LONG TERM DEBT

	2008	2007
Newfoundland Municipal Financing Corporation loans, repayments of which are the sole responsibility of the Province.	\$ 1,579,228	\$ 1,990,746

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TOWN OF CLARENVILLE
Notes to Financial Statements
Year Ended December 31, 2008

9. LONG TERM DEBT *(continued)*

	<u>2008</u>	<u>2007</u>
Chartered Bank term loans, repayments of which are the sole responsibility of the Province.	2,391,173	2,546,055
Prime less .625% term loan, repayable \$233,050 annually plus interest maturing 2010.	466,027	699,077
Prime less .625% term loan, repayable \$19,500 annually plus interest maturing 2017.	156,000	175,500
Prime rate term loan, repayable by White Hills Consortium \$8,000 annually plus interest maturing 2015.	56,000	64,000
Prime rate term loan, repaid during the year.	-	90,000
Prime less .625% term loan, repayable \$41,021 annually plus interest maturing 2011.	119,563	160,584
Prime less .625% term loan, repaid during the year.	-	104,125
Prime rate term loan, repayable by White Hills Consortium \$7,038 annually plus interest, maturing 2013.	35,188	42,225
Prime less .625% term loan, repaid during the year.	-	45,333
Prime less .625% term loan, repaid during the year.	-	19,750
Prime less .625% term loan, principal repayable \$27,189 annually, interest payable monthly, maturing 2015.	299,077	326,265
Prime less .625% term loan, principal repayable \$167,422 annually, interest payable monthly, maturing 2019.	1,841,490	2,008,990
Prime less .625% term loan, repaid during the year.	-	34,800
Prime less .625% term loan, repaid during the year.	-	98,433
Prime less .625% term loan, principal repayable \$17,266 annually, interest payable monthly, maturing 2013.	86,325	103,591
Prime less .625% term loan, repayable \$117,152 annually, maturing 2026.	2,108,710	2,225,874
Prime less .625% term loan, repayable in monthly payments of \$3,474 plus interest, maturing in 2021.	181,128	-
Prime less .625% term loan, principal repayable \$8,001 annually, plus interest, maturing 2021.	104,010	-
Prime less .625% term loan, repayable \$43,070 annually plus interest, maturing 2027.	818,327	-
Interim financing on capital projects, interest at prime. No set terms of repayment to date.	1,684,700	2,503,113

(continues)

TOWN OF CLARENVILLE
Notes to Financial Statements
Year Ended December 31, 2008

9. LONG TERM DEBT *(continued)*

	<u>2008</u>	<u>2007</u>
Total Loans	11,926,946	13,238,461
Amounts payable within one year	<u>(673,760)</u>	<u>(760,500)</u>
	<u>\$ 11,253,186</u>	<u>\$ 12,477,961</u>

10. COMMITMENTS

a) 1994 Newfoundland and Labrador Winter Games

The Town entered into agreements with the Provincial government and the Local School Board Authority to administer the construction of a facility to host the 1994 Newfoundland and Labrador Winter Games. Government funding for this project totaling \$2,380,000. consisted of a government guaranteed loan in the amount of \$1,300,000. and capital grants totaling \$1,080,000. received over a three year period. The government guaranteed loan is financed through the Newfoundland Municipal Financing corporation, with all payments being the responsibility of the Department of Municipal Affairs until such time as the debt is retired. Funds advanced under the guarantee will be repaid from allocations under the School Construction Program as funds become available. Neither the Winter Games facility nor the government guaranteed loan is reflected in the Town's financial statements as of December 31, 2008.

TOWN OF CLARENVILLE
Notes to Financial Statements
Year Ended December 31, 2008

11. CONTINGENCIES:

a) Newfoundland and Labrador Municipal Employees Benefits Inc. Pension Plan

The Town is a member of the Newfoundland and Labrador Municipal Employees Benefits Inc. Pension Plan and the Plan is a defined benefit pension plan whereby benefits are based on employees' earnings and years of service. The plans are funded based on periodic actuarial estimates and statutory requirements.

The status of this defined benefit plan as at December 31, 2008, based on figures extrapolated from the latest actuarial reports of December 31, 2003, is as follows:

Net assets available for plan benefits at market values	\$ 24,017,000
Projected benefit obligations	<u>28,165,000</u>
Projected benefits obligation in excess of plan assets	<u>\$ (4 148 000)</u>

As the Town records pension expense on a cash basis, none of the above deficit is reflected in the financial statements as at December 31, 2008.

The assets and liabilities of the plan are valued on a going-concern basis, which is in accordance with generally accepted actuarial principles for the valuation of a continuing plan. If the plan collapses, an adjustment results from a possible shortfall in the realization of assets may be necessary.

As of January, 2004 the Town has been paying 129.1% of employee total contributions rather than the standard 100% as its requirement towards eliminating the unfunded liability.

- b) During the prior year, the Town reduced an accounting estimate related to accounts previously reflected as owing to the Province for GST rebates from capital projects in years prior to 1998, from \$70,149. to nil. Based on this additional information the Town is of the opinion that probability of attempt at recovery is unlikely but cannot be conclusively determined.

12. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered accountants.

Some of the comparative figures have been reclassified to conform to the current year's presentation.
