

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2004

CITY OF CORNER BROOK  
FINANCIAL STATEMENTS  
December 31, 2004  
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

**BRIAN N. HILLIER**  
CHARTERED ACCOUNTANT

TELEPHONE: (709) 634-6431  
FAX: (709) 634-2769

57 Humber Road  
P.O. Box 783  
Corner Brook  
Newfoundland  
A2H 6G7

e-mail: brian.hillier.ca.cb@nf.sympatico.ca

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, 2004, 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.

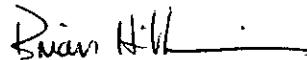
I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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, 2004, 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, 2004 is included herewith.

CORNER BROOK,  
NEWFOUNDLAND AND LABRADOR

10 May 2005



CHARTERED ACCOUNTANT

**BRIAN N. HILLIER**  
CHARTERED ACCOUNTANT

TELEPHONE: (709) 634-6431  
FAX: (709) 634-2769

57 Humber Road  
P.O. Box 783  
Corner Brook  
Newfoundland  
A2H 6G7

e-mail: brian.hillier.ca.cb@nf.sympatico.ca

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, 2004.

EXPENDITURES

Actual expenditures of \$20,473,281 (including allocation to reserves) exceeded the limits of the approved budget by \$725,281.

REVENUE

Actual revenues of \$20,474,681 (including contributions from reserves) exceeded the amounts in the budget by \$726,681.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$2,720,230 at December 31, 2004. Of this amount \$1,511,066 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$346,136 at December 31, 2004.

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

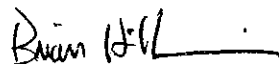
The position in these respects is considered satisfactory.

SUFFICIENCY OF BONDS

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

CORNER BROOK,  
NEWFOUNDLAND AND LABRADOR

10 May 2005



CHARTERED ACCOUNTANT

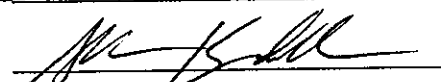
CITY OF CORNER BROOK  
COMBINED BALANCE SHEET  
December 31, 2004

	<u>Revenue</u>	<u>2004 Capital</u>	<u>Total</u>	<u>2003 Total</u>
<u>ASSETS</u>				
Cash	\$ 233,609	746,024	979,633	843,858
Accounts receivable (Note 2)	5,207,201	--	5,207,201	5,069,325
Prepaid expenses (Note 3)	868,252	--	868,252	910,867
Interfund account	973,745	--	973,745	1,153,337
Property and equipment (Note 4)	--	131,804,588	131,804,588	128,630,974
	<u>\$ 7,282,807</u>	<u>132,550,612</u>	<u>139,833,419</u>	<u>136,608,361</u>
<u>LIABILITIES AND EQUITY</u>				
Due to bank (Note 5)	\$ 4,109,116	2,653,190	6,762,306	5,515,818
Payables and accruals	2,537,944	--	2,537,944	2,172,989
Interfund account	--	973,745	973,745	1,153,337
Long-term debt (Note 6)	--	9,562,671	9,562,671	11,557,441
Employee termination (Note 7)	2,273,586	--	2,273,586	2,675,332
Reserves (Note 8)	1,134,008	--	1,134,008	965,696
Investments in property and equipment (Note 9)	--	119,361,006	119,361,006	115,340,995
Surplus (deficit)	<u>(2,771,847)</u>	--	<u>(2,771,847)</u>	<u>(2,773,247)</u>
	<u>\$ 7,282,807</u>	<u>132,550,612</u>	<u>139,833,419</u>	<u>136,608,361</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, 2004

	<u>2004</u>	<u>2003</u>
<u>SURPLUS (DEFICIT)</u> , beginning of year	\$(2,773,247)	(2,774,438)
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>	<u>1,400</u>	<u>1,191</u>
<u>SURPLUS (DEFICIT)</u> , end of year	<u>\$(2,771,847)</u>	<u>(2,773,247)</u>
 <u>SURPLUS (DEFICIT)</u> consists of:		
Operating surplus	\$ 635,748	867,781
Employee termination benefits	(2,273,586)	(2,675,332)
Reserves	<u>(1,134,009)</u>	<u>(965,696)</u>
	<u>\$(2,771,847)</u>	<u>(2,773,247)</u>

CITY OF CORNER BROOK  
STATEMENT OF REVENUE AND EXPENDITURE  
Year ended December 31, 2004

	<u>Page</u>	<u>Budget</u>	<u>2004</u>	<u>2003</u>
<u>REVENUE</u>				
Taxation	6	\$14,325,000	14,684,292	13,853,169
Contributions	6	2,385,900	2,428,226	2,681,006
Utility taxes	6	877,900	967,437	928,470
Grants in lieu of taxes	6	1,259,200	1,270,388	1,243,551
Other revenue	6	<u>900,000</u>	<u>1,124,338</u>	<u>1,537,377</u>
		<u>19,748,000</u>	<u>20,474,681</u>	<u>20,243,573</u>
<u>EXPENDITURES</u>				
General Government	7	2,415,040	2,626,416	2,233,140
Community services	7	3,918,600	3,649,769	3,518,987
Operational services	7	5,212,000	5,633,112	5,458,255
Water and sewerage	7	1,320,000	1,320,511	1,400,869
Corner Brook Transit	7	208,500	199,391	202,555
Parks and Recreation	8	538,800	505,800	531,959
Pepsi Centre	8	760,000	760,000	793,674
Grants	8	232,250	199,168	200,279
Debt charges	8	3,742,810	3,776,325	4,395,876
Capital out of revenue	8	300,000	274,477	663,088
Allocation to reserves	8	750,000	1,118,312	443,700
Corner Brook Economic Development Corporation		275,000	275,000	275,000
Provision for doubtful accounts		<u>75,000</u>	<u>135,000</u>	<u>125,000</u>
		<u>19,748,000</u>	<u>20,473,281</u>	<u>20,242,382</u>
<u>SURPLUS FOR THE YEAR</u>		<u>\$ --</u>	<u>1,400</u>	<u>1,191</u>

CITY OF CORNER BROOK  
STATEMENT OF EXPENDITURES  
Year ended December 31, 2004

	<u>Budget</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2003</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 191,840	201,211	189,761
Chief Administrative Office	303,700	321,920	306,280
Corporate Services Department	<u>1,919,500</u>	<u>2,103,285</u>	<u>1,737,099</u>
	<u>\$2,415,040</u>	<u>2,626,416</u>	<u>2,233,140</u>
 <u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 226,100	180,348	131,514
Development and planning	306,200	299,384	262,274
Fire protection	2,979,100	2,815,178	2,753,671
Building inspection	167,100	121,387	144,589
Municipal enforcement	161,600	158,486	155,684
Animal control	<u>78,500</u>	<u>74,986</u>	<u>71,255</u>
	<u>\$3,918,600</u>	<u>3,649,769</u>	<u>3,518,987</u>
 <u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$1,332,000	1,321,017	1,298,271
Other operations payroll	775,000	768,367	757,434
Building maintenance	263,500	280,491	288,750
Street lighting	525,000	520,519	516,844
Snow clearing	1,100,000	1,406,494	1,115,098
Traffic control	151,000	144,774	148,641
Drainage	49,500	68,671	59,089
Street and storm sewer cleaning	199,000	267,427	234,236
Street maintenance	497,000	540,001	584,181
Miscellaneous expenses	35,000	38,588	36,794
Sanitation and waste removal	285,000	276,763	304,514
Retaining wall	--	--	31,450
Fuel tank replacement	<u>--</u>	<u>--</u>	<u>82,953</u>
	<u>\$5,212,000</u>	<u>5,633,112</u>	<u>5,458,255</u>
 <u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 178,000	165,117	195,136
Water mains and hydrants	695,000	738,264	743,534
Sanitary systems	218,000	216,862	239,829
Regulators and meters	65,000	44,802	59,115
Reservoirs and intakes	78,000	69,102	78,707
Pumphouse	<u>86,000</u>	<u>86,364</u>	<u>84,548</u>
	<u>\$1,320,000</u>	<u>1,320,511</u>	<u>1,400,869</u>
 <u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	\$ 208,500	199,391	202,555



CITY OF CORNER BROOK  
STATEMENT OF EXPENDITURES  
Year ended December 31, 2004

	Budget 2004	Actual 2004	Actual 2003
<u>PARKS AND RECREATION</u>			
Administration	\$ 71,900	59,886	59,502
Recreation	145,000	153,724	186,118
Parks	<u>321,900</u>	<u>292,190</u>	<u>286,339</u>
	<u>\$ 538,800</u>	<u>505,800</u>	<u>531,959</u>
<u>PEPSI CENTRE</u>			
Operating subsidy	\$ 760,000	760,000	785,000
Safety measures	--	--	<u>8,674</u>
	<u>\$ 760,000</u>	<u>760,000</u>	<u>793,674</u>
<u>GRANTS</u>			
Corner Brook Downtown Business Association	\$ 50,000	53,579	53,111
Special events grants	25,000	26,101	24,223
Community service grants	108,250	74,253	78,338
Corner Brook Museum and Archive Society	24,000	25,235	24,607
Triathlon	<u>25,000</u>	<u>20,000</u>	<u>20,000</u>
	<u>\$ 232,250</u>	<u>199,168</u>	<u>200,279</u>
<u>DEBT CHARGES</u>			
Principal	\$2,699,495	2,965,695	3,423,053
Interest	<u>1,043,315</u>	<u>810,630</u>	<u>972,823</u>
	<u>\$3,742,810</u>	<u>3,776,325</u>	<u>4,395,876</u>
<u>CAPITAL OUT OF REVENUE</u>			
Equipment	\$ 300,000	139,685	542,445
Land	--	<u>134,792</u>	<u>120,643</u>
	<u>\$ 300,000</u>	<u>274,477</u>	<u>663,088</u>
<u>ALLOCATION TO RESERVES</u>			
Capital infrastructure	\$ 650,000	650,000	300,000
Capital equipment	--	102,000	--
Operating reserve	100,000	--	--
Wild Cove Landfill Site	--	65,761	--
Corner Brook Curling Association	--	6,000	6,000
NLHC land sales	--	102,259	137,700
Water and sewer	--	<u>192,292</u>	--
	<u>\$ 750,000</u>	<u>1,118,312</u>	<u>443,700</u>

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

## 4. Property and equipment consists of:

	<u>2004</u>	<u>2003</u>
<u>General</u>		
Land	\$ 2,408,010	2,289,318
Buildings	29,983,622	29,983,622
Equipment	7,637,059	6,941,074
Streets and improvements	65,117,061	64,068,499
Parks and playgrounds	4,042,863	3,982,139
Cemetery	<u>10,503</u>	<u>10,503</u>
	<u>109,199,118</u>	<u>107,275,155</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>22,369,137</u>	<u>21,119,486</u>
	<u>22,605,470</u>	<u>21,355,819</u>
	<u>\$131,804,588</u>	<u>128,630,974</u>

## 5. Due to bank consists of:

	<u>2004</u>	<u>2003</u>
Royal Bank of Canada:		
Current account overdraft	\$4,109,116	3,718,991
Flood loan advance	--	400,000
Temporary bank loans	<u>2,653,190</u>	<u>1,396,827</u>
	<u>\$6,762,306</u>	<u>5,515,818</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>2004</u>	<u>2003</u>
Bank of Nova Scotia		
Term loans bearing interest at a rate of 5.48% to 7.17%, repayable in blended monthly installments totalling \$44,141 with maturity dates between 2005 and 2006	\$ 851,620	1,469,750
Canadian Imperial Bank of Commerce		
(a) 6.11% term loan, repayable in blended monthly installments of \$22,315, maturing in 2007	<u>561,586</u>	<u>787,503</u>
	1,413,206	2,257,253

..... Cont'd

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

6. Long-term debt (Cont'd):	<u>2004</u>	<u>2003</u>
Brought forward	\$ 1,413,206	2,257,253
(b) 3.95% term loan, repayable in blended monthly installments of \$40,947, maturing in 2004	--	277,514
(c) 5.46% term loan, repayable in blended monthly installments of \$16,366, maturing in 2005	206,130	385,903
(d) 5.48% term loan, repayable in blended monthly installments of \$12,441, maturing in 2006	293,299	422,648
(e) 5.39% term loan, repayable in blended monthly installments of \$4,839, maturing in 2004	--	4,817
(f) 5.79% term loan, repayable in blended monthly installments of \$23,012, maturing in 2006	267,533	520,189
(g) 4.45% term loan, repayable in blended monthly installments of \$13,034, maturing in 2006	286,839	427,081
(h) 4.26% term loan, repayable in blended monthly installments of \$9,306, maturing in 2007	222,214	322,097
(i) 4.35% term loan, repayable in blended monthly installments of \$11,146, maturing in 2008	490,201	600,000
Bank of Montreal		
3.78% term loan, repayable in blended monthly installments of \$9,159, maturing in 2009	500,000	--
Newfoundland Municipal Financing Corporation		
Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2005 and 2019	5,883,249	6,334,462
Canada Mortgage and Housing Corporation		
8.625% loans, repayable in annual installments, maturing in 2004	--	5,477
	<u>\$ 9,562,671</u>	<u>11,557,441</u>

Cont'd

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

## 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:

2005	\$2,517,410
2006	2,109,881
2007	1,420,690
2008	991,426
2009	992,932

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>2004</u>	<u>2003</u>
Severance pay	\$1,385,744	1,571,037
Sick leave benefits	463,944	759,253
Early retirees - bridging	247,398	206,374
Early retirees - group benefits	<u>176,500</u>	<u>138,668</u>
	<u>\$2,273,586</u>	<u>2,675,332</u>

## 8. Reserves consist of:

	Balance December 31, 2003	Allocation 2004	Utilized 2004	Balance December 31, 2004
Capital equipment	\$ 74,698	102,000	--	176,698
Computer equipment	25,000	--	--	25,000
Snow clearing	215,460	--	--	215,460
Operating - other	40,000	--	--	40,000
Corner Brook Curling Association	12,000	6,000	--	18,000
Environment	50,000	--	--	50,000
Wild Cove Landfill Site	110,838	65,761	--	176,599
NLHC paving	137,700	102,259	--	239,959
Reserve - water and sewer	--	<u>192,292</u>	--	<u>192,292</u>
	665,696	468,312	--	--
Capital infrastructure	<u>300,000</u>	<u>650,000</u>	<u>950,000</u>	<u>--</u>
	<u>\$ 965,696</u>	<u>1,118,312</u>	<u>950,000</u>	<u>1,134,008</u>

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

9. Investments in property and equipment:	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$115,340,995	110,938,372
Add:		
Appropriations from revenue fund for Retirement of long-term debt	2,965,695	3,423,053
Capital contributions Government of Canada	--	302,000
Capital expenditure out of revenue	274,477	663,088
Capital expenditure from reserves	<u>950,000</u>	<u>283,931</u>
	119,531,167	115,610,444
Deduct:		
Capital dispositions	<u>170,161</u>	<u>269,449</u>
	<u>\$119,361,006</u>	<u>115,340,995</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 2004 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, 2004 was \$957,513.