

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2008

CITY OF CORNER BROOK
FINANCIAL STATEMENTS
December 31, 2008
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 Labrador

I have audited the combined balance sheet of the City of Corner Brook as at December 31, 2008, 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.

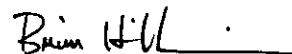
I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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, 2008, 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, 2008 is included herewith.

CORNER BROOK,
NEWFOUNDLAND LABRADOR

23 June 2009



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 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, 2008.

EXPENDITURES

Actual expenditures of \$23,547,665 (including allocation to reserves) exceeded the limits of the approved budget of \$22,735,800.

REVENUE

Actual revenues of \$23,551,444 (including contributions from reserves) exceeded the amounts in the budget of \$22,735,800.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$1,962,522 at December 31, 2008. Of this amount \$1,147,735 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$351,346 at December 31, 2008.

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

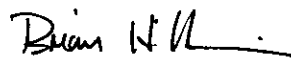
The position in these respects is considered satisfactory.

SUFFICIENCY OF BONDS

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

CORNER BROOK,
NEWFOUNDLAND LABRADOR

23 June 2009



CHARTERED ACCOUNTANT

CITY OF CORNER BROOK
COMBINED BALANCE SHEET
December 31, 2008

	<u>Revenue</u>	<u>2008 Capital</u>	<u>Total</u>	<u>2007 Total</u>
<u>ASSETS</u>				
Cash	\$ 5,621,310	476,076	6,097,386	469,055
Accounts receivable (Note 2)	3,349,576	--	3,349,576	4,807,961
Prepaid expenses (Note 3)	1,192,437	--	1,192,437	1,138,747
Interfund account	11,701,530	--	11,701,530	4,589,761
Property and equipment (Note 4)	--	<u>162,831,242</u>	<u>162,831,242</u>	<u>148,540,659</u>
	<u>\$ 21,864,853</u>	<u>163,307,318</u>	<u>185,172,171</u>	<u>159,546,183</u>

LIABILITIES AND EQUITY

Due to bank (Note 5)	\$ 9,083,537	--	9,083,537	3,660,203
Accounts payable (Note 6)	5,142,096	--	5,142,096	3,472,610
Interfund account	--	11,701,530	11,701,530	4,589,761
Long-term debt (Note 7)	--	10,629,071	10,629,071	11,971,975
Employee termination (Note 8)	2,072,359	--	2,072,359	2,060,873
Reserves (Note 9)	8,311,138	--	8,311,138	4,090,839
Investments in property and equipment (Note 10)	--	140,976,717	140,976,717	132,447,978
Surplus (deficit)	<u>(2,744,277)</u>	--	<u>(2,744,277)</u>	<u>(2,748,056)</u>
	<u>\$ 21,864,853</u>	<u>163,307,318</u>	<u>185,172,171</u>	<u>159,546,183</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, 2008

	<u>2008</u>	<u>2007</u>
<u>SURPLUS (DEFICIT), beginning of year</u>	\$(2,748,056)	(2,766,580)
<u>SURPLUS FOR THE YEAR</u>	<u>3,779</u>	<u>18,524</u>
<u>SURPLUS (DEFICIT), end of year</u>	<u>\$(2,744,277)</u>	<u>(2,748,056)</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE AND EXPENDITURE
Year ended December 31, 2008

	<u>Page</u>	<u>Budget</u>	<u>2008</u>	<u>2007</u>
<u>REVENUE</u>				
Taxation	6	\$16,596,700	17,795,896	17,074,651
Contributions	6	2,572,700	2,114,321	2,234,523
Utility taxes	6	1,026,100	1,079,931	1,065,974
Grants in lieu of taxes	6	1,531,800	1,353,288	1,354,239
Other revenue	6	<u>1,008,500</u>	<u>1,208,008</u>	<u>1,586,548</u>
		<u>22,735,800</u>	<u>23,551,444</u>	<u>23,315,935</u>
<u>EXPENDITURES</u>				
General Government	7	3,077,500	3,047,338	2,973,148
Community services	7	4,311,900	4,201,858	3,831,766
Operational services	7	6,324,900	7,060,164	6,521,690
Water and sewerage	7	1,475,900	1,509,545	1,548,108
Corner Brook Transit	7	425,000	411,399	398,653
Parks and Recreation	8	557,300	542,445	533,089
Pepsi Centre	8	730,000	715,953	763,906
Grants	8	296,850	387,519	198,032
Debt charges	8	3,676,500	2,872,429	2,942,383
Capital out of revenue	8	1,452,000	1,359,393	2,158,042
Allocation to reserves	8	267,950	1,159,622	1,253,138
Provision for doubtful accounts		<u>140,000</u>	<u>280,000</u>	<u>175,456</u>
		<u>22,735,800</u>	<u>23,547,665</u>	<u>23,297,411</u>
<u>SURPLUS FOR THE YEAR</u>		<u>\$ --</u>	<u>3,779</u>	<u>18,524</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE
Year ended December 31, 2008

	Budget <u>2008</u>	Actual <u>2008</u>	Actual <u>2007</u>
<u>TAXATION</u>			
Water sewer levy	\$ --	973,216	771,513
Municipal tax	12,638,000	12,751,142	12,503,434
Business tax	3,578,700	3,592,780	3,409,708
Poll tax	330,000	421,129	334,801
Corner Brook Downtown Business Association	<u>50,000</u>	<u>57,629</u>	<u>55,195</u>
	<u>16,596,700</u>	<u>17,795,896</u>	<u>17,074,651</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland and Labrador:			
Municipal operating grants	\$ 666,600	666,636	666,636
Debt grants	<u>1,906,100</u>	<u>1,447,685</u>	<u>1,567,887</u>
	<u>2,572,700</u>	<u>2,114,321</u>	<u>2,234,523</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	\$ 610,000	648,318	642,734
Aliant Communications	350,000	362,543	342,976
Rogers Cable	52,000	54,740	51,762
Other	<u>14,100</u>	<u>14,330</u>	<u>28,502</u>
	<u>1,026,100</u>	<u>1,079,931</u>	<u>1,065,974</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	\$ 6,000	5,834	5,794
Corner Brook Pulp and Paper Limited:			
Current grant	1,280,800	1,102,834	1,102,834
Water grant	90,000	90,000	90,000
Government of Canada	90,000	87,252	89,758
Newfoundland Liquor Corporation	12,000	14,368	12,853
Western Memorial Regional Hospital	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
	<u>1,531,800</u>	<u>1,353,288</u>	<u>1,354,239</u>
<u>OTHER REVENUE</u>			
Interest	\$ 425,000	431,957	516,541
Licences and permits	253,000	369,500	580,918
Recreation and community service	57,000	35,783	44,796
Pepsi Centre	120,000	120,000	120,000
Wild Cove Landfill Site	82,500	86,406	75,625
Miscellaneous	<u>71,000</u>	<u>164,362</u>	<u>248,668</u>
	<u>1,008,500</u>	<u>1,208,008</u>	<u>1,586,548</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2008

	Budget <u>2008</u>	Actual <u>2008</u>	Actual <u>2007</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 268,200	313,854	228,639
Chief Administrative Office	431,900	404,573	437,373
Corporate Services Department	2,178,400	2,140,999	2,172,222
Business Resource Centre	199,000	187,912	134,914
	<u>3,077,500</u>	<u>3,047,338</u>	<u>2,973,148</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 324,800	353,344	280,559
Development and planning	270,500	334,011	222,744
Fire protection	3,194,800	3,071,462	2,900,862
Building inspection	248,200	166,868	172,171
Municipal enforcement	185,600	184,263	167,569
Animal control	88,000	91,910	87,861
	<u>4,311,900</u>	<u>4,201,858</u>	<u>3,831,766</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$ 1,585,900	1,543,068	1,440,132
Other operations payroll	841,000	903,794	793,113
Building maintenance	320,500	351,425	477,540
Street lighting	578,000	551,910	558,945
Snow clearing	1,300,000	1,660,910	1,462,720
Traffic control	191,000	177,256	154,176
Drainage	112,000	162,064	87,688
Street and storm sewer cleaning	226,500	275,830	263,333
Street maintenance	641,000	892,472	769,786
Miscellaneous expenses	30,000	46,031	44,723
Sanitation and waste removal	499,000	495,404	469,534
	<u>6,324,900</u>	<u>7,060,164</u>	<u>6,521,690</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 215,000	229,150	247,782
Water mains and hydrants	780,400	837,059	807,299
Sanitary systems	235,000	209,217	256,021
Regulators and meters	68,000	55,416	55,771
Reservoirs and intakes	87,500	86,906	87,483
Pumphouse	90,000	91,797	93,752
	<u>1,475,900</u>	<u>1,509,545</u>	<u>1,548,108</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	<u>425,000</u>	<u>411,399</u>	<u>398,653</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2008

	Budget <u>2008</u>	Actual <u>2008</u>	Actual <u>2007</u>
<u>PARKS AND RECREATION</u>			
Administration	\$ 64,500	64,782	63,631
Recreation	107,000	98,676	78,657
Parks	<u>385,800</u>	<u>378,987</u>	<u>390,801</u>
	<u>557,300</u>	<u>542,445</u>	<u>533,089</u>
 <u>PEPSI CENTRE</u>			
Operating subsidy	\$ 700,000	700,000	700,000
Building maintenance	<u>30,000</u>	<u>15,953</u>	<u>63,906</u>
	<u>730,000</u>	<u>715,953</u>	<u>763,906</u>
 <u>GRANTS</u>			
Corner Brook Downtown Business Association	\$ 50,000	57,745	55,195
Corner Brook Stream Project	12,500	12,500	10,000
Community service grants	52,150	50,392	18,157
Corner Brook Museum and Archive Society	41,000	46,059	40,861
Summer concert series	30,000	27,289	21,628
WDMO/BOT	36,200	35,363	52,191
ECMA	75,000	75,000	--
East Meets West	<u>--</u>	<u>83,171</u>	<u>--</u>
	<u>296,850</u>	<u>387,519</u>	<u>198,032</u>
 <u>DEBT CHARGES</u>			
Principal	\$ 2,971,064	2,173,723	2,128,512
Interest	<u>705,436</u>	<u>698,706</u>	<u>813,871</u>
	<u>3,676,500</u>	<u>2,872,429</u>	<u>2,942,383</u>
 <u>CAPITAL OUT OF REVENUE</u>			
Capital works	\$ 1,000,000	1,000,000	1,565,255
Capital equipment	402,000	356,218	587,791
Land	<u>50,000</u>	<u>3,175</u>	<u>4,996</u>
	<u>1,452,000</u>	<u>1,359,393</u>	<u>2,158,042</u>
 <u>ALLOCATION TO RESERVES</u>			
Flood	\$ --	--	300,000
Equipment replacement	100,000	100,000	100,000
Operating reserve	79,450	--	--
Wild Cove Landfill Site	82,500	86,406	75,625
Corner Brook Curling Association	6,000	--	6,000
Water and sewer	<u>--</u>	<u>973,216</u>	<u>771,513</u>
	<u>267,950</u>	<u>1,159,622</u>	<u>1,253,138</u>

CITY OF CORNER BROOK
 STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION
 Year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
<u>FUNDS PROVIDED</u>		
Appropriations from revenue fund for retirement of long-term debt	\$ 2,173,723	2,128,512
Capital contributions	4,014,055	55,560
Proceeds from long-term debt	1,067,942	543,204
Capital contribution from revenue	1,359,393	2,158,042
Capital contribution from reserves	1,035,865	200,000
Increase in interfund account	<u>7,111,769</u>	<u>3,191,506</u>
	<u>16,762,747</u>	<u>8,276,824</u>
<u>FUNDS APPLIED</u>		
Expenditures on property and equipment:		
General	12,109,148	5,067,514
Water and sewerage utility	<u>2,472,855</u>	<u>1,350,219</u>
	14,582,003	6,417,733
Repayment of long-term debt	<u>2,173,723</u>	<u>2,128,512</u>
	<u>16,755,726</u>	<u>8,546,245</u>
<u>INCREASE (DECREASE) IN CASH</u>	7,021	(269,421)
<u>CASH, beginning of year</u>	<u>469,055</u>	<u>738,476</u>
<u>CASH, end of year</u>	<u>\$ 476,076</u>	<u>469,055</u>

CITY OF CORNER BROOK
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2008

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.
 - (g) The City has adopted Public Sector Accounting Board (PSAB) guidelines with respect to the disclosure of tangible capital assets, to be effective January 1, 2009. In prior years the City has recorded capital assets at cost. During 2008 the City has continued efforts towards compliance with the new recommendations for accounting for tangible capital assets (TCA) and is expected to be completed during 2009. Also during 2009 the City is expected to complete its TCA valuation, identify controlled entities and government partnerships, identify environmental and other liabilities, and record relevant amounts in financial statements in accordance with PSAB requirements.

2. Accounts receivable consist of:

	<u>2008</u>	<u>2007</u>
Taxes		
Municipal	\$1,365,706	1,651,160
Business	374,452	444,925
Service fees	111,609	166,715
Utility	648,318	669,429
Tax rebate	193,844	290,931
Recoverable works:		
Flood damages	415,555	1,223,596
Province of Newfoundland Labrador	128,283	142,983
Tax agreement grant	--	221,000
Building permit	170,000	170,000
Advance - YMCA	13,000	18,000
Other	<u>280,155</u>	<u>206,679</u>
	3,700,922	5,205,418
Less: Allowance for doubtful accounts	<u>351,346</u>	<u>397,457</u>
	<u>\$3,349,576</u>	<u>4,807,961</u>

The flood reserve of \$800,000 (Note 8) has been applied to the recoverable works - flood damages.

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

3. Prepaid expenses consist of:

	<u>2008</u>	<u>2007</u>
Inventory of land, at cost	\$ 204,527	204,527
Inventory of supplies, at cost	987,910	878,074
Prepaid bank loans	--	11,146
Prepaid - other	--	45,000
	<u>\$ 1,192,437</u>	<u>1,138,747</u>

4. Property and equipment consists of:

	<u>2008</u>	<u>2007</u>
<u>General</u>		
Land	\$ 3,073,156	2,990,856
Buildings	32,949,006	31,432,394
Equipment	8,891,154	8,830,483
Streets and improvements	75,670,187	71,682,433
Parks and playgrounds	11,243,645	5,073,254
Cemetery	10,503	10,503
	<u>131,837,651</u>	<u>120,019,923</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	30,757,258	28,284,403
	<u>30,993,591</u>	<u>28,520,736</u>
	<u>\$162,831,242</u>	<u>148,540,659</u>

5. Due to bank consists of:

	<u>2008</u>	<u>2007</u>
Royal Bank of Canada:		
Current account overdraft	\$ 9,083,537	3,660,203

The current account overdraft bears interest at a floating rate below prime.

6. Accounts payable consist of:

	<u>2008</u>	<u>2007</u>
Trade payables and accruals	\$ 3,545,727	2,563,711
Payroll liabilities	191,183	120,552
Contract deposits	528,536	325,378
Contract holdbacks	779,023	342,656
Accrued interest	97,627	120,313
	<u>\$ 5,142,096</u>	<u>3,472,610</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

7. Long-term debt consists of:

	<u>2008</u>	<u>2007</u>
Canadian Imperial Bank of Commerce		
(a) 4.48% term loan, repayable in blended monthly installments of 40,998, maturing in 2012	\$ 1,449,762	1,866,595
(b) 4.35% term loan, repayable in blended monthly installments of \$11,146, maturing in 2008	--	130,600
(c) 4.64% term loan, repayable in blended monthly installments of \$18,135, maturing in 2013	882,342	--
Bank of Montreal		
(a) 3.78% term loan, repayable in blended monthly installments of \$9,159, maturing in 2009	107,687	211,385
(b) 3.78% term loan, repayable in blended monthly installments of \$17,676, maturing in 2010	389,880	579,510
(c) 4.81% term loan, repayable in blended monthly installments of \$10,650, maturing in 2011	272,039	383,828
(d) 4.42% term loan, repayable in blended monthly installments of \$14,066, maturing in 2011	462,650	606,514
Royal Bank of Canada		
(a) 4.68% term loan, repayable in blended semi-annual installments of \$49,070, maturing in 2021	920,851	974,021
(b) 4.62% term loan, repayable in blended semi-annual installments of \$113,178, maturing in 2021	2,193,789	2,314,591
(c) Temporary bank loans, to be refinanced with long-term borrowings	<u>42,063</u>	<u>180,750</u>
	6,721,063	7,247,794

..... Cont'd

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

	<u>2008</u>	<u>2007</u>
Brought forward	\$ 6,721,063	7,247,794
Newfoundland Municipal Financing Corporation		
Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2009 and 2020	<u>3,908,008</u>	<u>4,724,181</u>
	<u>\$10,629,071</u>	<u>11,971,975</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:

2009	\$ 2,029,817
2010	2,131,308
2011	2,237,873
2012	2,149,767
2013	1,825,000

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>2008</u>	<u>2007</u>
Severance pay	\$1,257,617	1,208,474
Sick leave benefits	448,180	469,911
Early retirees - bridging	125,228	142,748
Early retirees - group benefits	<u>241,334</u>	<u>239,740</u>
	<u>\$2,072,359</u>	<u>2,060,873</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

9. Reserves consist of:

	Balance December <u>31, 2007</u>	Allocation <u>2008</u>	Utilized <u>2008</u>	Balance December <u>31, 2008</u>
Snow clearing	\$ 115,460	--	--	115,460
Operating - other	40,000	--	--	40,000
Corner Brook Curling Association	36,000	--	36,000	--
Environment	50,000	--	--	50,000
Wild Cove Landfill Site	322,073	86,406	8,227	400,252
NLHC paving	316,137	52,054	--	368,191
Reserve - water and sewer	1,737,012	973,216	--	2,710,228
Reserve flood	800,000	--	800,000	--
Land acquisitions	53,915	1,863,532	--	1,917,447
Equipment replacement	100,000	100,000	--	200,000
Gas tax funding	520,242	678,064	1,045,000	153,306
Public Transit funding	--	<u>2,392,119</u>	<u>35,865</u>	<u>2,356,254</u>
	<u>\$4,090,839</u>	<u>6,145,391</u>	<u>1,925,092</u>	<u>8,311,138</u>

10. Investments in property and equipment:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$132,447,978	127,351,062
Add:		
Provincial retirement of long-term debt	237,123	924,902
Appropriations from revenue fund for Retirement of long-term debt	2,173,723	2,128,512
Capital contributions	4,014,055	55,560
Capital expenditure out of revenue	1,359,393	2,158,042
Capital expenditure from reserves	<u>1,035,865</u>	<u>200,000</u>
	141,268,137	132,818,078
Deduct:		
Capital dispositions	<u>291,420</u>	<u>370,100</u>
	<u>\$140,976,717</u>	<u>132,447,978</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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, 2008 was \$743,926.