

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2007

CITY OF CORNER BROOK  
FINANCIAL STATEMENTS  
December 31, 2007  
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AUDITOR'S REPORT

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

I have audited the combined balance sheet of the City of Corner Brook as at December 31, 2007, 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, 2007, 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, 2007 is included herewith.

CORNER BROOK,  
NEWFOUNDLAND LABRADOR

7 July 2008



CHARTERED ACCOUNTANT

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AUDITOR'S REPORT

To the Mayor and Councillors  
City of Corner Brook  
Corner Brook, Newfoundland 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, 2007.

EXPENDITURES

Actual expenditures of \$23,297,411 (including allocation to reserves) exceeded the limits of the approved budget of \$21,765,000.

REVENUE

Actual revenues of \$23,315,935 (including contributions from reserves) exceeded the amounts in the budget of \$21,765,000.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$2,262,800 at December 31, 2007. Of this amount \$1,436,288 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$397,457 at December 31, 2007.

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 LABRADOR

7 July 2008

*Brian Hillier*

CHARTERED ACCOUNTANT

CITY OF CORNER BROOK  
COMBINED BALANCE SHEET  
December 31, 2007

	<u>Revenue</u>	<u>2007 Capital</u>	<u>Total</u>	<u>2006 Total</u>
<u>ASSETS</u>				
Cash	\$ --	469,055	469,055	741,276
Accounts receivable (Note 2)	4,807,961	--	4,807,961	5,007,764
Prepaid expenses (Note 3)	1,138,747	--	1,138,747	994,151
Interfund account	4,589,761	--	4,589,761	1,398,255
Property and equipment (Note 4)	--	148,540,659	148,540,659	142,493,026
	<u>\$ 10,536,469</u>	<u>149,009,714</u>	<u>159,546,183</u>	<u>150,634,472</u>
<u>LIABILITIES AND EQUITY</u>				
Due to bank (Note 5)	\$ 3,660,203	--	3,660,203	3,628,722
Accounts payable (Note 6)	3,472,610	--	3,472,610	1,976,565
Interfund account	--	4,589,761	4,589,761	1,398,255
Long-term debt (Note 7)	--	11,971,975	11,971,975	14,482,185
Employee termination (Note 8)	2,060,873	--	2,060,873	2,141,958
Reserves (Note 9)	4,090,839	--	4,090,839	2,422,305
Investments in property and equipment (Note 10)	--	132,447,978	132,447,978	127,351,062
Surplus (deficit)	<u>(2,748,056)</u>	--	<u>(2,748,056)</u>	<u>(2,766,580)</u>
	<u>\$ 10,536,469</u>	<u>149,009,714</u>	<u>159,546,183</u>	<u>150,634,472</u>

CONTINGENCIES (Note 11)

ON BEHALF OF THE CITY:

\_\_\_\_\_ Mayor

\_\_\_\_\_ Director of Corporate Services

CITY OF CORNER BROOK  
STATEMENT OF SURPLUS (DEFICIT)  
Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
<u>SURPLUS (DEFICIT), beginning of year</u>	\$(2,766,580)	(2,770,705)
<u>SURPLUS FOR THE YEAR</u>	<u>18,524</u>	<u>4,125</u>
<u>SURPLUS (DEFICIT), end of year</u>	<u>\$(2,748,056)</u>	<u>(2,766,580)</u>

CITY OF CORNER BROOK  
STATEMENT OF REVENUE AND EXPENDITURE  
Year ended December 31, 2007

	<u>Page</u>	<u>Budget</u>	<u>2007</u>	<u>2006</u>
<u>REVENUE</u>				
Taxation	6	\$16,509,000	17,074,651	15,992,177
Contributions	6	1,902,220	2,234,523	3,149,259
Utility taxes	6	1,019,100	1,065,974	1,020,636
Grants in lieu of taxes	6	1,410,400	1,354,239	1,363,903
Other revenue	6	<u>924,280</u>	<u>1,586,548</u>	<u>1,260,373</u>
		<u>21,765,000</u>	<u>23,315,935</u>	<u>22,786,348</u>
<u>EXPENDITURES</u>				
General Government	7	3,096,900	2,973,148	2,991,620
Community services	7	4,190,700	3,831,766	3,960,659
Operational services	7	6,249,100	6,521,690	6,263,685
Water and sewerage	7	1,448,200	1,548,108	1,454,759
Corner Brook Transit	7	402,000	398,653	398,653
Parks and Recreation	8	529,500	533,089	510,942
Pepsi Centre	8	730,000	763,906	640,507
Grants	8	393,350	198,032	218,644
Debt charges	8	2,472,650	2,942,383	4,191,148
Capital out of revenue	8	1,999,600	2,158,042	355,131
Allocation to reserves	8	178,000	1,253,138	1,336,475
Corner Brook Economic Development Corporation		--	--	275,000
Provision for doubtful accounts		<u>75,000</u>	<u>175,456</u>	<u>185,000</u>
		<u>21,765,000</u>	<u>23,297,411</u>	<u>22,782,223</u>
<u>SURPLUS FOR THE YEAR</u>		<u>\$ --</u>	<u>18,524</u>	<u>4,125</u>

CITY OF CORNER BROOK  
STATEMENT OF REVENUE  
Year ended December 31, 2007

	Budget <u>2007</u>	Actual <u>2007</u>	Actual <u>2006</u>
<u>TAXATION</u>			
Water sewer levy	\$ --	771,513	580,475
Municipal tax	12,651,000	12,503,434	11,889,782
Business tax	3,478,000	3,409,708	3,032,326
Poll tax	330,000	334,801	438,922
Corner Brook Downtown Business Association	<u>50,000</u>	<u>55,195</u>	<u>50,672</u>
	<u>16,509,000</u>	<u>17,074,651</u>	<u>15,992,177</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland and Labrador:			
Municipal operating grants	\$ 666,600	666,636	666,636
Debt grants	<u>1,235,620</u>	<u>1,567,887</u>	<u>2,482,623</u>
	<u>1,902,220</u>	<u>2,234,523</u>	<u>3,149,259</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	\$ 609,000	642,734	609,837
Aliant Communications	350,000	342,976	348,130
Rogers Cable	46,000	51,762	46,279
Other	<u>14,100</u>	<u>28,502</u>	<u>16,390</u>
	<u>1,019,100</u>	<u>1,065,974</u>	<u>1,020,636</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	\$ 10,400	5,794	10,522
Corner Brook Pulp and Paper Limited:			
Current grant	1,150,000	1,102,834	1,102,834
Water grant	90,000	90,000	90,000
Government of Canada	97,000	89,758	97,547
Newfoundland Liquor Corporation	10,000	12,853	10,000
Western Memorial Regional Hospital	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
	<u>1,410,400</u>	<u>1,354,239</u>	<u>1,363,903</u>
<u>OTHER REVENUE</u>			
Interest	\$ 420,000	516,541	483,209
Licences and permits	209,500	580,918	291,339
Recreation and community service	56,780	44,796	67,684
Pepsi Centre	120,000	120,000	100,000
Wild Cove Landfill Site	72,000	75,625	90,000
Land sales	--	--	145,160
Miscellaneous	<u>46,000</u>	<u>248,668</u>	<u>82,981</u>
	<u>924,280</u>	<u>1,586,548</u>	<u>1,260,373</u>



CITY OF CORNER BROOK  
STATEMENT OF EXPENDITURES  
Year ended December 31, 2007

	Budget <u>2007</u>	Actual <u>2007</u>	Actual <u>2006</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 259,200	228,639	304,524
Chief Administrative Office	525,900	437,373	389,709
Corporate Services Department	2,127,600	2,172,222	2,297,387
Business Resource Centre	184,200	134,914	--
	<u>3,096,900</u>	<u>2,973,148</u>	<u>2,991,620</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 282,800	280,559	189,167
Development and planning	278,000	222,744	389,862
Fire protection	3,117,100	2,900,862	2,973,786
Building inspection	224,000	172,171	158,981
Municipal enforcement	193,100	167,569	167,974
Animal control	95,700	87,861	80,889
	<u>4,190,700</u>	<u>3,831,766</u>	<u>3,960,659</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$ 1,684,600	1,440,132	1,426,373
Other operations payroll	762,500	793,113	805,764
Building maintenance	276,500	477,540	338,138
Street lighting	568,000	558,945	555,231
Snow clearing	1,300,000	1,462,720	1,291,233
Traffic control	166,000	154,176	148,627
Drainage	137,000	87,688	149,268
2006 flood damages	--	--	73,543
Street and storm sewer cleaning	226,500	263,333	251,190
Street maintenance	611,000	769,786	654,737
Miscellaneous expenses	26,000	44,723	38,940
Sanitation and waste removal	491,000	469,534	530,641
	<u>6,249,100</u>	<u>6,521,690</u>	<u>6,263,685</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 210,000	247,782	220,835
Water mains and hydrants	775,400	807,299	737,542
Sanitary systems	230,000	256,021	275,257
Regulators and meters	64,000	55,771	61,977
Reservoirs and intakes	83,800	87,483	80,700
Pumphouse	85,000	93,752	78,448
	<u>1,448,200</u>	<u>1,548,108</u>	<u>1,454,759</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	402,000	398,653	398,653

CITY OF CORNER BROOK  
STATEMENT OF EXPENDITURES  
Year ended December 31, 2007

	Budget <u>2007</u>	Actual <u>2007</u>	Actual <u>2006</u>
<u>PARKS AND RECREATION</u>			
Administration	\$ 64,000	63,631	62,329
Recreation	92,000	78,657	90,656
Parks	<u>373,500</u>	<u>390,801</u>	<u>357,957</u>
	<u>529,500</u>	<u>533,089</u>	<u>510,942</u>
<u>PEPSI CENTRE</u>			
Operating subsidy	\$ 700,000	700,000	640,507
Building maintenance	<u>30,000</u>	<u>63,906</u>	<u>--</u>
	<u>730,000</u>	<u>763,906</u>	<u>640,507</u>
<u>GRANTS</u>			
Corner Brook Downtown Business Association	\$ 50,000	55,195	50,672
Corner Brook Stream Project	10,000	10,000	49,500
Community service grants	42,350	18,157	55,014
Corner Brook Museum and Archive Society	41,000	40,861	34,301
Summer concert series	100,000	21,628	--
Triathlon	--	--	29,157
WDMO/BOT	<u>150,000</u>	<u>52,191</u>	<u>--</u>
	<u>393,350</u>	<u>198,032</u>	<u>218,644</u>
<u>DEBT CHARGES</u>			
Principal	\$ 1,788,796	2,128,512	3,507,976
Interest	<u>683,854</u>	<u>813,871</u>	<u>683,172</u>
	<u>2,472,650</u>	<u>2,942,383</u>	<u>4,191,148</u>
<u>CAPITAL OUT OF REVENUE</u>			
Capital works	\$ 1,399,600	1,565,255	--
Capital equipment	600,000	587,791	334,322
Land	<u>--</u>	<u>4,996</u>	<u>20,809</u>
	<u>1,999,600</u>	<u>2,158,042</u>	<u>355,131</u>
<u>ALLOCATION TO RESERVES</u>			
Capital infrastructure	\$ --	--	200,000
Flood	--	300,000	500,000
Equipment replacement	100,000	100,000	--
Wild Cove Landfill Site	72,000	75,625	50,000
Corner Brook Curling Association	6,000	6,000	6,000
Water and sewer	<u>--</u>	<u>771,513</u>	<u>580,475</u>
	<u>178,000</u>	<u>1,253,138</u>	<u>1,336,475</u>

CITY OF CORNER BROOK  
STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION  
Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
<u>FUNDS PROVIDED</u>		
Appropriations from revenue fund for retirement of long-term debt	\$ 2,128,512	3,507,976
Grants and contributions:		
Government of Canada	55,560	229,771
Proceeds from long-term debt	543,204	6,070,093
Capital contribution from revenue	2,158,042	355,131
Capital contribution from reserves	200,000	321,000
Increase in interfund account	<u>3,191,506</u>	<u>582,759</u>
	<u>8,276,824</u>	<u>11,066,730</u>
<u>FUNDS APPLIED</u>		
Expenditures on property and equipment:		
General	5,067,514	4,185,532
Water and sewerage utility	<u>1,350,219</u>	<u>3,380,772</u>
	6,417,733	7,566,304
Repayment of long-term debt	<u>2,128,512</u>	<u>3,507,976</u>
	<u>8,546,245</u>	<u>11,074,280</u>
<u>INCREASE (DECREASE) IN CASH</u>	(269,421)	(7,550)
<u>CASH</u> , beginning of year	<u>738,476</u>	<u>746,026</u>
<u>CASH</u> , end of year	<u>\$ 469,055</u>	<u>738,476</u>

CITY OF CORNER BROOK  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2007

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>2007</u>	<u>2006</u>
Taxes		
Municipal	\$1,651,160	1,910,907
Business	444,925	657,919
Service fees	166,715	158,991
Utility	669,429	609,837
Tax rebate	290,931	145,403
Recoverable works:		
Flood damages	1,223,596	1,225,722
Pepsi Centre roof	--	393,701
Province of Newfoundland Labrador	142,983	147,052
Tax agreement grant	221,000	--
Building permit	170,000	--
Advance - YMCA	18,000	26,000
Other	<u>206,679</u>	<u>238,061</u>
	5,205,418	5,513,593
Less: Allowance for doubtful accounts	<u>397,457</u>	<u>505,829</u>
	<u>\$4,807,961</u>	<u>5,007,764</u>

An amount of \$800,000 has been reserved (Note 9) for a portion of flood damages which may not be recovered.

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

## 3. Prepaid expenses consist of:

	<u>2007</u>	<u>2006</u>
Inventory of land, at cost	\$ 204,527	--
Inventory of supplies, at cost	878,074	861,318
Prepaid bank loans	11,146	55,207
Prepaid - other	45,000	45,000
Prepaid insurance	--	32,626
	<u>\$ 1,138,747</u>	<u>994,151</u>

## 4. Property and equipment consists of:

	<u>2007</u>	<u>2006</u>
<u>General</u>		
Land	\$ 2,990,856	2,985,860
Buildings	31,432,394	30,827,400
Equipment	8,830,483	8,614,720
Streets and improvements	71,682,433	68,701,881
Parks and playgrounds	5,073,254	4,182,145
Cemetery	10,503	10,503
	<u>120,019,923</u>	<u>115,322,509</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	28,284,403	26,934,184
	<u>28,520,736</u>	<u>27,170,517</u>
	<u>\$148,540,659</u>	<u>142,493,026</u>

## 5. Due to bank consists of:

	<u>2007</u>	<u>2006</u>
Royal Bank of Canada:		
Current account overdraft	\$ 3,660,203	3,628,722

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

## 6. Accounts payable consist of:

	<u>2007</u>	<u>2006</u>
Trade payables and accruals	\$ 2,563,711	1,269,224
Payroll liabilities	120,552	193,752
Contract deposits	325,378	132,632
Contract holdbacks	342,656	261,428
Accrued interest	120,313	119,529
	<u>\$ 3,472,610</u>	<u>1,976,565</u>

CITY OF CORNER BROOK  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2007

## 7. Long-term debt consists of:

	<u>2007</u>	<u>2006</u>
Canadian Imperial Bank of Commerce		
(a) 6.11% term loan, repayable in blended monthly installments of \$22,315, maturing in 2007	\$ --	66,268
(b) 4.48% term loan, repayable in blended monthly installments of 40,998, maturing in 2012	1,866,595	1,900,000
(c) Term loan at prime less .94%, repayable in blended monthly installments of \$11,480, maturing in 2007	--	23,187
(d) 4.26% term loan, repayable in blended monthly installments of \$9,306, maturing in 2007	--	9,240
(e) 4.35% term loan, repayable in blended monthly installments of \$11,146, maturing in 2008	130,600	255,701
Bank of Montreal		
(a) 3.78% term loan, repayable in blended monthly installments of \$9,159, maturing in 2009	211,385	311,243
(b) 4.42% term loan, repayable in blended monthly installments of \$17,676, maturing in 2010	579,510	776,684
(c) Term loan, repayable in blended monthly installments of \$10,650, maturing in 2011	383,828	490,378
(d) Term loan, repayable in blended monthly installments of \$14,066, maturing in 2011	606,514	744,718
Royal Bank of Canada		
(a) 4.68% term loan, repayable in blended semi-annual installments of \$49,070, maturing in 2021	<u>974,021</u>	<u>1,024,788</u>
	4,752,453	5,602,207

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CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

## 7. Long-term debt (Cont'd):

	<u>2007</u>	<u>2006</u>
Brought forward	\$ 4,752,453	5,602,207
(b) 4.62% term loan, repayable in blended semi-annual installments of \$113,178, maturing in 2,021	2,314,591	2,430,000
(c) Temporary bank loans, to be refinanced with long-term borrowings	180,750	862,345

## Newfoundland Municipal Financing Corporation

Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2008 and 2020

<u>4,724,181</u>	<u>5,587,633</u>
<u>\$11,971,975</u>	<u>14,482,185</u>

Principal payments, including both the City's and Province's share, required for the next five years on long-term debt are as follows:

2008	\$ 2,029,817
2009	2,131,308
2010	2,237,873
2011	2,149,767
2012	2,257,500

The Newfoundland Municipal Financing Corporation loans and the Royal Bank term loan 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.

8. 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>2007</u>	<u>2006</u>
Severance pay	\$1,208,474	1,285,959
Sick leave benefits	469,911	485,520
Early retirees - bridging	142,748	157,772
Early retirees - group benefits	<u>239,740</u>	<u>212,707</u>
	<u>\$2,060,873</u>	<u>2,141,958</u>

CITY OF CORNER BROOK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

## 9. Reserves consist of:

	Balance December <u>31, 2006</u>	Allocation <u>2007</u>	Utilized <u>2007</u>	Balance December <u>31, 2007</u>
Snow clearing	\$ 115,460	--	--	115,460
Operating - other	40,000	--	--	40,000
Corner Brook Curling Association	30,000	6,000	--	36,000
Environment	50,000	--	--	50,000
Wild Cove Landfill Site	258,887	75,625	12,439	322,073
NLHC paving	262,459	53,678	--	316,137
Reserve - water and sewer	965,499	771,513	--	1,737,012
Reserve flood	500,000	300,000	--	800,000
Land acquisitions	--	53,915	--	53,915
Equipment replacement	--	100,000	--	100,000
Gas tax funding	<u>--</u>	<u>622,863</u>	<u>102,621</u>	<u>520,242</u>
	2,222,305	1,983,594	115,060	4,090,839
Capital infrastructure	<u>200,000</u>	<u>--</u>	<u>200,000</u>	<u>--</u>
	<u>\$2,422,305</u>	<u>1,983,594</u>	<u>315,060</u>	<u>4,090,839</u>

## 10. Investments in property and equipment:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$127,351,062	123,089,844
Add:		
Provincial retirement of long-term debt	924,902	--
Appropriations from revenue fund for Retirement of long-term debt	2,128,512	3,507,976
Capital contributions	55,560	229,771
Capital expenditure out of revenue	2,158,042	355,131
Capital expenditure from reserves	<u>200,000</u>	<u>321,000</u>
	132,818,078	127,503,722
Deduct:		
Capital dispositions	<u>370,100</u>	<u>152,660</u>
	<u>\$132,447,978</u>	<u>127,351,062</u>



CITY OF CORNER BROOK  
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11. 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 2001 the City acquired property from Newfoundland 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 Labrador Housing Corporation. The mortgage balance at December 31, 2007 was \$939,013.