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June 23, 2010

Mayor and Council
Town of Hay River
73 Woodland Drive
Hay River, NT X0E 1G1

Dear Mayor and Council:

Re: 2009 Financial Statement Audit

We have completed our audit of the financial statements for 2009 and are writing to provide comment thereon.

Auditors' Report

We were able to satisfy ourselves that the Town's financial statements are presented fairly in accordance with the accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants and have therefore issued an unqualified Auditors' Report.

Books and Records and Internal Financial Controls

We found that the ongoing transactions that came under our examination were properly reflected in the books and records and that we were able to rely on the internal financial controls to support the balances in the accounts. We made year-end adjusting entries as necessary with management's cooperation. In our correspondence and discussions with management we have offered recommendations for improvement in the effectiveness of the financial processing and reporting systems.

Council Financial Statement Review

It has come to our attention that Council does not review the internal financial statements on a regular (i.e. monthly) basis. We recommend that Council adopt the practice of reviewing the financial statements monthly in order to monitor the actual results versus budgeted amounts. If significant variances are discovered, Council should inquire of administration for explanation of these variances. Council can then implement corrective action, if necessary, in a timely fashion.

Interest earned on Bank Accounts

We would like to bring to the Councils attention, the Town held over $10 million dollars in the various bank accounts at December 31, 2009. During the year, the average bank balance was not much less; however, interest earned on these funds totalled just under $6,000, which is a very low return on invested cash.

Therefore, we recommend that the Town consider other options for short-term investment of cash or renegotiating the terms with the bank to allow for greater interest income earned during the year.

Capital Assets

Effective January 1, 2009, the Town adopted Handbook section 3150 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the reporting of tangible capital assets. Prior to January 1, 2009 the Town recorded tangible capital assets as expenditures on the statement of operations. As of January 1, 2009 capital assets are recorded at cost on the statement of financial position and amortized over their estimated useful lives.

Financial Statements Analysis

The results of operations for the year, after surplus transactions, are as follows:

	Surplus (Deficit)		
	Budget	Actual	Variance
General Operating fund (p.9)	$ 69	$ (35,492)	$ (35,561)
Utility Operating fund (p.13)	1,350	(187,867)	(189,217)
Land Development fund (p.15)	97,833	369,739	271,906
Consolidated (p.6)	$ 99,252	$ 146,380	$ 47,128

The net financial position of the Town at December 31, 2009 is comprised of:

	2008	**2009**	Change
Accumulated Surplus (Deficit)			
General Operating Fund	959,975	**924,483**	(35,492)
Utility Operating Fund	(147,907)	**(335,774)**	(187,867)
Land Development Fund	2,598,557	**2,968,296**	369,739
	$ 3,410,625	**$ 3,557,005**	$ 146,380

Accumulated Surplus (Bylaw 2099)

General Operating Fund

Any accumulated surplus in excess of 20% of total taxation revenues can be appropriated as required. Based on the audited financial statements the limit is $945,476, therefore no amount is eligible for transfer.

Utility Operating Fund

Any amount held in accumulated surplus greater than 5% of the total revenues from sales of water and sewer services may be reallocated to the Reserve for Utility Infrastructure. Based on the audited financial statements, the Utility Operating Fund is in a deficit position at the end of the fiscal year, so no amount is eligible for transfer.

Land Development Fund

Any accumulated surplus exceeding $500,000 can be transferred as revenue to the general operating fund as long as the net realizable value of all land inventory exceeds its book value. Based on the audited financial statements the amount eligible for transfer is $2,468,296.

Reserve Bank Accounts

The reserve accounts should be fully funded, meaning there should be sufficient funds in the bank accounts to reflect the year-end reserve balances. At December 31, 2009, there was a shortfall of $831,832 per Note 9 to the financial statements. The Town does not comply with this requirement until after the audited financial statements have been received, as they are unable to verify the appropriate amount of funds to be transferred to the reserve accounts.

We would like to thank the administration for the assistance provided during our audit examination. Please feel free to contact the undersigned if there are any questions on the financial statements or the contents of this letter.

Yours truly,

ASHTON
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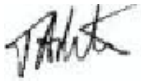
Business Advisors



T. Ashton, CA
Partner

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