

CITY OF CORNER BROOK
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

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December 31, 2013
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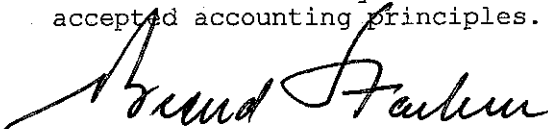
STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements are the responsibility of the management of the City of Corner Brook and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Professional Accountants of Canada.


In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Mayor and Councillors of the City and management have reviewed a draft of the consolidated financial statements to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Brian N. Hillier, C.A., as the City's appointed external auditor, has audited the consolidated financial statements. The Auditor's Report is addressed to the Mayor and members of Council and appears on the following page. His opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as he considers necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the City of Corner Brook in accordance with Canadian generally accepted accounting principles.



Mayor



Director of Corporate Services

Brian N. Hillier

Chartered Accountant

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Facsimile: (709) 634-2769

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

INDEPENDENT AUDITOR'S REPORT

The Mayor and Councillors
City of Corner Brook
Corner Brook, Newfoundland Labrador

I have audited the financial statements of the City of Corner Brook, which comprise the statement of financial position as at December 31, 2013, the statements of surplus, operations and changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

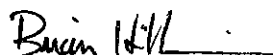
I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the City of Corner Brook as at December 31, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

CORNER BROOK, NEWFOUNDLAND
NEWFOUNDLAND LABRADOR

2 July 2014



CHARTERED ACCOUNTANT

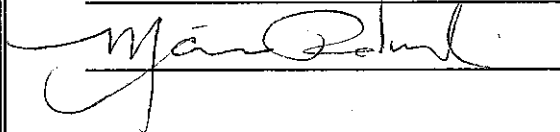
CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2013

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|---------------------|
| <u>FINANCIAL ASSETS</u> | | |
| Cash (Note 3) | \$ 9,480,343 | 11,402,613 |
| Accounts receivable (Note 4) | <u>2,510,260</u> | <u>3,603,334</u> |
| | <u>11,990,603</u> | <u>15,005,947</u> |
| <u>LIABILITIES</u> | | |
| Accounts payable and accrued liabilities (Note 5) | 8,764,086 | 4,997,411 |
| Long-term debt (Note 6) | 23,360,005 | 23,998,905 |
| Employee termination (Note 7) | 2,072,721 | 1,897,591 |
| Reserves (Note 8) | <u>7,260,213</u> | <u>6,497,693</u> |
| | <u>41,457,025</u> | <u>37,391,600</u> |
| <u>NET FINANCIAL ASSETS (DEBT)</u> | <u>29,466,422</u> | <u>(22,385,653)</u> |
| <u>NON-FINANCIAL ASSETS</u> | | |
| Tangible capital assets (Schedule I) | 133,325,839 | 109,674,304 |
| Prepaid expenses (Note 9) | <u>961,185</u> | <u>1,104,195</u> |
| | <u>134,287,024</u> | <u>110,778,499</u> |
| <u>NET EQUITY</u> | <u>\$104,820,602</u> | <u>88,392,846</u> |
| <u>CONTINGENCIES (Note 10)</u> | | |

ON BEHALF OF THE COUNCIL:



Mayor



City Clerk

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF SURPLUS
 Year ended December 31, 2013

| | <u>Budget</u> | <u>2013</u> | <u>2012</u> |
|-----------------------------------|----------------------|----------------------|-------------------|
| <u>REVENUE</u> | \$ 44,730,243 | 44,822,795 | 36,419,414 |
| <u>EXPENDITURES</u> | <u>28,643,925</u> | <u>28,395,039</u> | <u>28,387,340</u> |
| <u>ANNUAL SURPLUS (DEFICIT)</u> | <u>\$ 16,086,318</u> | 16,427,756 | 8,032,074 |
| <u>EQUITY</u> , beginning of year | | <u>88,392,846</u> | <u>80,360,772</u> |
| <u>EQUITY</u> , end of year | | <u>\$104,820,602</u> | <u>88,392,846</u> |

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF OPERATIONS
 Year ended December 31, 2013

| | <u>Page</u> | <u>Budget</u> (Schedule II) | <u>2013</u> | <u>2012</u> |
|---------------------------------|-------------|--------------------------------|-------------------|-------------------|
| <u>REVENUE</u> | | | | |
| Taxation | 6 | \$25,199,000 | 25,416,105 | 23,215,043 |
| Contributions | 6 | 14,965,375 | 14,298,627 | 6,773,875 |
| Utility taxes | 6 | 1,145,000 | 1,263,832 | 1,183,860 |
| Grants in lieu of taxes | 6 | 1,184,700 | 1,171,506 | 1,210,001 |
| Other revenue | 6 | <u>2,236,168</u> | <u>2,672,725</u> | <u>3,834,333</u> |
| | | <u>44,730,243</u> | <u>44,822,795</u> | <u>36,217,112</u> |
| <u>EXPENDITURES</u> | | | | |
| General Government | 7 | 4,168,468 | 4,094,043 | 4,038,984 |
| Community services | 7 | 1,610,700 | 1,503,980 | 1,451,490 |
| Fire Department | 7 | 3,639,685 | 3,514,413 | 3,329,622 |
| Operational services | 7 | 11,106,421 | 11,404,993 | 11,523,143 |
| Water and sewerage | 8 | 2,818,211 | 2,702,950 | 2,611,437 |
| Corner Brook Transit | 8 | 386,000 | 340,214 | 499,491 |
| Parks and Recreation | 8 | 1,261,013 | 1,251,913 | 1,154,720 |
| Pepsi Centre | 8 | 1,449,527 | 1,436,790 | 1,398,501 |
| Grants | 8 | 274,000 | 244,834 | 221,478 |
| Debt charges | 8 | 984,900 | 875,598 | 991,544 |
| Allocation to reserves | 8 | 795,000 | 875,311 | 814,628 |
| Provision for doubtful accounts | | <u>150,000</u> | <u>150,000</u> | <u>150,000</u> |
| | | <u>28,643,925</u> | <u>28,395,039</u> | <u>28,185,038</u> |
| <u>SURPLUS FOR THE YEAR</u> | | <u>\$16,086,318</u> | <u>16,427,756</u> | <u>8,032,074</u> |

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
CONSOLIDATED STATEMENT OF REVENUE
Year ended December 31, 2013

| | Budget <u>2013</u> | <u>2013</u> | <u>2012</u> |
|---|-----------------------|-------------------|-------------------|
| <u>TAXATION</u> | | | |
| Water and sewer levy | \$ 1,897,000 | 1,911,411 | 1,696,086 |
| Municipal tax | 17,868,800 | 17,974,224 | 16,524,520 |
| Business tax | 4,607,600 | 4,707,093 | 4,274,359 |
| Poll tax | 428,600 | 379,960 | 360,818 |
| Business surcharge | 60,000 | 62,967 | 60,329 |
| Meter supply levy | 337,000 | 380,450 | 298,931 |
| | <u>25,199,000</u> | <u>25,416,105</u> | <u>23,215,043</u> |
| <u>CONTRIBUTIONS</u> | | | |
| Province of Newfoundland and Labrador: | | | |
| Municipal operating grants | 666,600 | -- | 733,300 |
| Debt grants | 448,000 | 447,852 | 2,379,905 |
| Capital fund | 13,850,775 | 13,850,775 | 3,660,670 |
| | <u>14,965,375</u> | <u>14,298,627</u> | <u>6,773,875</u> |
| <u>UTILITY TAXES</u> | | | |
| Newfoundland Power Limited | 726,000 | 807,141 | 771,401 |
| Aliant | 311,000 | 317,761 | 305,208 |
| Rogers | 107,000 | 133,342 | 104,723 |
| Other | 1,000 | 5,588 | 2,528 |
| | <u>1,145,000</u> | <u>1,263,832</u> | <u>1,183,860</u> |
| <u>GRANTS IN LIEU OF TAXES</u> | | | |
| Canadian Broadcasting Corporation | 5,700 | 3,666 | 9,350 |
| Corner Brook Pulp and Paper Limited: | | | |
| Current grant | 964,000 | 960,976 | 992,534 |
| Water grant | 90,000 | 90,000 | 90,000 |
| Government of Canada | 110,000 | 113,193 | 100,086 |
| Newfoundland Liquor Corporation | 15,000 | 3,671 | 18,031 |
| | <u>1,184,700</u> | <u>1,171,506</u> | <u>1,210,001</u> |
| <u>OTHER REVENUE</u> | | | |
| Interest | 275,000 | 387,460 | 437,301 |
| Licences and permits | 234,000 | 358,548 | 293,591 |
| Recreation and community service | 36,000 | 39,744 | 37,907 |
| Pepsi Centre | 120,000 | 120,000 | 120,000 |
| Land transactions | 34,000 | 31,822 | 100,777 |
| Revenue from operating reserves | 752,000 | 944,266 | 1,158,769 |
| Revenue from capital reserves | 530,668 | 530,668 | 1,400,054 |
| City Hall rental | 204,000 | 201,168 | 217,932 |
| Fines | 43,500 | 26,168 | 38,854 |
| Miscellaneous | 7,000 | 32,881 | 29,148 |
| | <u>2,236,168</u> | <u>2,672,725</u> | <u>3,834,333</u> |

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF EXPENDITURES
 Year ended December 31, 2013

| | Budget <u>2013</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------|-------------------|-------------------|
| <u>GENERAL GOVERNMENT</u> | | | |
| Executive and legislative | \$ 347,500 | 291,573 | 292,243 |
| Chief Administrative Office | 473,100 | 452,756 | 392,545 |
| Corporate Services Department | 2,331,100 | 2,355,158 | 2,311,592 |
| Business Resource Centre | 252,200 | 229,988 | 217,283 |
| Amortization | <u>764,568</u> | <u>764,568</u> | <u>825,321</u> |
| | <u>4,168,468</u> | <u>4,094,043</u> | <u>4,038,984</u> |
| <u>COMMUNITY SERVICES DEPARTMENT</u> | | | |
| Community Services Administration | 394,300 | 352,608 | 370,166 |
| Development and planning | 166,200 | 146,121 | 153,577 |
| Building inspection | 332,400 | 327,790 | 319,675 |
| Municipal enforcement | 232,900 | 223,595 | 183,964 |
| Animal control | 107,500 | 98,640 | 122,741 |
| Recreation and leisure | <u>377,400</u> | <u>355,226</u> | <u>301,367</u> |
| | <u>1,610,700</u> | <u>1,503,980</u> | <u>1,451,490</u> |
| <u>FIRE DEPARTMENT</u> | | | |
| Fire protection | 3,570,100 | 3,444,828 | 3,255,040 |
| Amortization | <u>69,585</u> | <u>69,585</u> | <u>74,582</u> |
| | <u>3,639,685</u> | <u>3,514,413</u> | <u>3,329,622</u> |
| <u>OPERATIONAL SERVICES DEPARTMENT</u> | | | |
| Supervision and administration | 2,086,000 | 1,975,566 | 2,012,788 |
| Other operations payroll | 889,400 | 852,015 | 897,432 |
| Building maintenance | 613,600 | 618,933 | 858,565 |
| Street lighting | 657,000 | 630,006 | 609,996 |
| Snow clearing | 1,502,000 | 1,715,149 | 1,591,691 |
| Traffic control | 175,000 | 189,559 | 132,525 |
| Drainage | 130,000 | 214,337 | 138,417 |
| Street and storm sewer cleaning | 252,500 | 237,538 | 249,243 |
| Street maintenance | 1,039,500 | 1,020,455 | 815,488 |
| Miscellaneous expenses | 42,500 | 52,060 | 38,188 |
| Sanitation and waste removal | 588,000 | 844,792 | 610,189 |
| Amortization | 2,825,321 | 2,825,321 | 3,360,834 |
| Sustainable development | 234,100 | 219,145 | 203,585 |
| Geographical information systems | <u>71,500</u> | <u>10,117</u> | <u>4,202</u> |
| | <u>11,106,421</u> | <u>11,404,993</u> | <u>11,523,143</u> |
| <u>WATER AND SEWERAGE</u> | | | |
| Purification and treatment | 203,000 | 210,176 | 167,097 |
| Water mains and hydrants | 926,000 | 951,670 | 892,054 |
| Sanitary systems | 418,000 | 310,386 | 333,006 |
| Regulators and meters | 152,900 | 136,004 | 90,419 |
| Reservoirs and intakes | 103,000 | 85,210 | 131,163 |
| Pumphouse | 125,000 | 119,193 | 125,571 |
| Amortization | <u>890,311</u> | <u>890,311</u> | <u>872,127</u> |
| | <u>2,818,211</u> | <u>2,702,950</u> | <u>2,611,437</u> |

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF EXPENDITURES
 Year ended December 31, 2013

| | Budget <u>2013</u> | <u>2013</u> | <u>2012</u> |
|---|-----------------------|------------------|------------------|
| <u>CORNER BROOK TRANSIT</u> | | | |
| Transit contract subsidy | \$ 386,000 | <u>340,214</u> | <u>499,491</u> |
| <u>PARKS AND RECREATION</u> | | | |
| Parks | 476,500 | 467,400 | 424,229 |
| Amortization | <u>784,513</u> | <u>784,513</u> | <u>730,491</u> |
| | <u>1,261,013</u> | <u>1,251,913</u> | <u>1,154,720</u> |
| <u>PEPSI CENTRE</u> | | | |
| Operating subsidy | 850,000 | 850,000 | 850,000 |
| Building maintenance | 100,000 | 87,263 | 48,974 |
| Amortization | <u>499,527</u> | <u>499,527</u> | <u>499,527</u> |
| | <u>1,449,527</u> | <u>1,436,790</u> | <u>1,398,501</u> |
| <u>GRANTS</u> | | | |
| Corner Brook Downtown Business Association | 60,000 | 61,832 | 70,863 |
| Corner Brook Stream Development Corporation | 35,000 | 35,000 | 20,000 |
| Community service grants | 101,000 | 65,771 | 44,442 |
| Corner Brook Museum and Archive Society | 35,000 | 40,231 | 36,601 |
| Summer Music Festival | 20,000 | 20,000 | 27,572 |
| Greater Corner Brook Board of Trade | <u>23,000</u> | <u>22,000</u> | <u>22,000</u> |
| | <u>274,000</u> | <u>244,834</u> | <u>221,478</u> |
| <u>DEBT CHARGES</u> | | | |
| Interest | <u>984,900</u> | <u>875,598</u> | <u>991,544</u> |
| <u>ALLOCATION TO RESERVES</u> | | | |
| Water and sewer | 795,000 | 875,311 | 794,948 |
| Land costs | <u>--</u> | <u>--</u> | <u>19,680</u> |
| | <u>795,000</u> | <u>875,311</u> | <u>814,628</u> |

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
 Year ended December 31, 2013

| | <u>2013</u> | <u>2012</u> |
|---|------------------------|---------------------|
| Annual surplus (deficit) | \$ 16,427,756 | 8,032,074 |
| Acquisition of tangible capital assets | (29,485,360) | (10,729,881) |
| Amortization of tangible capital assets | 5,833,825 | 6,362,882 |
| Net change in prepaid expenses | <u>143,010</u> | <u>63,717</u> |
| <u>CHANGE IN NET FINANCIAL ASSETS</u> | (7,080,769) | 3,728,792 |
| <u>NET FINANCIAL ASSETS (DEBT), beginning of year</u> | <u>(22,385,653)</u> | <u>(26,114,445)</u> |
| <u>NET FINANCIAL ASSETS (DEBT), end of year</u> | <u>\$ (29,466,422)</u> | <u>(22,385,653)</u> |

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended December 31, 2013

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| <u>OPERATING TRANSACTIONS:</u> | | |
| Annual surplus | \$16,427,756 | 8,032,074 |
| Change in non-cash items: | | |
| Accounts receivable | 1,093,074 | 950,647 |
| Accounts payable and accrued liabilities | 3,766,675 | 542,129 |
| Amortization | 5,833,825 | 6,362,882 |
| Employee termination | 175,130 | (39,414) |
| Prepaid expenses | 143,010 | 63,717 |
| | <u>27,439,470</u> | <u>15,912,035</u> |
| <u>CAPITAL TRANSACTIONS:</u> | | |
| Acquisition of tangible capital assets | <u>(29,485,360)</u> | <u>(10,729,881)</u> |
| <u>FINANCING TRANSACTIONS:</u> | | |
| Proceeds of long-term debt | 2,600,000 | -- |
| Repayment of long-term debt | (3,238,900) | (5,249,204) |
| Net change in reserves | <u>762,520</u> | <u>(1,570,288)</u> |
| | <u>123,620</u> | <u>(6,819,492)</u> |
| <u>DECREASE IN CASH</u> | <u>(1,922,270)</u> | <u>(1,637,338)</u> |
| <u>CASH, beginning of year</u> | <u>11,402,613</u> | <u>13,039,951</u> |
| <u>CASH, end of year</u> | <u>\$ 9,480,343</u> | <u>11,402,613</u> |

The accompanying notes are an integral part of this financial statement.

CITY OF CORNER BROOK
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2013

1. **BUSINESS OF THE CITY**

The City of Corner Brook is a municipal government incorporated pursuant to the Province of Newfoundland Labrador's City of Corner Brook Act. The City provides and funds municipal services including fire, public works, recreation and other general government operations.

2. **SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Professional Accountants of Canada and reflect the following significant accounting policies:

(a) **Basis of Consolidation**

The consolidated financial statements include the assets, liabilities, revenue and expenses of the reporting entity.

(b) **Cash**

Cash includes cash balances, bank balances and short-term investments.

(c) **Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is put in use. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful life as follows:

| | |
|--------------------------------|-------------|
| Computer hardware | 4 years |
| Buildings | 25-40 years |
| Equipment | 5-10 years |
| Transportation infrastructure | 5-50 years |
| Vehicles | 5 years |
| Water and sewer infrastructure | 15-60 years |
| Recreation infrastructure | 10-20 years |

(d) **Revenue Recognition**

Revenues are recognized as earned and when collection is reasonably assured. Tax rates are approved annually by Council.

(e) **Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

..... Cont'd

CITY OF CORNER BROOK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Income Taxes

The City is a non-profit entity exempt from income taxes.

(g) Sufficiency of Bonds

Sufficient fidelity bond coverage in the amount of \$500,000 is carried on employees of the City who are in a position of trust.

(i) The manner in which the accounts have been kept and the safeguards against fraud are considered satisfactory.

3. Cash balance consists of cash and bank balances, short-term investments and account overdrafts. It includes operating, capital, reserve funds and overdrafts.

4. ACCOUNTS RECEIVABLE

| | <u>2013</u> | <u>2012</u> |
|---|--------------------|------------------|
| Taxes | | |
| Municipal | \$ 562,184 | 449,256 |
| Business | 207,189 | 130,417 |
| Poll tax | 163,456 | 353,899 |
| Utility | 807,141 | 771,401 |
| Tax rebate | 449,576 | 837,396 |
| Province of Newfoundland Labrador | | |
| Department of Works, Services and Transportation | -- | 783,920 |
| Other | 48,727 | 55,561 |
| Tax agreement - Corner Brook Pulp and Paper Limited | 384,930 | 412,590 |
| Advance - YMCA | -- | 5,108 |
| Waste management fees | 69,989 | 74,723 |
| Other | <u>136,876</u> | <u>129,396</u> |
| | 2,830,068 | 4,003,667 |
| Less: Allowance for doubtful accounts | <u>319,808</u> | <u>400,333</u> |
| | <u>\$2,510,260</u> | <u>3,603,334</u> |

5. ACCOUNTS PAYABLE

| | <u>2013</u> | <u>2012</u> |
|-----------------------------|--------------------|------------------|
| Trade payables and accruals | \$4,819,177 | 3,117,534 |
| Contract deposits | 537,706 | 706,737 |
| Contract holdbacks | 3,387,018 | 1,146,537 |
| Accrued interest | <u>20,185</u> | <u>26,603</u> |
| | <u>\$8,764,086</u> | <u>4,997,411</u> |

CITY OF CORNER BROOK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

6. **LONG-TERM DEBT**

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|-------------------|
| Canadian Imperial Bank of Commerce | | |
| (a) 2.29% term loan, repayable in blended monthly installments of \$45,908, maturing in 2018 | \$ 2,600,000 | -- |
| (b) 3.18% term loan, repayable in blended monthly installments of \$45,302, maturing in 2014 | 312,625 | 835,085 |
| (c) 4.64% term loan, repayable in blended monthly installments of \$18,135, maturing in 2013 | -- | 125,069 |
| Royal Bank of Canada | | |
| (a) 2.33% term loan, repayable in blended monthly installments of \$98,970, maturing in 2016 | 3,437,888 | 4,531,525 |
| Canada Mortgage and Housing Corporation | | |
| (a) 3.98% term loan under the Municipal Infrastructure Lending Program, repayable over a fifteen year period in annual blended installments of \$1,753,597 | 15,378,930 | 16,476,752 |
| Newfoundland Municipal Financing Corporation | | |
| Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2014 and 2020 | 1,090,562 | 1,460,474 |
| Federation of Canadian Municipalities | | |
| 1.47% term loan under the Green Municipal Fund, repayable in semi-annual installments of \$15,000 plus interest, maturing in 2031 | <u>540,000</u> | <u>570,000</u> |
| | <u>\$23,360,005</u> | <u>23,998,905</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:

| | |
|------|-------------|
| 2014 | \$3,404,468 |
| 2015 | 3,103,705 |
| 2016 | 3,165,779 |
| 2017 | 2,129,095 |
| 2018 | 2,171,677 |

..... Cont'd

CITY OF CORNER BROOK
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2013

6. **LONG-TERM DEBT** (Cont'd)

The Newfoundland Municipal Financing Corporation loans and the First 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.

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>2013</u> | <u>2012</u> |
|---------------------------------|--------------------|------------------|
| Severance pay | \$1,614,639 | 1,401,296 |
| Sick leave benefits | 289,896 | 279,423 |
| Early retirees - bridging | 67,500 | 101,650 |
| Early retirees - group benefits | <u>100,686</u> | <u>115,222</u> |
| | <u>\$2,072,721</u> | <u>1,897,591</u> |

8. **RESERVES**

| | Balance December <u>31, 2012</u> | Allocation <u>2013</u> | Utilized <u>2013</u> | Balance December <u>31, 2013</u> |
|---------------------------------|--|---------------------------|-------------------------|--|
| Wild Cove Landfill | | | | |
| Site | \$168,072 | -- | -- | 168,072 |
| NLHC paving | 195,219 | -- | -- | 195,219 |
| Reserve - water | 995,794 | -- | 744,266 | 251,528 |
| Reserve - sewer | 3,859,956 | 875,311 | -- | 4,735,267 |
| Land acquisitions | 233,483 | 511,283 | -- | 744,766 |
| Equipment replacement | 370,000 | -- | 200,000 | 170,000 |
| Gas tax funding | 406,421 | 856,581 | 342,479 | 920,523 |
| Public Transit/ Public Trust | <u>268,748</u> | <u>4,279</u> | <u>198,189</u> | <u>74,838</u> |
| | <u>\$6,497,693</u> | <u>2,247,454</u> | <u>1,484,934</u> | <u>7,260,213</u> |

CITY OF CORNER BROOK
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2013

9. **PREPAID EXPENSES**

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-------------------|------------------|
| Inventory of supplies, at cost | \$ 716,576 | 813,579 |
| Insurance premium | <u>244,609</u> | <u>290,616</u> |
| | <u>\$ 961,185</u> | <u>1,104,195</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.

During 2001 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 Labrador Housing Corporation. The mortgage balance at December 31, 2013 was \$526,981.

12. **FINANCIAL INSTRUMENTS**

The City, as part of its operations, carries a number of financial instruments. It is management's opinion the City is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair market value of these financial instruments approximates their carrying values.

CITY OF CORNER BROOK
SCHEDULE OF TANGIBLE CAPITAL ASSETS
December 31, 2013

| | Cost | | Accumulated Amortization | | Net Book Value |
|--------------------------------|----------------------|--------------------|--------------------------|-------------------|--------------------|
| | December 31, 2012 | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2013 |
| Land | \$ 1,729,995 | 1,729,995 | -- | -- | 1,729,995 |
| Buildings | 54,042,316 | 54,613,418 | 10,856,726 | 12,190,406 | 42,423,012 |
| Machinery and equipment | 7,002,028 | 8,001,734 | 5,458,822 | 6,059,417 | 1,942,317 |
| Recreation infrastructure | 8,570,709 | 8,658,105 | 4,011,389 | 4,793,592 | 3,864,513 |
| Transportation infrastructure | 60,066,753 | 3,258,863 | 35,068,509 | 2,100,763 | 25,889,297 |
| Water and sewer infrastructure | 30,052,642 | 31,023,842 | 11,342,272 | 890,311 | 18,791,259 |
| Other | 111,098 | 111,098 | 98,964 | 2,310 | 9,824 |
| Assets under construction | 15,202,492 | 38,675,622 | -- | -- | 38,675,622 |
| | <u>\$176,778,033</u> | <u>206,139,430</u> | <u>67,103,729</u> | <u>72,813,591</u> | <u>133,325,839</u> |
| | | <u>(123,963)</u> | | <u>(123,963)</u> | |

| | Cost | | Accumulated Amortization | | Net Book Value |
|--------------------------------|----------------------|--------------------|--------------------------|-------------------|--------------------|
| | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2012 |
| Land | \$ 1,729,995 | 1,729,995 | -- | -- | 1,729,995 |
| Buildings | 53,591,878 | 54,042,316 | 9,531,878 | 10,856,726 | 43,185,590 |
| Machinery and equipment | 6,563,281 | 7,002,028 | 4,782,783 | 5,458,822 | 1,543,206 |
| Recreation infrastructure | 8,563,294 | 8,570,709 | 3,283,207 | 4,011,389 | 4,559,320 |
| Transportation infrastructure | 56,793,075 | 3,273,678 | 32,940,748 | 2,394,808 | 24,731,197 |
| Water and sewer infrastructure | 26,810,777 | 3,241,865 | 10,470,145 | 872,127 | 18,710,370 |
| Other | 111,098 | 111,098 | 96,655 | 2,309 | 12,134 |
| Assets under construction | 12,249,323 | 15,202,492 | -- | -- | 15,202,492 |
| | <u>\$166,412,721</u> | <u>176,778,033</u> | <u>61,105,416</u> | <u>67,103,729</u> | <u>109,674,304</u> |
| | | <u>(364,569)</u> | | <u>(364,569)</u> | |

CITY OF CORNER BROOK
RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
Year ended December 31, 2013

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|--------------------|
| Revenue per Municipal Budget | \$30,348,800 | 28,632,500 |
| Revisions | | |
| Capital funding | 13,850,775 | 3,660,670 |
| Capital reserves | <u>530,668</u> | <u>1,400,054</u> |
| Revenue per PSAB Budget | <u>\$44,730,243</u> | <u>33,693,324</u> |
| Expenditures per Municipal Budget | \$30,348,800 | 28,632,500 |
| Revisions: | | |
| Amortization of tangible capital assets | 5,833,825 | 6,362,882 |
| Capital expenditures | (3,607,100) | (1,506,700) |
| Debt charges - principal | <u>(3,931,600)</u> | <u>(4,334,400)</u> |
| Expenditures per PSAB Budget | <u>\$28,643,925</u> | <u>29,154,282</u> |