

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2002

CITY OF CORNER BROOK
FINANCIAL STATEMENTS
December 31, 2002
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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, 2002, 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, 2002, 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 112 of the City of Corner Brook Act, my report on the examination of the accounts of the City for the year ended December 31, 2002 is included herewith.

CORNER BROOK, NEWFOUNDLAND

13 May 2003



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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 112 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, 2002.

EXPENDITURES

Actual expenditures of \$19,367,095 (including allocation to reserves) exceeded the limits of the approved budget by \$734,795.

REVENUE

Actual revenues of \$19,373,987 (including contributions from reserves) exceeded the amounts in the budget by \$741,687.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$2,432,695 at December 31, 2002. Of this amount \$1,390,007 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$160,235 at December 31, 2002.

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

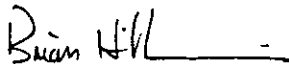
The position in these respects is considered satisfactory.

SUFFICIENCY OF BONDS

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

CORNER BROOK, NEWFOUNDLAND

13 May 2003


CHARTERED ACCOUNTANT

CITY OF CORNER BROOK
COMBINED BALANCE SHEET
December 31, 2002

	<u>Revenue</u>	<u>2002 Capital</u>	<u>Total</u>	<u>2001 Total</u>
<u>ASSETS</u>				
Cash	\$ 42,907	746,026	788,933	757,915
Accounts receivable (Note 2)	3,269,005	--	3,269,005	3,325,756
Prepaid expenses (Note 3)	703,736	--	703,736	989,211
Interfund account	843,900	--	843,900	556,042
Capital assets (Note 4)	--	<u>126,018,228</u>	<u>126,018,228</u>	<u>123,199,599</u>
	<u>\$ 4,859,548</u>	<u>126,764,254</u>	<u>131,623,802</u>	<u>128,828,523</u>
 <u>LIABILITIES AND EQUITY</u>				
Due to bank (Note 5)	\$ 2,221,565	1,336,898	3,558,463	4,698,599
Payables and accruals	1,502,326	--	1,502,326	1,318,154
Interfund account	--	843,900	843,900	556,042
Long-term debt (Note 6)	--	13,638,386	13,638,386	14,384,605
Employee termination (Note 7)	2,723,768	--	2,723,768	2,994,717
Reserves (Note 8)	1,186,327	6,698	1,193,025	1,062,207
Investments in capital assets (Note 9)	--	110,938,372	110,938,372	106,595,529
Surplus (deficit)	<u>(2,774,438)</u>	<u>--</u>	<u>(2,774,438)</u>	<u>(2,781,330)</u>
	<u>\$ 4,859,548</u>	<u>126,764,254</u>	<u>131,623,802</u>	<u>128,828,523</u>

CONTINGENCIES (Note 10)

ON BEHALF OF THE CITY:

_____ Mayor

_____ Director of Corporate Services

CITY OF CORNER BROOK
STATEMENT OF SURPLUS (DEFICIT)
Year ended December 31, 2002

	<u>2002</u>	<u>2001</u>
<u>SURPLUS (DEFICIT)</u> , beginning of year	\$(2,781,330)	(2,784,581)
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>	<u>6,892</u>	<u>3,251</u>
<u>SURPLUS (DEFICIT)</u> , end of year	<u>\$ (2,774,438)</u>	<u>(2,781,330)</u>
 <u>SURPLUS (DEFICIT) consists of:</u>		
Operating surplus	\$ 1,135,657	1,268,896
Employee termination benefits	(2,723,768)	(2,994,717)
Reserves	<u>(1,186,327)</u>	<u>(1,055,509)</u>
	<u>\$ (2,774,438)</u>	<u>(2,781,330)</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE AND EXPENDITURE
Year ended December 31, 2002

	<u>Page</u>	<u>Budget</u>	<u>2002</u>	<u>2001</u>
<u>REVENUE</u>				
Taxation	6	\$13,367,300	13,541,941	12,950,660
Contributions	6	2,375,000	2,632,198	2,473,743
Utility taxes	6	841,500	947,755	849,372
Grants in lieu of taxes	6	1,197,000	1,211,943	1,198,886
Other revenue	6	<u>851,500</u>	<u>1,040,150</u>	<u>1,114,772</u>
		<u>18,632,300</u>	<u>19,373,987</u>	<u>18,587,433</u>
<u>EXPENDITURES</u>				
General Government	7	2,172,200	2,039,354	2,180,644
Community services	7	3,521,100	3,399,889	3,520,830
Operational services	7	4,894,050	4,992,431	4,948,275
Water and sewerage	7	1,170,000	1,298,321	1,204,053
Corner Brook Transit	7	212,000	200,529	197,991
Parks and Recreation	8	473,500	539,198	455,871
Canada Games Centre	8	620,000	620,000	621,262
Grants	8	231,850	201,373	227,240
Debt charges	8	4,217,600	4,362,881	4,225,023
Capital out of revenue	8	300,000	459,173	239,736
Allocation to reserves	8	470,000	753,946	438,257
Economic Development		275,000	275,000	275,000
Provision for doubtful accounts		<u>75,000</u>	<u>225,000</u>	<u>50,000</u>
		<u>18,632,300</u>	<u>19,367,095</u>	<u>18,584,182</u>
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>		<u>\$ --</u>	<u>6,892</u>	<u>3,251</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE
Year ended December 31, 2002

	Budget <u>2002</u>	Actual <u>2002</u>	Actual <u>2001</u>
<u>TAXATION</u>			
Municipal tax	\$10,396,800	10,553,326	10,135,936
Business tax	2,745,000	2,731,742	2,584,196
Poll tax	175,000	204,893	179,175
Downtown Business Improvement	<u>50,000</u>	<u>51,980</u>	<u>51,353</u>
	<u>\$13,367,300</u>	<u>13,541,941</u>	<u>12,950,660</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland:			
Municipal operating grants	\$ 1,004,000	1,004,576	1,004,576
Debt grants	<u>1,371,000</u>	<u>1,627,622</u>	<u>1,469,167</u>
	<u>\$ 2,375,000</u>	<u>2,632,198</u>	<u>2,473,743</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	\$ 463,000	479,289	470,000
NewTel Communications/Mobility	327,000	348,736	327,762
Rogers Cable	42,000	40,510	41,914
AT & T	7,500	9,495	7,618
Sprint Canada	--	68,818	--
Other	<u>2,000</u>	<u>907</u>	<u>2,078</u>
	<u>\$ 841,500</u>	<u>947,755</u>	<u>849,372</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	\$ 7,000	13,031	7,592
Corner Brook Pulp and Paper Limited:			
Current grant	950,000	956,650	950,000
Water grant	90,000	90,000	90,000
Government of Canada	88,000	89,477	88,817
Newfoundland Liquor Corporation	9,000	9,785	9,477
Western Memorial Regional Hospital	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
	<u>\$ 1,197,000</u>	<u>1,211,943</u>	<u>1,198,886</u>
<u>OTHER REVENUE</u>			
Interest	\$ 360,000	461,316	547,618
Licences and permits	178,000	270,494	231,134
Recreation and community service	113,500	110,749	105,252
Canada Games Centre	120,000	120,000	120,000
Wild Cove Dump Site Recovery	80,000	37,946	38,257
Revenue from reserve	--	1,365	19,442
Miscellaneous	<u>--</u>	<u>38,280</u>	<u>53,069</u>
	<u>\$ 851,500</u>	<u>1,040,150</u>	<u>1,114,772</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2002

	Budget <u>2002</u>	Actual <u>2002</u>	Actual <u>2001</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 189,500	180,044	200,455
Chief Administrative Office	305,200	277,946	305,663
Corporate Services Department	<u>1,677,500</u>	<u>1,581,364</u>	<u>1,674,526</u>
	<u>\$2,172,200</u>	<u>2,039,354</u>	<u>2,180,644</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 168,000	128,955	161,965
Development and planning	265,700	265,648	258,801
Fire protection	2,699,200	2,643,799	2,768,934
Building inspection	143,500	142,030	117,375
Municipal enforcement	155,800	147,420	143,125
Animal control	<u>88,900</u>	<u>72,037</u>	<u>70,630</u>
	<u>\$3,521,100</u>	<u>3,399,889</u>	<u>3,520,830</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$1,209,100	1,218,037	1,162,741
Other operations payroll	736,000	710,983	749,555
Building maintenance	242,950	277,366	269,802
Street lighting	505,000	504,802	490,669
Snow clearing	1,100,000	1,252,891	1,119,442
Traffic control	140,000	106,581	149,340
Drainage	50,000	56,809	36,275
Street and storm sewer cleaning	198,500	180,489	213,615
Street maintenance	403,000	386,428	454,396
Miscellaneous expenses	29,500	27,900	21,688
Sanitation and waste removal	<u>280,000</u>	<u>270,145</u>	<u>280,752</u>
	<u>\$4,894,050</u>	<u>4,992,431</u>	<u>4,948,275</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 136,000	214,094	134,563
Water mains and hydrants	643,000	648,494	698,811
Sanitary systems	187,000	211,906	173,613
Regulators and meters	47,000	64,217	42,124
Reservoirs and intakes	72,000	85,791	69,439
Pumphouse	<u>85,000</u>	<u>73,819</u>	<u>85,503</u>
	<u>\$1,170,000</u>	<u>1,298,321</u>	<u>1,204,053</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	<u>\$ 212,000</u>	<u>200,529</u>	<u>197,991</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2002

	Budget <u>2002</u>	Actual <u>2002</u>	Actual <u>2001</u>
<u>PARKS AND RECREATION</u>			
Administration	\$ 67,900	69,289	54,404
Recreation	146,000	168,105	146,524
Parks	259,600	301,804	253,310
Stadium	--	--	1,633
	<u>\$ 473,500</u>	<u>539,198</u>	<u>455,871</u>
 <u>CANADA GAMES CENTRE</u>			
Operating subsidy	\$ 620,000	620,000	620,000
Operations	--	--	1,262
	<u>\$ 620,000</u>	<u>620,000</u>	<u>621,262</u>
 <u>GRANTS</u>			
Business Improvement Association	\$ 50,000	51,980	51,353
Special events grants	15,000	10,845	15,420
Community service grants	98,350	65,948	91,829
Museum Society	23,500	22,600	23,638
Blomidon Cross Country	15,000	15,000	--
Triathalon	20,000	25,000	25,000
Port Authority	--	--	20,000
Forest Capital	10,000	10,000	--
	<u>\$ 231,850</u>	<u>201,373</u>	<u>227,240</u>
 <u>DEBT CHARGES</u>			
Principal	\$3,202,354	3,261,490	3,056,570
Interest	1,015,246	1,101,391	1,168,453
	<u>\$4,217,600</u>	<u>4,362,881</u>	<u>4,225,023</u>
 <u>CAPITAL OUT OF REVENUE</u>			
Equipment	\$ 300,000	340,931	224,682
Street repairs	--	4,187	15,054
Land	--	114,055	--
	<u>\$ 300,000</u>	<u>459,173</u>	<u>239,736</u>
 <u>ALLOCATION TO RESERVES</u>			
Capital infrastructure	\$ 300,000	400,000	300,000
Capital equipment	100,000	100,000	100,000
Operating reserve	70,000	210,000	--
Rec Plex	--	6,000	--
Wild Cove Dump Site	--	37,946	38,257
	<u>\$ 470,000</u>	<u>753,946</u>	<u>438,257</u>

CITY OF CORNER BROOK
STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION
Year ended December 31, 2002

	<u>2002</u>	<u>2001</u>
<u>FUNDS PROVIDED</u>		
Appropriations from revenue fund for retirement of long-term debt	\$3,261,490	3,056,571
Grants and contributions:		
Province of Newfoundland and Labrador	--	3,716
Government of Canada	--	41,826
Canada Games Host Society	--	50,000
Proceeds from temporary bank loans	897,724	2,102,070
Proceeds from long-term debt	2,515,271	1,224,470
Capital contribution from revenue	459,173	239,736
Capital contribution from reserves	621,763	1,009,306
Sale of equipment	417	4,098
Sale of land	12,972	29,263
Sale of buildings	--	1,000,000
Increase in interfund account	<u>287,858</u>	<u>--</u>
	<u>8,056,668</u>	<u>8,761,056</u>
<u>FUNDS APPLIED</u>		
Expenditures on capital assets:		
General	1,722,215	1,851,744
Water and sewerage utility	<u>1,109,386</u>	<u>877,322</u>
	2,831,601	2,729,066
Repayment of temporary bank loans	1,958,231	1,258,043
Repayment of long-term debt	3,261,490	3,056,571
Decrease in interfund account	<u>--</u>	<u>1,717,376</u>
	<u>8,051,322</u>	<u>8,761,056</u>
<u>INCREASE IN CASH</u>	5,346	--
<u>CASH</u> , beginning of year	<u>740,680</u>	<u>740,680</u>
<u>CASH</u> , end of year	<u>\$ 746,026</u>	<u>740,680</u>

CITY OF CORNER BROOK
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2002

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".
- (f) The comparative figures have been modified to conform to the current year presentation.

2. Accounts receivable consist of:

	<u>2002</u>	<u>2001</u>
Taxes		
Municipal	\$1,746,044	1,830,643
Business	533,010	622,532
Service fees	153,641	124,777
Utility	491,207	470,000
Tax rebate	102,233	79,575
Province of Newfoundland and Labrador	118,697	88,854
Other	<u>284,408</u>	<u>275,045</u>
	3,429,240	3,491,426
Less: Allowance for doubtful accounts	<u>160,235</u>	<u>165,670</u>
	<u>\$3,269,005</u>	<u>3,325,756</u>

3. Prepaid expenses consist of:

	<u>2002</u>	<u>2001</u>
Inventory of supplies, at cost	\$ 603,739	671,318
Prepaid bank loans	96,123	99,901
Prepaid - other	3,874	--
Prepaid insurance	<u>--</u>	<u>217,992</u>
	<u>\$ 703,736</u>	<u>989,211</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2002

4. Capital assets consist of:

	<u>2002</u>	<u>2001</u>
<u>General</u>		
Land	\$ 2,189,074	2,087,991
Buildings	29,947,618	29,947,618
Equipment	6,688,844	6,347,913
Streets and improvements	62,746,441	61,693,246
Parks and playgrounds	3,837,602	3,623,568
Cemetery	<u>10,503</u>	<u>10,503</u>
	<u>105,420,082</u>	<u>103,710,839</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>20,361,813</u>	<u>19,252,427</u>
	<u>20,598,146</u>	<u>19,488,760</u>
	<u>\$126,018,228</u>	<u>123,199,599</u>

5. Due to bank consists of:

	<u>2002</u>	<u>2001</u>
Current account overdraft	\$2,221,565	2,301,194
Temporary bank loans	<u>1,336,898</u>	<u>2,397,405</u>
	<u>\$3,558,463</u>	<u>4,698,599</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>2002</u>	<u>2001</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	\$2,304,926	3,201,594
Canadian Imperial Bank of Commerce		
(a) 6.45% term loan, repayable in blended monthly installments of \$2,922, maturing in 2002	<u>--</u>	<u>8,885</u>
	2,304,926	3,210,479

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CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2002

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

	<u>2002</u>	<u>2001</u>
Brought forward	\$2,304,926	3,210,479
(b) 6.11% term loan, repayable in blended monthly installments of \$22,315, maturing in 2007	1,000,063	1,200,056
(c) 3.95% term loan, repayable in blended monthly installments of \$40,947, maturing in 2004	738,574	1,175,589
(d) 5.46% term loan, repayable in blended monthly installments of \$16,366, maturing in 2005	556,144	717,360
(e) 5.48% term loan, repayable in blended monthly installments of \$12,441, maturing in 2006	545,115	661,066
(f) 5.39% term loan, repayable in blended monthly installments of \$4,839, maturing in 2003	60,970	114,183
(g) 5.79% term loan, repayable in blended monthly installments of \$23,012, maturing in 2006	758,666	983,757
(h) 4.45% term loan, repayable in blended monthly installments of \$13,034, maturing in 2006	561,234	689,560
(i) 4.26% term loan, repayable in blended monthly installments of \$9,306, maturing in 2007	410,000	--
Newfoundland Municipal Financing Corporation		
Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2003 and 2017	6,685,998	5,597,362
Canada Mortgage and Housing Corporation		
8.625% loans, repayable in annual installments with maturity dates between 2003 and 2004	<u>16,696</u>	<u>35,193</u>
	<u>\$13,638,386</u>	<u>14,384,605</u>

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CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2002

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:

2003	\$3,293,087
2004	2,794,823
2005	2,334,657
2006	1,807,752
2007	753,415

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>2002</u>	<u>2001</u>
Severance pay	\$1,485,362	1,569,211
Sick leave benefits	795,021	931,349
Early retirees - bridging	281,385	366,157
Early retirees - group benefits	<u>162,000</u>	<u>128,000</u>
	<u>\$2,723,768</u>	<u>2,994,717</u>

8. Reserves consist of:

	Balance December 31, 2001	Allocation 2002	Utilized 2002	Balance December 31, 2002
Capital equipment	\$ 176,698	100,000	--	276,698
Capital infrastructure	505,694	400,000	621,763	283,931
Computer equipment	25,000	--	--	25,000
Snow clearing	230,558	--	--	230,558
Operating - other	--	210,000	--	210,000
Curling Club	--	6,000	--	6,000
Environment	50,000	--	--	50,000
Wild Cove Dump Site	<u>74,257</u>	<u>37,946</u>	<u>1,365</u>	<u>110,838</u>
	<u>\$1,062,207</u>	<u>753,946</u>	<u>623,128</u>	<u>1,193,025</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2002

9. Investments in capital assets:

	<u>2002</u>	<u>2001</u>
Balance, beginning of year	\$106,595,530	101,907,002
Add:		
Appropriations from revenue fund for		
Retirement of long-term debt	3,261,490	3,056,571
Capital contributions		
Province of Newfoundland and Labrador	--	3,716
Government of Canada	--	41,826
Canada Games Host Society	--	50,000
Other	417	4,099
Capital expenditure out of revenue	459,173	239,736
Capital expenditure from reserves	621,762	1,009,306
Capital dispositions	--	283,273
	<u>\$110,938,372</u>	<u>106,595,529</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.