

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2005

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FINANCIAL STATEMENTS
December 31, 2005
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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, 2005, 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.

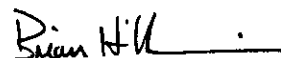
I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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, 2005, 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, 2005 is included herewith.

CORNER BROOK,
NEWFOUNDLAND AND LABRADOR

23 May 2006



CHARTERED ACCOUNTANT

BRIAN N. HILLIER
CHARTERED ACCOUNTANT

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

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P.O. Box 783
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Newfoundland
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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, 2005.

EXPENDITURES

Actual expenditures of \$21,019,774 (including allocation to reserves) exceeded the limits of the approved budget of \$19,782,000.

REVENUE

Actual revenues of \$21,020,916 (including contributions from reserves) exceeded the amounts in the budget of \$19,782,000.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$2,711,276 at December 31, 2005. Of this amount \$1,687,657 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$327,091 at December 31, 2005.

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

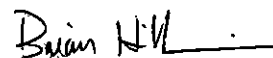
The position in these respects is considered satisfactory.

SUFFICIENCY OF BONDS

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

CORNER BROOK,
NEWFOUNDLAND AND LABRADOR

23 May 2006



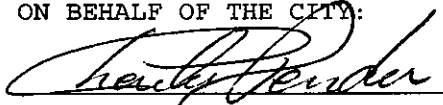
CHARTERED ACCOUNTANT

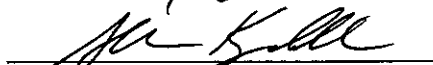
CITY OF CORNER BROOK
COMBINED BALANCE SHEET
December 31, 2005

	<u>Revenue</u>	<u>2005 Capital</u>	<u>Total</u>	<u>2004 Total</u>
<u>ASSETS</u>				
Cash	\$ 690,194	2,736,026	3,426,220	979,633
Accounts receivable (Note 2)	5,238,447	--	5,238,447	5,207,201
Prepaid expenses (Note 3)	926,062	--	926,062	868,252
Interfund account	2,805,496	--	2,805,496	973,745
Property and equipment (Note 4)	--	<u>135,079,382</u>	<u>135,079,382</u>	<u>131,804,588</u>
	<u>\$ 9,660,199</u>	<u>137,815,408</u>	<u>147,475,607</u>	<u>139,833,419</u>
 <u>LIABILITIES AND EQUITY</u>				
Due to bank (Note 5)	\$ 7,233,888	2,510,517	9,744,405	6,762,306
Payables and accruals	1,610,862	--	1,610,862	2,537,944
Interfund account	--	2,805,496	2,805,496	973,745
Long-term debt (Note 6)	--	9,409,551	9,409,551	9,562,671
Employee termination (Note 7)	2,179,324	--	2,179,324	2,273,586
Reserves (Note 8)	1,406,830	--	1,406,830	1,134,008
Investments in property and equipment (Note 9)	--	123,089,844	123,089,844	119,361,006
Surplus (deficit)	<u>(2,770,705)</u>	--	<u>(2,770,705)</u>	<u>(2,771,847)</u>
	<u>\$ 9,660,199</u>	<u>137,815,408</u>	<u>147,475,607</u>	<u>139,833,419</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, 2005

	<u>2005</u>	<u>2004</u>
<u>SURPLUS (DEFICIT)</u> , beginning of year	\$(2,771,847)	(2,773,247)
<u>SURPLUS (DEFICIT) FOR THE YEAR</u>	<u>1,142</u>	<u>1,400</u>
<u>SURPLUS (DEFICIT)</u> , end of year	<u>\$(2,770,705)</u>	<u>(2,771,847)</u>
 <u>SURPLUS (DEFICIT) consists of:</u>		
Operating surplus	\$ 815,449	635,748
Employee termination benefits	(2,179,324)	(2,273,586)
Reserves	<u>(1,406,830)</u>	<u>(1,134,009)</u>
	<u>\$(2,770,705)</u>	<u>(2,771,847)</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE AND EXPENDITURE
Year ended December 31, 2005

	<u>Page</u>	<u>Budget</u>	<u>2005</u>	<u>2004</u>
<u>REVENUE</u>				
Taxation	6	\$14,605,000	14,901,851	14,684,292
Contributions	6	2,052,900	2,465,858	2,428,226
Utility taxes	6	943,400	988,418	967,437
Grants in lieu of taxes	6	1,334,900	1,332,459	1,270,388
Other revenue	6	<u>845,800</u>	<u>1,332,330</u>	<u>1,124,338</u>
		<u>19,782,000</u>	<u>21,020,916</u>	<u>20,474,681</u>
<u>EXPENDITURES</u>				
General Government	7	2,555,320	2,800,712	2,626,416
Community services	7	3,898,850	3,631,679	3,649,769
Operational services	7	5,322,300	6,298,652	5,633,112
Water and sewerage	7	1,345,500	1,278,206	1,320,511
Corner Brook Transit	7	215,000	265,963	199,391
Parks and Recreation	8	543,050	520,667	505,800
Pepsi Centre	8	700,000	700,000	760,000
Grants	8	162,350	156,674	199,168
Debt charges	8	3,239,630	3,622,254	3,776,325
Capital out of revenue	8	300,000	496,447	274,477
Allocation to reserves	8	1,150,000	838,520	1,118,312
Corner Brook Economic Development Corporation		275,000	275,000	275,000
Provision for doubtful accounts		<u>75,000</u>	<u>135,000</u>	<u>135,000</u>
		<u>19,782,000</u>	<u>21,019,774</u>	<u>20,473,281</u>
<u>SURPLUS FOR THE YEAR</u>		<u>\$ --</u>	<u>1,142</u>	<u>1,400</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE
Year ended December 31, 2005

	Budget <u>2005</u>	Actual <u>2005</u>	Actual <u>2004</u>
<u>TAXATION</u>			
Municipal tax	\$11,345,000	11,664,774	11,495,022
Business tax	2,960,000	2,895,703	2,885,480
Poll tax	250,000	289,864	250,212
Corner Brook Downtown Business Association	<u>50,000</u>	<u>51,510</u>	<u>53,578</u>
	<u>\$14,605,000</u>	<u>14,901,851</u>	<u>14,684,292</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland and Labrador:			
Municipal operating grants	\$ 803,200	805,471	1,004,576
Debt grants	<u>1,249,700</u>	<u>1,660,387</u>	<u>1,423,650</u>
	<u>\$ 2,052,900</u>	<u>2,465,858</u>	<u>2,428,226</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	\$ 530,000	588,888	553,095
Aliant Communications	350,000	338,639	350,559
Rogers Cable	42,000	45,236	43,149
Other	<u>21,400</u>	<u>15,655</u>	<u>20,634</u>
	<u>\$ 943,400</u>	<u>988,418</u>	<u>967,437</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	\$ 10,400	10,442	10,442
Corner Brook Pulp and Paper Limited:			
Current grant	1,070,700	1,070,713	1,005,213
Water grant	90,000	90,000	90,000
Government of Canada	100,800	97,618	100,831
Newfoundland Liquor Corporation	10,000	10,686	10,902
Western Memorial Regional Hospital	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
	<u>\$ 1,334,900</u>	<u>1,332,459</u>	<u>1,270,388</u>
<u>OTHER REVENUE</u>			
Interest	\$ 420,000	468,196	468,239
Licences and permits	241,300	233,661	209,981
Recreation and community service	64,500	79,953	93,512
Pepsi Centre	120,000	120,000	120,000
Wild Cove Landfill Site	--	32,288	65,761
Revenue from reserve	--	301,698	--
Land sales	--	39,778	118,359
Miscellaneous	<u>--</u>	<u>56,756</u>	<u>48,486</u>
	<u>\$ 845,800</u>	<u>1,332,330</u>	<u>1,124,338</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2005

	<u>Budget</u> <u>2005</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2004</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 239,000	372,824	201,211
Chief Administrative Office	316,320	308,350	321,920
Corporate Services Department	<u>2,000,000</u>	<u>2,119,538</u>	<u>2,103,285</u>
	<u>\$2,555,320</u>	<u>2,800,712</u>	<u>2,626,416</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 170,200	164,711	180,348
Development and planning	360,000	354,301	299,384
Fire protection	3,019,400	2,793,009	2,815,178
Building inspection	105,100	88,749	121,387
Municipal enforcement	164,600	153,234	158,486
Animal control	<u>79,550</u>	<u>77,675</u>	<u>74,986</u>
	<u>\$3,898,850</u>	<u>3,631,679</u>	<u>3,649,769</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$1,335,800	1,377,230	1,321,017
Other operations payroll	793,000	794,820	768,367
Building maintenance	237,500	353,728	280,491
Street lighting	550,000	537,576	520,519
Snow clearing	1,100,000	1,366,333	1,406,494
Traffic control	146,000	139,429	144,774
Drainage	51,000	75,737	68,671
2005 flood damages	--	371,562	--
Street and storm sewer cleaning	209,000	215,237	267,427
Street maintenance	512,000	611,235	540,001
Miscellaneous expenses	38,000	54,433	38,588
Sanitation and waste removal	<u>350,000</u>	<u>401,332</u>	<u>276,763</u>
	<u>\$5,322,300</u>	<u>6,298,652</u>	<u>5,633,112</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 183,000	201,239	165,117
Water mains and hydrants	727,500	639,934	738,264
Sanitary systems	223,000	228,738	216,862
Regulators and meters	51,000	47,617	44,802
Reservoirs and intakes	75,000	77,382	69,102
Pumphouse	<u>86,000</u>	<u>83,296</u>	<u>86,364</u>
	<u>\$1,345,500</u>	<u>1,278,206</u>	<u>1,320,511</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	<u>\$ 215,000</u>	<u>265,963</u>	<u>199,391</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2005

	Budget <u>2005</u>	Actual <u>2005</u>	Actual <u>2004</u>
<u>PARKS AND RECREATION</u>			
Administration	\$ 71,600	61,070	59,886
Recreation	128,000	122,663	153,724
Parks	<u>343,450</u>	<u>336,934</u>	<u>292,190</u>
	<u>\$ 543,050</u>	<u>520,667</u>	<u>505,800</u>
 <u>PEPSI CENTRE</u>			
Operating subsidy	<u>\$ 700,000</u>	<u>700,000</u>	<u>760,000</u>
 <u>GRANTS</u>			
Corner Brook Downtown Business Association	\$ 50,000	51,510	53,579
Community service grants	78,350	60,134	100,354
Corner Brook Museum and Archive Society	24,000	25,030	25,235
Triathlon	<u>10,000</u>	<u>20,000</u>	<u>20,000</u>
	<u>\$ 162,350</u>	<u>156,674</u>	<u>199,168</u>
 <u>DEBT CHARGES</u>			
Principal	\$2,630,872	2,919,272	2,965,695
Interest	<u>608,758</u>	<u>702,982</u>	<u>810,630</u>
	<u>\$3,239,630</u>	<u>3,622,254</u>	<u>3,776,325</u>
 <u>CAPITAL OUT OF REVENUE</u>			
Equipment	\$ 300,000	269,746	139,685
Land	<u>--</u>	<u>226,701</u>	<u>134,792</u>
	<u>\$ 300,000</u>	<u>496,447</u>	<u>274,477</u>
 <u>ALLOCATION TO RESERVES</u>			
Capital infrastructure	\$1,050,000	585,000	650,000
Capital equipment	--	--	102,000
Operating reserve	100,000	--	--
Wild Cove Landfill Site	--	32,288	65,761
Corner Brook Curling Association	--	6,000	6,000
NLHC land sales	--	22,500	102,259
Water and sewer	<u>--</u>	<u>192,732</u>	<u>192,292</u>
	<u>\$1,150,000</u>	<u>838,520</u>	<u>1,118,312</u>

CITY OF CORNER BROOK
STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION
Year ended December 31, 2005

	<u>2005</u>	<u>2004</u>
<u>FUNDS PROVIDED</u>		
Appropriations from revenue fund for retirement of long-term debt	\$ 2,919,272	2,965,695
Grants and contributions:		
Government of Canada	149,019	--
Proceeds from temporary bank loans	1,597,596	1,706,791
Proceeds from long-term debt	2,766,152	970,925
Capital contribution from revenue	496,447	274,477
Capital contribution from reserves	264,000	950,000
Increase in interfund account	<u>1,832,751</u>	<u>--</u>
	<u>10,025,237</u>	<u>6,867,888</u>
<u>FUNDS APPLIED</u>		
Expenditures on property and equipment:		
General	2,090,519	2,094,123
Water and sewerage utility	<u>1,184,275</u>	<u>1,249,651</u>
	3,274,794	3,343,774
Repayment of temporary bank loans	1,841,171	450,427
Repayment of long-term debt	2,919,272	2,965,695
Decrease in interfund account	<u>--</u>	<u>179,592</u>
	<u>8,035,237</u>	<u>6,939,488</u>
<u>INCREASE (DECREASE) IN CASH</u>	1,990,000	(71,600)
<u>CASH</u> , beginning of year	<u>746,026</u>	<u>817,626</u>
<u>CASH</u> , end of year	<u>\$ 2,736,026</u>	<u>746,026</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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>2005</u>	<u>2004</u>
Taxes		
Municipal	\$1,923,536	1,845,508
Business	642,510	656,026
Service fees	145,230	218,696
Utility	588,888	553,095
Tax rebate	206,444	236,283
Recoverable works:		
Flood damages	1,223,389	1,145,798
Pepsi Centre roof	373,547	373,547
Corner Brook Port Corporation	2,299	190,352
Province of Newfoundland and Labrador	139,471	126,490
Advance - YMCA	27,000	30,000
Other	<u>293,224</u>	<u>177,542</u>
	5,565,538	5,553,337
Less: Allowance for doubtful accounts	<u>327,091</u>	<u>346,136</u>
	<u>\$5,238,447</u>	<u>5,207,201</u>

3. Prepaid expenses consist of:

	<u>2005</u>	<u>2004</u>
Inventory of supplies, at cost	\$ 755,300	634,806
Prepaid bank loans	71,573	71,573
Prepaid - other	3,201	7,321
Prepaid insurance	<u>95,988</u>	<u>154,552</u>
	<u>\$ 926,062</u>	<u>868,252</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

4. Property and equipment consists of:

	<u>2005</u>	<u>2004</u>
<u>General</u>		
Land	\$ 2,634,711	2,408,010
Buildings	29,983,622	29,983,622
Equipment	7,815,684	7,637,059
Streets and improvements	66,709,109	65,117,061
Parks and playgrounds	4,136,008	4,042,863
Cemetery	<u>10,503</u>	<u>10,503</u>
	<u>111,289,637</u>	<u>109,199,118</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>23,553,412</u>	<u>22,369,137</u>
	<u>23,789,745</u>	<u>22,605,470</u>
	<u>\$135,079,382</u>	<u>131,804,588</u>

5. Due to bank consists of:

	<u>2005</u>	<u>2004</u>
Royal Bank of Canada:		
Current account overdraft	\$7,233,888	4,109,116
Temporary bank loans	<u>2,510,517</u>	<u>2,653,190</u>
	<u>\$9,744,405</u>	<u>6,762,306</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>2005</u>	<u>2004</u>
Bank of Nova Scotia		
Term loans bearing interest at a rate of 5.48% to 7.17%, repayable in blended monthly installments totalling \$39,007, maturing in 2006	\$ 377,549	851,620
Canadian Imperial Bank of Commerce		
(a) 6.11% term loan, repayable in blended monthly installments of \$22,315, maturing in 2007	<u>321,471</u>	<u>561,586</u>
	699,020	1,413,206

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CITY OF CORNER BROOK
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2005

9. Investments in property and equipment:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$119,361,006	115,340,995
Add:		
Appropriations from revenue fund for		
Retirement of long-term debt	2,919,272	2,965,695
Capital contributions	149,019	--
Capital expenditure out of revenue	496,447	274,477
Capital expenditure from reserves	<u>264,000</u>	<u>950,000</u>
	123,189,744	119,531,167
Deduct:		
Capital dispositions	<u>99,900</u>	<u>170,161</u>
	<u>\$123,089,844</u>	<u>119,361,006</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 2005 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, 2005 was \$935,013.