

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2003

CITY OF CORNER BROOK  
FINANCIAL STATEMENTS  
December 31, 2003  
TABLE OF CONTENTS

	<u>Page</u>
AUDITOR'S REPORT	1
AUDITOR'S REPORT - STATUTORY REQUIREMENTS	2
COMBINED BALANCE SHEET	3
STATEMENT OF SURPLUS (DEFICIT)	4
STATEMENT OF REVENUE AND EXPENDITURE	5
STATEMENT OF REVENUE	6
STATEMENT OF EXPENDITURES	7
STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION	9
NOTES TO FINANCIAL STATEMENTS	10

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AUDITOR'S REPORT

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

I have audited the combined balance sheet of the City of Corner Brook as at December 31, 2003, 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.

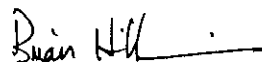
I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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, 2003, and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian 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, 2003 is included herewith.

CORNER BROOK,  
NEWFOUNDLAND AND LABRADOR

31 May 2004



CHARTERED ACCOUNTANT

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AUDITOR'S REPORT

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

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, 2003.

EXPENDITURES

Actual expenditures of \$20,242,382 (including allocation to reserves) exceeded the limits of the approved budget by \$1,205,382.

REVENUE

Actual revenues of \$20,243,573 (including contributions from reserves) exceeded the amounts in the budget by \$1,206,573.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$2,627,314 at December 31, 2003. Of this amount \$1,567,852 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$224,296 at December 31, 2003.

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 AND LABRADOR

31 May 2004



CHARTERED ACCOUNTANT

CITY OF CORNER BROOK  
COMBINED BALANCE SHEET  
December 31, 2003

	<u>Revenue</u>	<u>2003 Capital</u>	<u>Total</u>	<u>2002 Total</u>
<u>ASSETS</u>				
Cash	\$ 26,232	817,626	843,858	788,933
Accounts receivable (Note 2)	5,069,325	--	5,069,325	3,269,005
Prepaid expenses (Note 3)	910,867	--	910,867	703,736
Interfund account	1,153,337	--	1,153,337	850,598
Property and equipment (Note 4)	--	128,630,974	128,630,974	126,018,228
	<u>\$ 7,159,761</u>	<u>129,448,600</u>	<u>136,608,361</u>	<u>131,630,500</u>
<u>LIABILITIES AND EQUITY</u>				
Due to bank (Note 5)	\$ 4,118,991	1,396,827	5,515,818	3,558,463
Payables and accruals	2,172,989	--	2,172,989	1,502,326
Interfund account	--	1,153,337	1,153,337	850,598
Long-term debt (Note 6)	--	11,557,441	11,557,441	13,638,386
Employee termination (Note 7)	2,675,332	--	2,675,332	2,723,768
Reserves (Note 8)	965,696	--	965,696	1,193,025
Investments in property and equipment (Note 9)	--	115,340,995	115,340,995	110,938,372
Surplus (deficit)	<u>(2,773,247)</u>	<u>--</u>	<u>(2,773,247)</u>	<u>(2,774,438)</u>
	<u>\$ 7,159,761</u>	<u>129,448,600</u>	<u>136,608,361</u>	<u>131,630,500</u>

CONTINGENCIES (Note 10)

ON BEHALF OF THE CITY:

Lucille Butcher Mayor

Jacqueline Chow Director of Corporate Services

CITY OF CORNER BROOK  
STATEMENT OF SURPLUS (DEFICIT)  
Year ended December 31, 2003

	<u>2003</u>	<u>2002</u>
<u>SURPLUS (DEFICIT)</u> , beginning of year	\$(2,774,438)	(2,781,330)
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>	<u>1,191</u>	<u>6,892</u>
<u>SURPLUS (DEFICIT)</u> , end of year	<u>\$(2,773,247)</u>	<u>(2,774,438)</u>
 <u>SURPLUS (DEFICIT)</u> consists of:		
Operating surplus	\$ 867,781	1,142,355
Employee termination benefits	(2,675,332)	(2,723,768)
Reserves	<u>(965,696)</u>	<u>(1,193,025)</u>
	<u>\$(2,773,247)</u>	<u>(2,774,438)</u>

CITY OF CORNER BROOK  
STATEMENT OF REVENUE AND EXPENDITURE  
Year ended December 31, 2003

	<u>Page</u>	<u>Budget</u>	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>				
Taxation	6	\$13,541,000	13,853,169	13,541,941
Contributions	6	2,492,500	2,681,006	2,632,198
Utility taxes	6	860,000	928,470	947,755
Grants in lieu of taxes	6	1,232,500	1,243,551	1,211,943
Other revenue	6	<u>911,000</u>	<u>1,537,377</u>	<u>1,040,150</u>
		<u>19,037,000</u>	<u>20,243,573</u>	<u>19,373,987</u>
<u>EXPENDITURES</u>				
General Government	7	2,215,400	2,233,140	2,039,354
Community services	7	3,665,700	3,518,987	3,399,889
Operational services	7	5,001,050	5,458,255	4,992,431
Water and sewerage	7	1,187,000	1,400,869	1,298,321
Corner Brook Transit	7	206,000	202,555	200,529
Parks and Recreation	8	536,000	531,959	539,198
Pepsi Centre	8	785,000	793,674	620,000
Grants	8	213,650	200,279	201,373
Debt charges	8	4,227,200	4,395,876	4,362,881
Capital out of revenue	8	300,000	663,088	459,173
Allocation to reserves	8	350,000	443,700	753,946
Corner Brook Economic Development Corporation		275,000	275,000	275,000
Provision for doubtful accounts		<u>75,000</u>	<u>125,000</u>	<u>225,000</u>
		<u>19,037,000</u>	<u>20,242,382</u>	<u>19,367,095</u>
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>		<u>\$ --</u>	<u>1,191</u>	<u>6,892</u>

CITY OF CORNER BROOK  
STATEMENT OF REVENUE  
Year ended December 31, 2003

	Budget <u>2003</u>	Actual <u>2003</u>	Actual <u>2002</u>
<u>TAXATION</u>			
Municipal tax	\$10,566,000	10,740,218	10,553,326
Business tax	2,725,000	2,814,390	2,731,742
Poll tax	200,000	245,450	204,893
Corner Brook Downtown Business Association	<u>50,000</u>	<u>53,111</u>	<u>51,980</u>
	<u>\$13,541,000</u>	<u>13,853,169</u>	<u>13,541,941</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland and Labrador:			
Municipal operating grants	\$ 1,004,000	1,004,576	1,004,576
Debt grants	<u>1,488,500</u>	<u>1,676,430</u>	<u>1,627,622</u>
	<u>\$ 2,492,500</u>	<u>2,681,006</u>	<u>2,632,198</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	\$ 459,000	508,909	479,289
Aliant Communications	350,000	357,216	348,736
Rogers Cable	40,000	42,885	40,510
Other	<u>11,000</u>	<u>19,460</u>	<u>79,220</u>
	<u>\$ 860,000</u>	<u>928,470</u>	<u>947,755</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	\$ 7,000	10,461	13,031
Corner Brook Pulp and Paper Limited:			
Current grant	985,500	985,503	956,650
Water grant	90,000	90,000	90,000
Government of Canada	88,000	94,346	89,477
Newfoundland Liquor Corporation	9,000	10,241	9,785
Western Memorial Regional Hospital	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
	<u>\$ 1,232,500</u>	<u>1,243,551</u>	<u>1,211,943</u>
<u>OTHER REVENUE</u>			
Interest	\$ 400,000	469,463	461,316
Licences and permits	228,000	225,736	270,494
Recreation and community service	103,000	95,526	110,749
Pepsi Centre	120,000	120,000	120,000
Wild Cove Landfill Site	60,000	40,931	37,946
Revenue from reserve	--	387,098	1,365
Land sales	--	158,100	--
Miscellaneous	<u>--</u>	<u>40,523</u>	<u>38,280</u>
	<u>\$ 911,000</u>	<u>1,537,377</u>	<u>1,040,150</u>



CITY OF CORNER BROOK  
STATEMENT OF EXPENDITURES  
Year ended December 31, 2003

	Budget <u>2003</u>	Actual <u>2003</u>	Actual <u>2002</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 190,500	189,761	180,044
Chief Administrative Office	305,500	306,280	277,946
Corporate Services Department	<u>1,719,400</u>	<u>1,737,099</u>	<u>1,581,364</u>
	<u>\$2,215,400</u>	<u>2,233,140</u>	<u>2,039,354</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 168,800	131,514	128,955
Development and planning	272,100	262,274	265,648
Fire protection	2,836,200	2,753,671	2,643,799
Building inspection	145,500	144,589	142,030
Municipal enforcement	161,200	155,684	147,420
Animal control	<u>81,900</u>	<u>71,255</u>	<u>72,037</u>
	<u>\$3,665,700</u>	<u>3,518,987</u>	<u>3,399,889</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$1,262,400	1,298,271	1,218,037
Other operations payroll	736,000	757,434	710,983
Building maintenance	246,650	288,750	277,366
Street lighting	505,000	516,844	504,802
Snow clearing	1,100,000	1,115,098	1,252,891
Traffic control	140,000	148,641	106,581
Drainage	50,000	59,089	56,809
Street and storm sewer cleaning	198,500	234,236	180,489
Street maintenance	453,000	584,181	386,428
Miscellaneous expenses	29,500	36,794	27,900
Sanitation and waste removal	280,000	304,514	270,145
Retaining wall	--	31,450	--
Fuel tank replacement	<u>--</u>	<u>82,953</u>	<u>--</u>
	<u>\$5,001,050</u>	<u>5,458,255</u>	<u>4,992,431</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 138,000	195,136	214,094
Water mains and hydrants	628,000	743,534	648,494
Sanitary systems	212,000	239,829	211,906
Regulators and meters	52,000	59,115	64,217
Reservoirs and intakes	72,000	78,707	85,791
Pumphouse	<u>85,000</u>	<u>84,548</u>	<u>73,819</u>
	<u>\$1,187,000</u>	<u>1,400,869</u>	<u>1,298,321</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	<u>\$ 206,000</u>	<u>202,555</u>	<u>200,529</u>

CITY OF CORNER BROOK  
STATEMENT OF EXPENDITURES  
Year ended December 31, 2003

	Budget 2003	Actual 2003	Actual 2002
<u>PARKS AND RECREATION</u>			
Administration	\$ 70,900	59,502	69,289
Recreation	146,000	186,118	168,105
Parks	<u>319,100</u>	<u>286,339</u>	<u>301,804</u>
	<u>\$ 536,000</u>	<u>531,959</u>	<u>539,198</u>
 <u>PEPSI CENTRE</u>			
Operating subsidy	\$ 785,000	785,000	620,000
Safety measures	<u>--</u>	<u>8,674</u>	<u>--</u>
	<u>\$ 785,000</u>	<u>793,674</u>	<u>620,000</u>
 <u>GRANTS</u>			
Corner Brook Downtown Business Association	\$ 50,000	53,111	51,980
Special events grants	28,000	24,223	10,845
Community service grants	86,650	78,338	75,948
Corner Brook Museum and Archive Society	24,000	24,607	22,600
Blow Me Down Cross Country	--	--	15,000
Triathlon	<u>25,000</u>	<u>20,000</u>	<u>25,000</u>
	<u>\$ 213,650</u>	<u>200,279</u>	<u>201,373</u>
 <u>DEBT CHARGES</u>			
Principal	\$3,374,211	3,423,053	3,261,490
Interest	<u>852,989</u>	<u>972,823</u>	<u>1,101,391</u>
	<u>\$4,227,200</u>	<u>4,395,876</u>	<u>4,362,881</u>
 <u>CAPITAL OUT OF REVENUE</u>			
Equipment	\$ 300,000	542,445	340,931
Street repairs	--	--	4,187
Land	<u>--</u>	<u>120,643</u>	<u>114,055</u>
	<u>\$ 300,000</u>	<u>663,088</u>	<u>459,173</u>
 <u>ALLOCATION TO RESERVES</u>			
Capital infrastructure	\$ 300,000	300,000	400,000
Capital equipment	--	--	100,000
Operating reserve	50,000	--	210,000
Wild Cove Landfill Site	--	--	37,946
Corner Brook Curling Association	--	6,000	6,000
NLHC land sales	<u>--</u>	<u>137,700</u>	<u>--</u>
	<u>\$ 350,000</u>	<u>443,700</u>	<u>753,946</u>

CITY OF CORNER BROOK  
STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION  
Year ended December 31, 2003

	<u>2003</u>	<u>2002</u>
<u>FUNDS PROVIDED</u>		
Appropriations from revenue fund for retirement of long-term debt	\$3,423,053	3,261,490
Grants and contributions:		
Government of Canada	302,000	--
Proceeds from temporary bank loans	769,633	897,724
Proceeds from long-term debt	1,342,108	2,515,271
Capital contribution from revenue	663,088	459,173
Capital contribution from reserves	283,931	621,763
Sale of property and equipment	5,162	13,389
Increase in interfund account	<u>302,739</u>	<u>287,858</u>
	<u>7,091,714</u>	<u>8,056,668</u>
<u>FUNDS APPLIED</u>		
Expenditures on property and equipment:		
General	2,129,684	1,722,215
Water and sewerage utility	<u>757,673</u>	<u>1,109,386</u>
	2,887,357	2,831,601
Repayment of temporary bank loans	709,704	1,958,231
Repayment of long-term debt	<u>3,423,053</u>	<u>3,261,490</u>
	<u>7,020,114</u>	<u>8,051,322</u>
<u>INCREASE IN CASH</u>	71,600	5,346
<u>CASH</u> , beginning of year	<u>746,026</u>	<u>740,680</u>
<u>CASH</u> , end of year	<u>\$ 817,626</u>	<u>746,026</u>

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

1. Significant accounting policies followed by the City include:
- (a) No provision for depreciation of property and equipment is recorded in the financial statements of the City.
  - (b) Property and equipment disposed of are deleted from the accounts at their original cost.
  - (c) Property and equipment 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 property and equipment, is recorded in the accounts as current expenditures.
  - (e) The equity of the City in the property and equipment is represented by a credit account "Investment in Property and Equipment".
  - (f) The comparative figures have been modified to conform to the current year presentation.

2. Accounts receivable consist of:

	<u>2003</u>	<u>2002</u>
Taxes		
Municipal	\$1,827,377	1,746,044
Business	618,432	533,010
Service fees	181,505	153,641
Utility	508,909	491,207
Tax rebate	170,288	102,233
Recoverable works:		
Flood damages	1,426,116	--
Pepsi Centre roof	179,071	17,938
Corner Brook Port Corporation	106,940	--
Province of Newfoundland and Labrador	126,723	118,697
Other	<u>148,260</u>	<u>266,470</u>
	5,293,621	3,429,240
Less: Allowance for doubtful accounts	<u>224,296</u>	<u>160,235</u>
	<u>\$5,069,325</u>	<u>3,269,005</u>

3. Prepaid expenses consist of:

	<u>2003</u>	<u>2002</u>
Inventory of supplies, at cost	\$ 664,701	603,739
Prepaid bank loans	116,574	96,123
Prepaid - other	5,846	3,874
Prepaid insurance	<u>123,746</u>	<u>--</u>
	<u>\$ 910,867</u>	<u>703,736</u>

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

## 4. Property and equipment consists of:

	<u>2003</u>	<u>2002</u>
<u>General</u>		
Land	\$ 2,289,318	2,189,074
Buildings	29,983,622	29,947,618
Equipment	6,941,074	6,688,844
Streets and improvements	64,068,499	62,746,441
Parks and playgrounds	3,982,139	3,837,602
Cemetery	<u>10,503</u>	<u>10,503</u>
	<u>107,275,155</u>	<u>105,420,082</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>21,119,486</u>	<u>20,361,813</u>
	<u>21,355,819</u>	<u>20,598,146</u>
	<u>\$128,630,974</u>	<u>126,018,228</u>

## 5. Due to bank consists of:

	<u>2003</u>	<u>2002</u>
Current account overdraft	\$3,718,991	2,221,565
Flood loan advance	400,000	--
Temporary bank loans	<u>1,396,827</u>	<u>1,336,898</u>
	<u>\$5,515,818</u>	<u>3,558,463</u>

The current account overdraft and flood loan advance 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>2003</u>	<u>2002</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 2004 and 2006	\$ 1,469,750	2,304,926
Canadian Imperial Bank of Commerce		
(a) 6.11% term loan, repayable in blended monthly installments of \$22,315, maturing in 2007	<u>787,503</u>	<u>1,000,063</u>
	2,257,253	3,304,989

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CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

9. Investments in property and equipment:	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$110,938,372	106,595,530
Add:		
Appropriations from revenue fund for Retirement of long-term debt	3,423,053	3,261,490
Capital contributions		
Government of Canada	302,000	--
Other	--	417
Capital expenditure out of revenue	663,088	459,173
Capital expenditure from reserves	<u>283,931</u>	<u>621,762</u>
	115,610,444	110,938,372
Deduct:		
Capital dispositions	<u>269,449</u>	<u>--</u>
	<u>\$115,340,995</u>	<u>110,938,372</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.

The City has recorded a variety of expenditures as recoverable as identified in Note 2. Any of these costs which are not recovered will be charged to operations in the year determined.

During 2003 the City acquired property from Newfoundland and 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 and Labrador Housing Corporation. The mortgage balance at December 31, 2003 was \$979,235.