

CITY OF CORNER BROOK
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements are the responsibility of the management of the City of Corner Brook 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 Mayor and Councillors of the City and management have reviewed a draft of the financial statements to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

Brian N. Hillier, C.A., as the City's appointed external auditor, has audited the financial statements. The Auditor's Report is addressed to the Mayor and members of Council and appears on the following page. His opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as he considers necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the City of Corner Brook in accordance with Canadian generally accepted accounting principles.

Mayor

Director of Corporate Services

BRIAN N. HILLIER
CHARTERED ACCOUNTANT

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Corner Brook
Newfoundland
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INDEPENDENT AUDITOR'S REPORT

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The Mayor and Councillors
City of Corner Brook
Corner Brook, Newfoundland Labrador

I have audited the financial statements of the City of Corner Brook, which comprise the statement of financial position as at December 31, 2012, the statements of statements of operations and changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the I consider internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the City of Corner Brook as at December 31, 2012, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

CORNER BROOK,
NEWFOUNDLAND LABRADOR

28 June 2013

Brian Hillier

CHARTERED ACCOUNTANT

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2012

	<u>2012</u>	<u>2011</u>
<u>FINANCIAL ASSETS</u>		
Cash (Note 3)	\$ 11,402,613	13,039,951
Accounts receivable (Note 4)	<u>3,603,334</u>	<u>4,553,981</u>
	<u>15,005,947</u>	<u>17,593,932</u>
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities (Note 5)	4,996,411	4,454,282
Long-term debt (Note 6)	23,998,905	29,248,109
Employee termination (Note 7)	1,897,591	1,937,005
Reserves (Note 8)	<u>6,497,693</u>	<u>8,067,981</u>
	<u>37,390,600</u>	<u>43,707,377</u>
<u>NET FINANCIAL ASSETS (DEBT)</u>	<u>(22,384,653)</u>	<u>(26,113,445)</u>
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Schedule I)	109,674,304	105,307,305
Prepaid expenses (Note 9)	<u>1,104,195</u>	<u>1,167,912</u>
	<u>110,778,499</u>	<u>106,475,217</u>
<u>NET EQUITY</u>	<u>\$ 88,393,846</u>	<u>80,361,772</u>

CONTINGENCIES (Note 10)

ON BEHALF OF THE COUNCIL:

_____ Mayor

_____ Director of Corporate Services

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF SURPLUS
 Year ended December 31, 2012

	<u>Budget</u> (Schedule II)	<u>2012</u>	<u>2011</u>
<u>REVENUE</u>	\$33,693,224	36,419,414	45,067,030
<u>EXPENDITURES</u>	<u>29,154,282</u>	<u>28,387,340</u>	<u>27,500,469</u>
<u>ANNUAL SURPLUS</u>	<u>\$ 4,538,942</u>	8,032,074	17,566,561
<u>EQUITY</u> , beginning of year		<u>80,361,772</u>	<u>62,795,211</u>
<u>EQUITY</u> , end of year		<u>\$88,393,846</u>	<u>80,361,772</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
 Year ended December 31, 2012

	<u>Budget</u> (Schedule II)	<u>2012</u>	<u>2011</u>
<u>REVENUE</u>			
Taxation	\$22,744,500	23,215,043	22,735,505
Contributions	5,137,070	6,773,875	17,104,588
Utility taxes	1,070,000	1,183,860	1,127,376
Grants in lieu of taxes	1,204,700	1,210,001	1,247,301
Other revenue	<u>3,536,954</u>	<u>4,036,635</u>	<u>2,852,260</u>
	<u>33,693,224</u>	<u>36,419,414</u>	<u>45,067,030</u>
<u>EXPENDITURES</u>			
General Government	4,216,621	4,038,983	3,929,352
Community services	1,591,600	1,451,490	1,385,007
Fire Department	3,587,782	3,329,622	3,226,484
Operational services	11,515,334	11,725,445	11,259,135
Water and sewerage	2,646,627	2,611,437	2,308,063
Corner Brook Transit	549,400	499,491	471,045
Parks and Recreation	1,168,491	1,154,720	1,440,006
Pepsi Centre	1,399,527	1,398,501	1,353,676
Grants	219,000	221,479	194,940
Debt charges	1,268,900	991,544	1,076,376
Allocation to reserves	841,000	814,628	706,385
Provision for doubtful accounts	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
	<u>29,154,282</u>	<u>28,387,340</u>	<u>27,500,469</u>
<u>SURPLUS FOR THE YEAR</u>	<u>\$ 4,538,942</u>	<u>8,032,074</u>	<u>17,566,561</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF REVENUE
 Year ended December 31, 2012

	Budget 2012	Actual 2012	Actual 2011
<u>TAXATION</u>			
Water sewer levy	\$ \$ 1,688,000	1,696,086	1,486,996
Municipal tax	16,469,500	16,823,451	16,608,044
Business tax	4,152,000	4,274,359	4,187,240
Poll tax	375,000	360,818	395,066
Corner Brook Downtown Business Association	<u>60,000</u>	<u>60,329</u>	<u>58,159</u>
	<u>22,744,500</u>	<u>23,215,043</u>	<u>22,735,505</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland and Labrador:			
Municipal operating grants	666,600	733,300	733,300
Debt grants	809,800	2,379,905	1,725,222
Capital funding	<u>3,660,670</u>	<u>3,660,670</u>	<u>14,646,066</u>
	<u>5,137,070</u>	<u>6,773,875</u>	<u>17,104,588</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	660,000	771,401	712,531
Aliant Communications	300,000	305,208	303,609
Rogers Cable	110,000	104,723	105,857
Other	<u>--</u>	<u>2,528</u>	<u>5,379</u>
	<u>1,070,000</u>	<u>1,183,860</u>	<u>1,127,376</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	9,300	9,350	9,310
Corner Brook Pulp and Paper Limited:			
Current grant	995,400	992,534	1,035,401
Water grant	90,000	90,000	90,000
Government of Canada	95,000	100,086	95,418
Newfoundland Liquor Corporation	<u>15,000</u>	<u>18,031</u>	<u>17,172</u>
	<u>1,204,700</u>	<u>1,210,001</u>	<u>1,247,301</u>
<u>OTHER REVENUE</u>			
Interest	255,000	437,301	350,651
Licences and permits	287,000	293,591	268,676
Recreation and community service	35,000	37,907	37,224
Pepsi Centre	120,000	120,000	120,000
Wild Cove Landfill Site	--	202,302	94,774
Land transactions	35,000	100,777	166,905
Revenue from operating reserves	1,117,000	1,158,769	732,527
Revenue from capital reserves	1,400,054	1,400,054	958,213
City Hall rental	230,900	217,932	67,056
Fines	43,500	38,854	48,037
Miscellaneous	<u>13,500</u>	<u>29,148</u>	<u>8,197</u>
	<u>3,536,954</u>	<u>4,036,635</u>	<u>2,852,260</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF EXPENDITURES
 Year ended December 31, 2012

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 321,200	292,242	295,406
Chief Administrative Office	459,900	392,545	493,891
Corporate Services Department	2,359,800	2,311,592	2,305,778
Business Resource Centre	250,400	217,283	207,055
Amortization	<u>825,321</u>	<u>825,321</u>	<u>627,222</u>
	<u>4,216,621</u>	<u>4,038,983</u>	<u>3,929,352</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	397,100	370,166	368,889
Development and planning	174,500	153,577	199,654
Building inspection	368,800	319,675	237,999
Municipal enforcement	220,800	183,964	198,253
Animal control	105,500	122,741	94,929
Recreation and leisure	<u>324,900</u>	<u>301,367</u>	<u>285,283</u>
	<u>1,591,600</u>	<u>1,451,490</u>	<u>1,385,007</u>
<u>FIRE DEPARTMENT</u>			
Fire protection	3,513,200	3,255,040	3,154,759
Amortization	<u>74,582</u>	<u>74,582</u>	<u>71,725</u>
	<u>3,587,782</u>	<u>3,329,622</u>	<u>3,226,484</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	1,997,400	2,012,788	1,905,077
Other operations payroll	919,300	897,432	888,556
Building maintenance	679,100	858,565	517,558
Street lighting	635,000	609,996	600,733
Snow clearing	1,436,500	1,591,691	1,652,333
Traffic control	207,000	132,525	224,595
Drainage	145,000	138,417	296,751
Street and storm sewer cleaning	231,500	249,243	215,439
Street maintenance	746,500	815,488	962,470
Miscellaneous expenses	35,500	38,188	37,353
Sanitation and waste removal	790,500	812,491	728,009
Amortization	3,360,834	3,360,834	2,939,084
Sustainable development	210,600	203,585	183,260
Geographical information systems	<u>120,600</u>	<u>4,202</u>	<u>107,917</u>
	<u>11,515,334</u>	<u>11,725,445</u>	<u>11,259,135</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF EXPENDITURES
 Year ended December 31, 2012

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	203,000	167,097	149,546
Water mains and hydrants	867,500	892,054	780,878
Sanitary systems	380,000	333,006	266,904
Regulators and meters	97,000	90,419	75,185
Reservoirs and intakes	115,000	131,163	141,734
Pumphouse	112,000	125,571	88,803
Amortization	<u>872,127</u>	<u>872,127</u>	<u>805,013</u>
	<u>2,646,627</u>	<u>2,611,437</u>	<u>2,308,063</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	<u>549,400</u>	<u>499,491</u>	<u>471,045</u>
<u>PARKS AND RECREATION</u>			
Parks	438,000	424,229	443,775
Amortization	<u>730,491</u>	<u>730,491</u>	<u>996,231</u>
	<u>1,168,491</u>	<u>1,154,720</u>	<u>1,440,006</u>
<u>PEPSI CENTRE</u>			
Operating subsidy	850,000	850,000	812,500
Building maintenance	50,000	48,974	41,649
Amortization	<u>499,527</u>	<u>499,527</u>	<u>499,527</u>
	<u>1,399,527</u>	<u>1,398,501</u>	<u>1,353,676</u>
<u>GRANTS</u>			
Corner Brook Downtown Business Association	60,000	70,863	58,159
Corner Brook Stream	20,000	20,000	20,000
Community service grants	59,000	44,442	53,537
Corner Brook Museum and Archive Society	37,000	36,602	36,189
East Meets West	20,000	27,572	4,528
Greater Corner Brook Board of Trade	<u>23,000</u>	<u>22,000</u>	<u>22,527</u>
	<u>219,000</u>	<u>221,479</u>	<u>194,940</u>
<u>DEBT CHARGES</u>			
Interest	<u>1,268,900</u>	<u>991,544</u>	<u>1,076,376</u>
<u>ALLOCATION TO RESERVES</u>			
Water and sewer	791,000	794,948	692,043
Land costs	<u>50,000</u>	<u>19,680</u>	<u>14,342</u>
	<u>841,000</u>	<u>814,628</u>	<u>706,385</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
 Year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Annual surplus	\$ 8,032,074	17,566,561
Acquisition of tangible capital assets	(10,729,881)	(15,511,478)
Amortization of tangible capital assets	6,362,882	5,938,802
Net change in prepaid expenses	<u>63,717</u>	<u>262,425</u>
<u>CHANGE IN NET FINANCIAL ASSETS</u>	3,728,792	8,256,310
<u>NET FINANCIAL ASSETS (DEBT),</u> beginning of year	<u>(26,113,445)</u>	<u>(34,369,755)</u>
<u>NET FINANCIAL ASSETS (DEBT),</u> end of year	<u>\$(22,384,653)</u>	<u>(26,113,445)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
<u>OPERATING TRANSACTIONS</u>		
Annual surplus	\$ 8,032,074	17,566,561
Change in non-cash items:		
Accounts receivable	950,647	(1,713,358)
Accounts payable and accrued liabilities	542,129	(4,356,158)
Amortization	6,362,882	5,938,802
Employee termination	(39,414)	97,874
Prepaid expenses	63,717	262,425
	<u>15,912,035</u>	<u>17,796,146</u>
<u>CAPITAL TRANSACTIONS</u>		
Acquisition of tangible capital assets	<u>(10,729,881)</u>	<u>(15,511,478)</u>
<u>FINANCING TRANSACTIONS</u>		
Proceeds of long-term debt	--	6,200,000
Repayment of long-term debt	(5,249,204)	(3,850,731)
Net change in reserves	<u>(1,570,288)</u>	<u>758,958</u>
	<u>(6,819,492)</u>	<u>3,108,227</u>
<u>INCREASE (DECREASE) IN CASH</u>	<u>(1,637,338)</u>	<u>5,392,895</u>
<u>CASH, beginning of year</u>	<u>13,039,951</u>	<u>7,647,056</u>
<u>CASH, end of year</u>	<u>\$ 11,402,613</u>	<u>13,039,951</u>

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2012

1. The City of Corner Brook is a municipal government incorporated pursuant to the Province of Newfoundland and Labrador's City of Corner Brook Act. The City provides and funds municipal services including fire, public works, recreation and other general government operations.

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 of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

(a) Basis of Consolidation

The financial statements include the assets, liabilities, revenue and expenses of the reporting entity.

(b) Cash

Cash includes cash balances, bank balances and short-term investments.

(c) 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 in use. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful life as follows:

Computer hardware	4 years
Buildings	25-40 years
Equipment	5-10 years
Transportation infrastructure	5-50 years
Vehicles	5 years
Water and sewer infrastructure	15-60 years
Recreation infrastructure	10-20 years

(d) Revenue Recognition

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

(e) 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 those estimates.

CITY OF CORNER BROOK
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2012

2. Significant Accounting Policies (Cont'd):

(f) Income Taxes

The City is a non-profit entity exempt from income taxes.

(g) Sufficiency of Bonds

Sufficient fidelity bond coverage of \$500,000 is carried on employees of the City who are in a position of trust.

(h) The manner in which the accounts have been kept and the safeguards against fraud are considered satisfactory.

3. Cash balance consists of cash and bank balances, short-term investments and account overdrafts. It includes operating, capital, reserve funds and overdrafts.

4. Accounts receivable consist of:

	<u>2012</u>	<u>2011</u>
Taxes		
Municipal	\$ 449,256	628,036
Business	130,417	117,971
Service fees	353,899	354,271
Utility	771,401	712,531
Tax rebate	837,396	726,641
Province of Newfoundland Labrador		
Gas tax funding	--	840,615
Department of Works, Services and Transportation	783,920	775,464
Other	55,561	72,571
Town of Massey Drive	--	122,598
Tax agreement grant	412,590	207,080
Advance - YMCA	5,108	9,054
Property transactions	--	67,056
Waste management fees	74,723	--
Other	<u>129,396</u>	<u>168,890</u>
	4,003,667	4,802,778
Less: Allowance for doubtful accounts	<u>400,333</u>	<u>248,797</u>
	<u>\$3,603,334</u>	<u>4,553,981</u>

5. Accounts payable consist of:

	<u>2012</u>	<u>2011</u>
Trade payables and accruals	\$3,117,534	2,600,472
Contract deposits	706,737	605,364
Contract holdbacks	1,146,537	1,094,221
Accrued interest	<u>26,603</u>	<u>155,225</u>
	<u>\$4,997,411</u>	<u>4,454,282</u>

CITY OF CORNER BROOK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

6. Long-term debt consists of:	<u>2012</u>	<u>2011</u>
Canadian Imperial Bank of Commerce		
(a) 4.48% term loan, repayable in blended monthly installments of 40,998, maturing in 2012	\$ --	121,891
(b) 3.18% term loan, repayable in blended monthly installments of \$45,302, maturing in 2014	835,085	1,341,213
(c) 4.64% term loan, repayable in blended monthly installments of \$18,135, maturing in 2013	125,069	331,659
Royal Bank of Canada		
(a) 4.62% term loan, repayable in blended semi-annual installments of \$113,178	--	1,796,442
(b) 2.33% term loan, repayable in blended monthly installments of \$98,970, maturing in 2016	4,531,525	5,600,000
Canada Mortgage and Housing Corporation		
(a) Term loan under the Municipal Infrastructure Lending Program, repayable over a fifteen year period in annual blended installments of \$1,753,597	16,476,752	17,532,554
Newfoundland Municipal Financing Corporation		
Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2013 and 2020	1,460,474	1,924,350
Federal of Canadian Municipalities		
1.47% term loan under the Green Municipal Fund, repayable in semi-annual installments of \$15,000 plus interest, maturing in 2031	<u>570,000</u>	<u>600,000</u>
	<u>\$23,998,905</u>	<u>29,248,109</u>

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CITY OF CORNER BROOK
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2012

6. Long-term debt (Cont'd):

Principal payments, including both the City's and Province's share, required for the next five years on long-term debt are as follows:

2013	\$3,411,654
2014	3,281,700
2015	2,850,221
2016	2,905,225
2017	1,955,225

The Newfoundland Municipal Financing Corporation loans and the First Royal Bank term loan represent the provincial government's share of specific cost shared capital projects. The provincial government provides contributions to pay the required installments on these loans.

7. The City's remuneration package entitles employees to severance pay and a portion of unused sick leave pay at the termination of employment provided the employee meets the specific provisions of the plan. The City has also committed an amount to provide benefits to early retirees. The amount earned by employees to December 31 consists of:

	<u>2012</u>	<u>2011</u>
Severance pay	\$1,401,296	1,405,857
Sick leave benefits	279,423	286,164
Early retirees - bridging	101,650	144,550
Early retirees - group benefits	<u>115,222</u>	<u>100,434</u>
	<u>\$1,897,591</u>	<u>1,937,005</u>

8. Reserves consist of:

	Balance December <u>31, 2011</u>	Allocation <u>2012</u>	Utilized <u>2012</u>	Balance December <u>31, 2012</u>
Wild Cove Landfill				
Site	\$ 319,865	--	151,793	168,072
NLHC paving	164,383	30,836	--	195,219
Reserve - water	1,848,253	--	852,459	995,794
Reserve - sewer	3,119,525	794,948	54,517	3,859,956
Land acquisitions	510,667	141,222	418,406	233,483
Equipment replacement	470,000	--	100,000	370,000
Gas tax funding	1,355,497	434,677	1,383,753	406,421
Public Transit/ Public Trust	<u>279,791</u>	<u>5,258</u>	<u>16,301</u>	<u>268,748</u>
	<u>\$8,067,981</u>	<u>1,406,941</u>	<u>2,977,229</u>	<u>6,497,693</u>

The beginning balances for reserves has been reallocated.

CITY OF CORNER BROOK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

9. Prepaid expenses consist of:

	<u>2012</u>	<u>2011</u>
Inventory of supplies, at cost	\$ 813,579	877,875
Insurance premium	<u>290,616</u>	<u>290,037</u>
	<u>\$1,104,195</u>	<u>1,167,912</u>

10. Contingencies:

A number of claims have been filed against the City for various reasons; the City is denying liability and defending any actions accordingly. No provisions have been made in the financial statements for any losses that may result from the claims; losses, if any, to the City will be accounted for in the year liability is established. The City will seek to recover any losses from its insurance carrier.

During 2001 the City acquired property from Newfoundland Labrador Housing Corporation in exchange for a mortgage issued in the amount of \$1,048,085. The mortgage is repayable as the City disposes of the land in accordance with an agreement with Newfoundland Labrador Housing Corporation. The mortgage balance at December 31, 2012 was \$571,147.

11. Financial instruments:

The City, as part of its operations, carries a number of financial instruments. It is management's opinion the City 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 approximates their carrying values.

CITY OF CORNER BROOK
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
December 31, 2012

	Cost			Accumulated Amortization			Net Book Value
	December 31, 2011	Additions	Disposals	December 31, 2012	Additions	Disposals	December 31, 2012
Land	\$ 1,729,995	--	--	1,729,995	--	--	1,729,995
Buildings	53,591,878	450,438	--	54,042,316	1,324,848	--	43,185,590
Machinery and equipment	6,563,281	803,316	(364,569)	7,002,028	1,040,608	(364,569)	1,543,206
Recreation infrastructure	8,563,294	7,415	--	8,570,709	728,182	--	4,559,320
Transportation infra-structure	56,426,028	3,273,678	--	59,699,706	2,394,808	--	24,731,197
Water sewer infrastructure	26,810,777	3,241,865	--	30,052,642	872,127	--	18,710,370
Other	111,098	--	--	111,098	2,309	--	12,134
Assets under construction	12,249,323	2,953,169	--	15,202,492	--	--	15,202,492
	<u>\$166,045,674</u>	<u>10,729,881</u>	<u>(364,569)</u>	<u>176,410,986</u>	<u>6,362,882</u>	<u>(364,569)</u>	<u>109,674,304</u>

	Cost			Accumulated Amortization			Net Book Value
	December 31, 2010	Additions	Disposals	December 31, 2011	Additions	Disposals	December 31, 2011
Land	\$ 1,455,168	274,827	--	1,729,995	--	--	1,729,995
Buildings	22,862,143	30,729,735	--	53,591,878	1,313,587	--	44,060,000
Machinery and equipment	5,985,810	704,538	(127,067)	6,563,281	662,116	(127,067)	1,780,498
Recreation infrastructure	8,496,228	67,066	--	8,563,294	808,301	--	5,280,087
Transportation infra-structure	52,095,828	4,330,200	--	56,426,028	2,347,475	--	23,852,327
Water sewer infrastructure	25,522,878	1,287,899	--	26,810,777	805,013	--	16,340,632
Other	111,098	--	--	111,098	2,310	--	14,443
Assets under construction	34,132,110	(21,882,787)	--	12,249,323	--	--	12,249,323
	<u>\$150,661,263</u>	<u>15,511,478</u>	<u>(127,067)</u>	<u>166,045,674</u>	<u>5,938,802</u>	<u>(127,067)</u>	<u>105,307,305</u>

CITY OF CORNER BROOK
 CONSOLIDATED RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
 Year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Revenue per Municipal Budget	\$28,632,500	28,152,400
Revisions:		
Capital funding	3,660,670	14,646,066
Capital reserves	<u>1,400,054</u>	<u>958,213</u>
	<u>\$33,693,224</u>	<u>43,756,679</u>
Expenditures per Municipal Budget	\$28,632,500	28,152,400
Revisions:		
Amortization of tangible capital assets	6,362,882	5,938,802
Capital expenditures	(1,506,700)	(2,034,400)
Debt charges - principal	<u>(4,334,400)</u>	<u>(4,149,300)</u>
Expenditures per PSAB Budget	<u>\$29,154,282</u>	<u>27,907,502</u>

M E M O

TO: City of Corner Brook
FROM: Brian N. Hillier
RE: Financial Statements Audit
DATE: July 10, 2013

We recently completed our audit of the City of Corner Brook for the year ended December 31, 2012. As a result of our audit I offer the following comments.

- (1) The City overtime approval process requires the completion of an overtime schedule detailing the date and rationale for overtime, amongst other items; the forms have been duly completed except for, in some cases, the failure of the employee to sign the form. If a particular procedure is required for the processing of a transaction it should be completed, except for unusual circumstances which prevent the proper completion of the form/procedure. Otherwise when a particular control is overridden or incomplete on a regular basis the control is ineffective and unreliable to both the auditor and the personnel responsible for its oversight.
- (2) The City's remuneration policy provides for, upon termination of employment, the payment of severance earned, vacation pay and in some cases unused sick leave. The reporting for each of these is unique which has resulted in some inconsistency with respect to Canada Revenue Agency requirements. Essentially vacation pay is considered regular remuneration and should be reported on T4s with regular pay with appropriate source deductions. Severance and sick leave payouts on termination are considered retiring allowance and are not subject to CPP and EI deductions. they are however subject to income tax if paid directly to the recipient. If these allowances are considered an eligible retiring allowance they can be transferred directly to a RRSP without deducting income taxes. Retiring allowances are also reported on T4s, in box 66 or 67 depending upon whether they are eligible or ineligible. I have reviewed this with applicable staff and provided Canada Revenue Agency publications regarding same.

If you have any questions regarding this, please contact me.

Regards,

Brian