

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2001

CITY OF CORNER BROOK
FINANCIAL STATEMENTS
December 31, 2001
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AUDITOR'S REPORT

To the Mayor and Councillors
City of Corner Brook
Corner Brook, Newfoundland

I have audited the combined balance sheet of the City of Corner Brook as at December 31, 2001, and the statements of revenue, expenditures and surplus (deficit) and changes in capital financial position for the year then ended. These financial statements are the responsibility of the City. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2001, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

In compliance with the requirements of Section 115 of the City of Corner Brook Act, my report on the examination of the accounts of the City for the year ended December 31, 2001 is included herewith.

CORNER BROOK, NEWFOUNDLAND

30 May 2002



CHARTERED ACCOUNTANT

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AUDITOR'S REPORT

To the Mayor and Councillors
City of Corner Brook
Corner Brook, Newfoundland

In compliance with the requirements of Section 115 of the City of Corner Brook Act, I report as follows on the audit of the accounts of the City of Corner Brook for the year ended December 31, 2001.

EXPENDITURES

Actual expenditures of \$18,584,182 (including allocation to reserves) exceeded the limits of the approved budget by \$582,482.

REVENUE

Actual revenues of \$18,587,433 (including contributions from reserves) exceeded the amounts in the budget by \$585,733.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$3,047,952 at December 31, 2001. Of this amount \$1,266,546 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$165,670 at December 31, 2001.

MANNER IN WHICH THE ACCOUNTS HAVE BEEN KEPT
AND THE ADEQUACY OF SAFEGUARDS AGAINST FRAUD

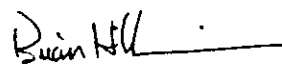
The position in these respects is considered satisfactory.

SUFFICIENCY OF BONDS

I report that all employees collecting, receiving and depositing money are adequately bonded.

CORNER BROOK, NEWFOUNDLAND

30 May 2002


CHARTERED ACCOUNTANT

CITY OF CORNER BROOK
COMBINED BALANCE SHEET
December 31, 2001

	<u>Revenue</u>	<u>2001 Capital</u>	<u>Total</u>	<u>2000 Total</u>
<u>ASSETS</u>				
Cash	\$ 17,235	740,680	757,915	946,538
Accounts receivable (Note 2)	3,325,756	--	3,325,756	3,888,300
Prepaid expenses (Note 3)	989,211	--	989,211	806,979
Interfund account	556,042	--	556,042	2,273,418
Capital assets (Note 4)	--	<u>123,199,599</u>	<u>123,199,599</u>	<u>121,216,523</u>
	<u>\$ 4,888,244</u>	<u>123,940,279</u>	<u>128,828,523</u>	<u>129,131,758</u>

LIABILITIES AND EQUITY

Due to bank (Note 5)	\$ 2,301,194	2,397,405	4,698,599	4,395,624
Payables and accruals	1,318,154	--	1,318,154	1,973,141
Interfund account	--	556,042	556,042	2,273,418
Long-term debt (Note 6)	--	14,384,605	14,384,605	16,216,705
Employee termination (Note 7)	2,994,717	--	2,994,717	3,497,751
Reserves (Note 8)	1,055,509	6,698	1,062,207	1,652,698
Investments in capital assets (Note 9)	--	106,595,529	106,595,529	101,907,002
Surplus (deficit)	<u>(2,781,330)</u>	--	<u>(2,781,330)</u>	<u>(2,784,581)</u>
	<u>\$ 4,888,244</u>	<u>123,940,279</u>	<u>128,828,523</u>	<u>129,131,758</u>

CONTINGENCIES (Note 10)

ON BEHALF OF THE CITY:

Annella Britton Mayor

Jacqueline Chow Director of Corporate Services

CITY OF CORNER BROOK
STATEMENT OF SURPLUS (DEFICIT)
Year ended December 31, 2001

	<u>2001</u>	<u>2000</u>
<u>SURPLUS (DEFICIT), beginning of year</u>	\$(2,784,581)	(2,786,015)
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>	<u>3,251</u>	<u>1,434</u>
<u>SURPLUS (DEFICIT), end of year</u>	<u>\$(2,781,330)</u>	<u>(2,784,581)</u>
<u>SURPLUS (DEFICIT) consists of:</u>		
Operating surplus	\$ 1,268,896	2,359,170
Employee termination benefits	(2,994,717)	(3,497,751)
Reserves	<u>(1,055,509)</u>	<u>(1,646,000)</u>
	<u>\$(2,781,330)</u>	<u>(2,784,581)</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE AND EXPENDITURE
Year ended December 31, 2001

	<u>Page</u>	<u>Budget</u>	<u>2001</u>	<u>2000</u>
<u>REVENUE</u>				
Taxation	6	\$12,720,800	12,950,660	12,648,316
Contributions	6	2,467,000	2,473,743	2,951,562
Utility taxes	6	846,400	849,372	827,397
Grants in lieu of taxes	6	1,071,000	1,198,886	1,081,471
Other revenue	6	<u>896,500</u>	<u>1,114,772</u>	<u>1,511,539</u>
		<u>18,001,700</u>	<u>18,587,433</u>	<u>19,020,285</u>
<u>EXPENDITURES</u>				
General Government	7	2,166,400	2,180,644	2,240,259
Community services	7	3,574,250	3,520,830	3,332,025
Operational services	7	4,596,700	4,948,275	4,702,645
Water and sewerage	7	996,800	1,204,053	998,106
Corner Brook Transit	7	197,000	197,991	194,858
Parks and Recreation	8	454,850	455,871	468,390
Canada Games Centre	8	620,000	621,262	605,491
Grants	8	217,075	227,240	205,348
Debt charges	8	4,253,625	4,225,023	4,982,108
Capital out of revenue	8	300,000	239,736	73,621
Allocation to reserves	8	300,000	438,257	846,000
Economic Development		275,000	275,000	200,000
Provision for doubtful accounts		<u>50,000</u>	<u>50,000</u>	<u>170,000</u>
		<u>18,001,700</u>	<u>18,584,182</u>	<u>19,018,851</u>
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>		<u>\$ --</u>	<u>3,251</u>	<u>1,434</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE
Year ended December 31, 2001

	Budget <u>2001</u>	Actual <u>2001</u>	Actual <u>2000</u>
<u>TAXATION</u>			
Municipal tax	\$ 9,998,000	10,135,936	10,022,552
Business tax	2,516,800	2,584,196	2,437,604
Poll tax	156,000	179,175	134,842
Downtown Business Improvement	<u>50,000</u>	<u>51,353</u>	<u>53,318</u>
	<u>\$12,720,800</u>	<u>12,950,660</u>	<u>12,648,316</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland:			
Municipal operating grants	\$ 1,004,000	1,004,576	1,054,809
Debt grants	<u>1,463,000</u>	<u>1,469,167</u>	<u>1,896,753</u>
	<u>\$ 2,467,000</u>	<u>2,473,743</u>	<u>2,951,562</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	\$ 470,000	470,000	462,927
NewTel Communications	300,000	287,655	293,518
Newtel Mobility	17,000	40,107	25,858
Cable Atlantic	39,000	41,914	35,280
AT & T	18,000	7,618	9,814
Other	<u>2,400</u>	<u>2,078</u>	<u>--</u>
	<u>\$ 846,400</u>	<u>849,372</u>	<u>827,397</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	\$ 7,000	7,592	20,883
Corner Brook Pulp and Paper Limited:			
Current grant	845,000	950,000	825,224
Water grant	90,000	90,000	90,000
Government of Canada	65,000	88,817	83,099
Newfoundland Liquor Corporation	9,000	9,477	9,265
Western Memorial Regional Hospital	53,000	53,000	53,000
Other	<u>2,000</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,071,000</u>	<u>1,198,886</u>	<u>1,081,471</u>
<u>OTHER REVENUE</u>			
Interest	\$ 360,000	547,618	565,564
Licences and permits	243,500	231,134	222,726
Recreation and community service	93,000	105,252	103,910
Canada Games Centre	120,000	120,000	68,578
Contribution from Capital Fund	--	--	489,480
Wild Cove Dump Site Recovery	80,000	38,257	36,000
Revenue from reserve (snowclearing)	--	19,442	--
Miscellaneous	<u>--</u>	<u>53,069</u>	<u>25,281</u>
	<u>\$ 896,500</u>	<u>1,114,772</u>	<u>1,511,539</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2001

	Budget <u>2001</u>	Actual <u>2001</u>	Actual <u>2000</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 243,500	200,455	182,437
Chief Administrative Office	316,700	305,663	308,856
Corporate Services Department	<u>1,606,200</u>	<u>1,674,526</u>	<u>1,748,966</u>
	<u>\$2,166,400</u>	<u>2,180,644</u>	<u>2,240,259</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 159,500	161,965	130,720
Development and planning	260,000	258,801	203,475
Fire protection	2,799,200	2,768,934	2,710,400
Building inspection	139,250	117,375	115,645
Municipal enforcement	150,000	143,125	115,846
Animal control	<u>66,300</u>	<u>70,630</u>	<u>55,939</u>
	<u>\$3,574,250</u>	<u>3,520,830</u>	<u>3,332,025</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$1,003,100	1,162,741	1,186,975
Other operations payroll	731,000	749,555	652,439
Building maintenance	244,600	269,802	192,634
Street lighting	530,000	490,669	502,105
Snow clearing	1,100,000	1,119,442	1,237,314
Traffic control	130,500	149,340	114,220
Drainage	55,000	36,275	41,247
Street and storm sewer cleaning	198,500	213,615	186,140
Street maintenance	314,500	454,396	294,669
Miscellaneous expenses	26,500	21,688	35,379
Sanitation and waste removal	<u>263,000</u>	<u>280,752</u>	<u>259,523</u>
	<u>\$4,596,700</u>	<u>4,948,275</u>	<u>4,702,645</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 133,000	134,563	127,690
Water mains and hydrants	490,000	698,811	515,435
Sanitary systems	230,000	173,613	204,591
Regulators and meters	39,000	42,124	43,540
Reservoirs and intakes	51,300	69,439	48,042
Pumphouse	<u>53,500</u>	<u>85,503</u>	<u>58,808</u>
	<u>\$ 996,800</u>	<u>1,204,053</u>	<u>998,106</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	\$ 197,000	197,991	194,858

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2001

	Budget <u>2001</u>	Actual <u>2001</u>	Actual <u>2000</u>
<u>PARKS AND RECREATION</u>			
Administration	\$ 55,100	54,404	52,112
Recreation	139,000	146,524	160,814
Parks	260,750	253,310	242,535
Stadium	--	1,633	12,929
	<u>\$ 454,850</u>	<u>455,871</u>	<u>468,390</u>
<u>CANADA GAMES CENTRE</u>			
Administration	\$ --	--	69,775
Operating subsidy	620,000	620,000	317,001
Marketing and promotions	--	--	3,288
Operations	--	1,262	215,427
	<u>\$ 620,000</u>	<u>621,262</u>	<u>605,491</u>
<u>GRANTS</u>			
Business Improvement Association	\$ 50,000	51,353	53,318
Corner Brook Stream project	5,000	5,000	--
Special events grants	15,375	15,420	19,665
Community service grants	59,700	44,623	43,851
Museum Society	22,000	23,638	23,514
Pouch Cove Foundation	--	--	20,000
Blomidon Cross Country	--	--	20,000
Triathlon	25,000	25,000	25,000
Port Authority	--	20,000	--
Chamber of Commerce	25,000	27,206	--
Downtown trees	15,000	15,000	--
	<u>\$ 217,075</u>	<u>227,240</u>	<u>205,348</u>
<u>DEBT CHARGES</u>			
Principal	\$3,075,242	3,056,570	3,587,593
Interest	1,178,383	1,168,453	1,394,515
	<u>\$4,253,625</u>	<u>4,225,023</u>	<u>4,982,108</u>
<u>CAPITAL OUT OF REVENUE</u>			
Equipment	\$ 300,000	224,682	24,019
Street repairs	--	15,054	49,602
	<u>\$ 300,000</u>	<u>239,736</u>	<u>73,621</u>
<u>ALLOCATION TO RESERVES</u>			
Capital works	\$ 300,000	300,000	475,000
Capital out of revenue	--	--	225,000
Capital equipment	--	100,000	--
Land	--	--	60,000
Environment	--	--	50,000
Wild Cove Dump Site	--	38,257	36,000
	<u>\$ 300,000</u>	<u>438,257</u>	<u>846,000</u>

CITY OF CORNER BROOK
STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION
Year ended December 31, 2001

	<u>2001</u>	<u>2000</u>
<u>FUNDS PROVIDED</u>		
Appropriations from revenue fund for retirement of long-term debt	\$3,056,571	3,587,293
Grants and contributions:		
Province of Newfoundland and Labrador	3,716	12,922
Government of Canada	41,826	760,000
Canada Games Host Society	50,000	450,000
Proceeds from temporary bank loans	2,102,070	1,394,601
Proceeds from long-term debt	1,224,470	1,965,926
Capital contribution from revenue	239,736	73,621
Capital contribution from reserves	1,009,306	--
Sale of equipment	4,098	6,834
Sale of land	29,263	5,000
Sale of buildings	<u>1,000,000</u>	<u>--</u>
	<u>8,761,056</u>	<u>8,256,197</u>
<u>FUNDS APPLIED</u>		
Expenditures on capital assets:		
General	1,851,744	2,067,861
Water and sewerage utility	<u>877,322</u>	<u>408,646</u>
	2,729,066	2,476,507
Repayment of temporary bank loans	1,258,043	1,965,926
Repayment of long-term debt	3,056,571	5,087,293
Contribution - revenue fund	--	489,480
Decrease in interfund account	<u>1,717,376</u>	<u>406,991</u>
	<u>8,761,056</u>	<u>10,426,197</u>
INCREASE (DECREASE) IN CASH	--	(2,170,000)
<u>CASH</u> , beginning of year	<u>740,680</u>	<u>2,910,680</u>
<u>CASH</u> , end of year	<u>\$ 740,680</u>	<u>740,680</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2001

1. Significant accounting policies followed by the City include:
- (a) No provision for depreciation of capital assets is recorded in the financial statements of the City.
 - (b) Capital assets disposed of are deleted from the accounts at their original cost.
 - (c) Capital assets purchased out of general revenue are fully charged against revenue in the year of acquisition.
 - (d) The annual installments of principal and interest on long-term borrowings, obtained to finance the purchase of capital assets, is recorded in the accounts as current expenditures.
 - (e) The equity of the City in the capital assets is represented by a credit account "Investment in Capital Assets".

2. Accounts receivable consist of:

	<u>2001</u>	<u>2000</u>
Taxes		
Municipal	\$1,830,643	1,864,460
Business	622,532	677,926
Service fees	124,777	144,247
Utility	470,000	462,927
Tax rebate	79,575	111,703
Province of Newfoundland and Labrador	88,854	78,505
Other	<u>275,045</u>	<u>789,326</u>
	3,491,426	4,129,094
Less: Allowance for doubtful accounts	<u>165,670</u>	<u>240,794</u>
	<u>\$3,325,756</u>	<u>3,888,300</u>

3. Prepaid expenses consist of:

	<u>2001</u>	<u>2000</u>
Inventory of supplies, at cost	\$ 671,318	545,558
Prepaid insurance	217,992	149,561
Prepaid equipment lease	--	11,959
Prepaid bank loans	<u>99,901</u>	<u>99,901</u>
	<u>\$ 989,211</u>	<u>806,979</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2001

4. Capital assets consist of:

	<u>2001</u>	<u>2000</u>
<u>General</u>		
Land	\$ 2,087,991	1,983,791
Buildings	29,947,618	30,506,029
Equipment	6,347,913	6,042,444
Streets and improvements	61,693,246	60,601,991
Parks and playgrounds	3,623,568	3,460,327
Cemetery	<u>10,503</u>	<u>10,503</u>
	<u>103,710,839</u>	<u>102,605,085</u>
 <u>Water and Sewerage Utility</u>		
Land	3,191	3,191
Buildings and improvements	188,604	188,604
Equipment	44,538	44,538
Transmission and distribution system	<u>19,252,427</u>	<u>18,375,105</u>
	<u>19,488,760</u>	<u>18,611,438</u>
	<u>\$123,199,599</u>	<u>121,216,523</u>

5. Due to bank consists of:

	<u>2001</u>	<u>2000</u>
Current account overdraft	\$2,301,194	2,842,244
Temporary bank loans	<u>2,397,405</u>	<u>1,553,380</u>
	<u>\$4,698,599</u>	<u>4,395,624</u>

The current account overdraft bears interest at the rate of prime less 0.8%.

The temporary bank loans represent advances to date on various cost sharing agreements for capital works.

6. Long-term debt consists of:

	<u>2001</u>	<u>2000</u>
Bank of Nova Scotia		
Term loans bearing interest at a rate of 5.48% to 7.17%, repayable in blended monthly installments totalling \$92,128 with maturity dates between 2002 and 2006	\$ 3,201,594	4,150,883
Canadian Imperial Bank of Commerce		
(a) 6.45% term loan, repayable in blended monthly installments of \$2,922, maturing in 2002	<u>8,885</u>	<u>43,028</u>
	3,210,479	4,193,911

..... Cont'd

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2001

6. Long-term debt (Cont'd):	<u>2001</u>	<u>2000</u>
Brought forward	\$3,210,479	4,193,911
(b) 6.11% term loan, repayable in blended monthly installments of \$22,315, maturing in 2007	1,200,056	1,388,224
(c) 5.84% term loan, repayable in blended monthly installments of \$40,947, maturing in 2004	1,175,589	1,585,222
(d) 5.46% term loan, repayable in blended monthly installments of \$16,366, maturing in 2005	717,360	870,028
(e) 5.48% term loan, repayable in blended monthly installments of \$12,441, maturing in 2006	661,066	770,847
(f) 5.39% term loan, repayable in blended monthly installments of \$4,839, maturing in 2003	114,183	164,610
(g) 5.79% term loan, repayable in blended monthly installments of \$23,012, maturing in 2006	983,757	1,196,216
(h) 4.45% term loan, repayable in blended monthly installments of \$13,034, maturing in 2006	689,560	--
Newfoundland Municipal Financing Corporation		
Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2002 and 2016	5,597,362	5,976,792
Canada Mortgage and Housing Corporation		
8.625% loans, repayable in annual installments with maturity dates between 2002 and 2004	<u>35,193</u>	<u>70,855</u>
	<u>\$14,384,605</u>	<u>16,216,705</u>

..... Cont'd

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2001

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

Principal payments required for the next five years on long-term debt are as follows:

2002	\$3,130,749
2003	3,076,302
2004	2,560,751
2005	1,499,118
2006	1,143,221

The Newfoundland Municipal Financing Corporation and Canada Mortgage and Housing Corporation loans 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>2001</u>	<u>2000</u>
Severance pay	\$1,569,211	1,699,973
Sick leave benefits	931,349	1,342,934
Early retirement bridging	<u>494,157</u>	<u>454,844</u>
	<u>\$2,994,717</u>	<u>3,497,751</u>

8. Reserves consist of:

	Balance December <u>31, 2000</u>	Allocation <u>2001</u>	Utilized <u>2001</u>	Balance December <u>31, 2001</u>
Capital equipment replacement	\$ 76,698	100,000	--	176,698
Snow clearing	250,000	--	19,442	230,558
Capital works	955,000	300,000	749,306	505,694
Wild Cove Dump Site	36,000	38,257	--	74,257
Capital out of revenue	225,000	--	200,000	25,000
Land	60,000	--	60,000	--
Environment	<u>50,000</u>	<u>--</u>	<u>--</u>	<u>50,000</u>
	<u>\$1,652,698</u>	<u>438,257</u>	<u>1,028,748</u>	<u>1,062,207</u>

CITY OF CORNER BROOK
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2001

9. Investments in capital assets:	<u>2001</u>	<u>2000</u>
Balance, beginning of year	\$101,907,002	97,651,235
Add:		
Appropriations from revenue fund for		
Retirement of long-term debt	3,056,571	3,587,293
Capital contributions		
Province of Newfoundland and Labrador	7,815	12,922
Government of Canada	41,826	760,000
Canada Games Host Society	50,000	450,000
Capital expenditure out of revenue	239,736	73,621
Capital expenditure from reserves	1,009,306	--
Capital dispositions	<u>283,273</u>	<u>(138,589)</u>
	<u>106,595,529</u>	<u>102,396,482</u>
Deduct:		
Contribution - Revenue fund re		
Canada Games loan	<u>--</u>	<u>489,480</u>
	<u>\$106,595,529</u>	<u>101,907,002</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.