

CITY OF CORNER BROOK

FINANCIAL STATEMENTS

December 31, 2006

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FINANCIAL STATEMENTS
December 31, 2006
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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, 2006, 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.

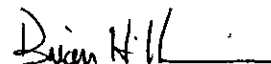
I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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, 2006, 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, 2006 is included herewith.

CORNER BROOK,
NEWFOUNDLAND LABRADOR

18 May 2007



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, 2006.

EXPENDITURES

Actual expenditures of \$22,782,223 (including allocation to reserves) exceeded the limits of the approved budget of \$20,259,000.

REVENUE

Actual revenues of \$22,786,348 (including contributions from reserves) exceeded the amounts in the budget of \$20,259,000.

ARREARS OF REVENUE

Taxes and rates receivable totalled \$2,727,817 at December 31, 2006. Of this amount \$1,737,875 has been outstanding for one year or longer. The allowance for doubtful accounts amounted to \$505,829 at December 31, 2006.

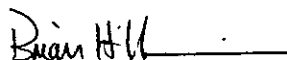
MANNER IN WHICH THE ACCOUNTS HAVE BEEN KEPT
AND THE ADEQUACY OF SAFEGUARDS AGAINST FRAUD

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



18 May 2007

CHARTERED ACCOUNTANT

CITY OF CORNER BROOK
COMBINED BALANCE SHEET
December 31, 2006

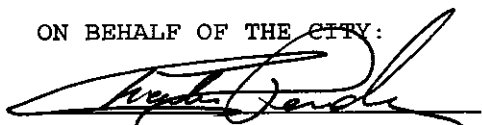
	<u>Revenue</u>	<u>2006 Capital</u>	<u>Total</u>	<u>2005 Total</u>
<u>ASSETS</u>				
Cash	\$ 2,800	738,476	741,276	748,826
Accounts receivable (Note 2)	5,007,764	--	5,007,764	5,238,447
Prepaid expenses (Note 3)	994,151	--	994,151	926,062
Interfund account	1,398,255	--	1,398,255	815,496
Property and equipment (Note 4)	--	<u>142,493,026</u>	<u>142,493,026</u>	<u>135,079,382</u>
	<u>\$ 7,402,970</u>	<u>143,231,502</u>	<u>150,634,472</u>	<u>142,808,213</u>

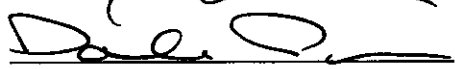
LIABILITIES AND EQUITY

Due to bank (Note 5)	\$ 3,628,722	--	3,628,722	4,556,494
Payables and accruals	1,976,565	--	1,976,565	1,610,862
Interfund account	--	1,398,255	1,398,255	815,496
Long-term debt (Note 6)	--	14,482,185	14,482,185	11,920,068
Employee termination (Note 7)	2,141,958	--	2,141,958	2,179,324
Reserves (Note 8)	2,422,305	--	2,422,305	1,406,830
Investments in property and equipment (Note 9)	--	127,351,062	127,351,062	123,089,844
Surplus (deficit)	<u>(2,766,580)</u>	<u>--</u>	<u>(2,766,580)</u>	<u>(2,770,705)</u>
	<u>\$ 7,402,970</u>	<u>143,231,502</u>	<u>150,634,472</u>	<u>142,808,213</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, 2006

	<u>2006</u>	<u>2005</u>
<u>SURPLUS (DEFICIT)</u> , beginning of year	\$(2,770,705)	(2,771,847)
<u>SURPLUS FOR THE YEAR</u>	<u>4,125</u>	<u>1,142</u>
<u>SURPLUS (DEFICIT)</u> , end of year	<u>\$(2,766,580)</u>	<u>(2,770,705)</u>
 <u>SURPLUS (DEFICIT)</u> consists of:		
Operating surplus	\$ 1,797,683	815,449
Employee termination benefits	(2,141,958)	(2,179,324)
Reserves	<u>(2,422,305)</u>	<u>(1,406,830)</u>
	<u>\$(2,766,580)</u>	<u>(2,770,705)</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE AND EXPENDITURE
Year ended December 31, 2006

	<u>Page</u>	<u>Budget</u>	<u>2006</u>	<u>2005</u>
<u>REVENUE</u>				
Taxation	6	\$14,936,800	15,992,177	14,901,851
Contributions	6	2,071,500	3,149,259	2,465,858
Utility taxes	6	981,800	1,020,636	988,418
Grants in lieu of taxes	6	1,347,900	1,363,903	1,332,459
Other revenue	6	<u>921,000</u>	<u>1,260,373</u>	<u>1,332,330</u>
		<u>20,259,000</u>	<u>22,786,348</u>	<u>21,020,916</u>
<u>EXPENDITURES</u>				
General Government	7	2,778,100	2,991,620	2,800,712
Community services	7	4,088,900	3,960,659	3,631,679
Operational services	7	5,418,350	6,263,685	6,298,652
Water and sewerage	7	1,307,000	1,454,759	1,278,206
Corner Brook Transit	7	424,500	398,653	265,963
Parks and Recreation	8	488,200	510,942	520,667
Pepsi Centre	8	700,000	640,507	700,000
Grants	8	174,050	218,644	156,674
Debt charges	8	3,001,900	4,191,148	3,622,254
Capital out of revenue	8	300,000	355,131	496,447
Allocation to reserves	8	1,228,000	1,336,475	838,520
Corner Brook Economic Development Corporation		275,000	275,000	275,000
Provision for doubtful accounts		<u>75,000</u>	<u>185,000</u>	<u>135,000</u>
		<u>20,259,000</u>	<u>22,782,223</u>	<u>21,019,774</u>
<u>SURPLUS FOR THE YEAR</u>		<u>\$ --</u>	<u>4,125</u>	<u>1,142</u>

CITY OF CORNER BROOK
STATEMENT OF REVENUE
Year ended December 31, 2006

	Budget 2006	Actual 2006	Actual 2005
<u>TAXATION</u>			
Municipal tax	\$11,672,800	12,470,257	11,664,774
Business tax	2,964,000	3,032,326	2,895,703
Poll tax	250,000	438,922	289,864
Corner Brook Downtown Business Association	<u>50,000</u>	<u>50,672</u>	<u>51,510</u>
	<u>14,936,800</u>	<u>15,992,177</u>	<u>14,901,851</u>
<u>CONTRIBUTIONS</u>			
Province of Newfoundland and Labrador:			
Municipal operating grants	\$ 666,600	666,636	805,471
Debt grants	<u>1,404,900</u>	<u>2,482,623</u>	<u>1,660,387</u>
	<u>2,071,500</u>	<u>3,149,259</u>	<u>2,465,858</u>
<u>UTILITY TAXES</u>			
Newfoundland Power Limited	\$ 580,700	609,837	588,888
Aliant Communications	340,000	348,130	338,639
Rogers Cable	45,000	46,279	45,236
Other	<u>16,100</u>	<u>16,390</u>	<u>15,655</u>
	<u>981,800</u>	<u>1,020,636</u>	<u>988,418</u>
<u>GRANTS IN LIEU OF TAXES</u>			
Canadian Broadcasting Corporation	\$ 10,400	10,522	10,442
Corner Brook Pulp and Paper Limited:			
Current grant	1,097,500	1,102,834	1,070,713
Water grant	90,000	90,000	90,000
Government of Canada	87,000	97,547	97,618
Newfoundland Liquor Corporation	10,000	10,000	10,686
Western Memorial Regional Hospital	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
	<u>1,347,900</u>	<u>1,363,903</u>	<u>1,332,459</u>
<u>OTHER REVENUE</u>			
Interest	\$ 420,000	483,209	468,196
Licences and permits	203,500	291,339	233,661
Recreation and community service	59,500	67,684	79,953
Pepsi Centre	120,000	100,000	120,000
Wild Cove Landfill Site	72,000	90,000	32,288
Revenue from reserve	--	--	301,698
Land sales	--	145,160	39,778
Miscellaneous	<u>46,000</u>	<u>82,981</u>	<u>56,756</u>
	<u>921,000</u>	<u>1,260,373</u>	<u>1,332,330</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2006

	Budget <u>2006</u>	Actual <u>2006</u>	Actual <u>2005</u>
<u>GENERAL GOVERNMENT</u>			
Executive and Legislative	\$ 252,000	304,524	372,824
Chief Administrative Office	339,500	389,709	308,350
Corporate Services Department	<u>2,186,600</u>	<u>2,297,387</u>	<u>2,119,538</u>
	<u>2,778,100</u>	<u>2,991,620</u>	<u>2,800,712</u>
<u>COMMUNITY SERVICES DEPARTMENT</u>			
Community Services Administration	\$ 254,200	189,167	164,711
Development and planning	264,000	389,862	354,301
Fire protection	3,107,700	2,973,786	2,793,009
Building inspection	211,900	158,981	88,749
Municipal enforcement	168,100	167,974	153,234
Animal control	<u>83,000</u>	<u>80,889</u>	<u>77,675</u>
	<u>4,088,900</u>	<u>3,960,659</u>	<u>3,631,679</u>
<u>OPERATIONAL SERVICES DEPARTMENT</u>			
Supervision and administration	\$ 1,388,750	1,426,373	1,377,230
Other operations payroll	765,000	805,764	794,820
Building maintenance	258,300	338,138	353,728
Street lighting	525,000	555,231	537,576
Snow clearing	1,100,000	1,291,233	1,366,333
Traffic control	133,500	148,627	139,429
Drainage	70,500	149,268	75,737
2005 flood damages	--	73,543	371,562
Street and storm sewer cleaning	204,500	251,190	215,237
Street maintenance	524,500	654,737	611,235
Miscellaneous expenses	32,300	38,940	54,433
Sanitation and waste removal	<u>416,000</u>	<u>530,641</u>	<u>401,332</u>
	<u>5,418,350</u>	<u>6,263,685</u>	<u>6,298,652</u>
<u>WATER AND SEWERAGE</u>			
Purification and treatment	\$ 178,000	220,835	201,239
Water mains and hydrants	714,500	737,542	639,934
Sanitary systems	205,000	275,257	228,738
Regulators and meters	50,200	61,977	47,617
Reservoirs and intakes	79,300	80,700	77,382
Pumphouse	<u>80,000</u>	<u>78,448</u>	<u>83,296</u>
	<u>1,307,000</u>	<u>1,454,759</u>	<u>1,278,206</u>
<u>CORNER BROOK TRANSIT</u>			
Transit contract subsidy	<u>424,500</u>	<u>398,653</u>	<u>265,963</u>

CITY OF CORNER BROOK
STATEMENT OF EXPENDITURES
Year ended December 31, 2006

	Budget <u>2006</u>	Actual <u>2006</u>	Actual <u>2005</u>
<u>PARKS AND RECREATION</u>			
Administration	\$ 63,300	62,329	61,070
Recreation	83,700	90,656	122,663
Parks	<u>341,200</u>	<u>357,957</u>	<u>336,934</u>
	<u>488,200</u>	<u>510,942</u>	<u>520,667</u>
 <u>PEPSI CENTRE</u>			
Operating subsidy	<u>\$ 700,000</u>	<u>640,507</u>	<u>700,000</u>
 <u>GRANTS</u>			
Corner Brook Downtown Business Association	\$ 50,000	50,672	51,510
Corner Brook Stream Project	10,000	49,500	--
Community service grants	53,050	55,014	60,134
Corner Brook Museum and Archive Society	41,000	34,301	25,030
Triathlon	<u>20,000</u>	<u>29,157</u>	<u>20,000</u>
	<u>174,050</u>	<u>218,644</u>	<u>156,674</u>
 <u>DEBT CHARGES</u>			
Principal	\$ 2,444,029	3,507,976	2,919,272
Interest	<u>557,871</u>	<u>683,172</u>	<u>702,982</u>
	<u>3,001,900</u>	<u>4,191,148</u>	<u>3,622,254</u>
 <u>CAPITAL OUT OF REVENUE</u>			
Equipment	\$ 300,000	334,322	269,746
Land	<u>--</u>	<u>20,809</u>	<u>226,701</u>
	<u>300,000</u>	<u>355,131</u>	<u>496,447</u>
 <u>ALLOCATION TO RESERVES</u>			
Capital infrastructure	\$ 1,050,000	200,000	585,000
Flood	--	500,000	--
Operating reserve	100,000	--	--
Wild Cove Landfill Site	72,000	50,000	32,288
Corner Brook Curling Association	6,000	6,000	6,000
NLHC land sales	--	--	22,500
Water and sewer	<u>--</u>	<u>580,475</u>	<u>192,732</u>
	<u>1,228,000</u>	<u>1,336,475</u>	<u>838,520</u>

CITY OF CORNER BROOK
STATEMENT OF CHANGES IN CAPITAL FINANCIAL POSITION
Year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
<u>FUNDS PROVIDED</u>		
Appropriations from revenue fund for retirement of long-term debt	\$ 3,507,976	2,919,272
Grants and contributions:		
Government of Canada	229,771	149,019
Proceeds from long-term debt	6,070,093	2,522,577
Capital contribution from revenue	355,131	496,447
Capital contribution from reserves	321,000	264,000
Increase in interfund account	<u>582,759</u>	<u>--</u>
	<u>11,066,730</u>	<u>6,351,315</u>
<u>FUNDS APPLIED</u>		
Expenditures on property and equipment:		
General	4,185,532	2,090,519
Water and sewerage utility	<u>3,380,772</u>	<u>1,184,275</u>
	7,566,304	3,274,794
Repayment of long-term debt	3,507,976	2,919,272
Decrease in interfund account	<u>--</u>	<u>157,249</u>
	<u>11,074,280</u>	<u>6,351,315</u>
<u>INCREASE (DECREASE) IN CASH</u>	(7,550)	--
<u>CASH</u> , beginning of year	<u>746,026</u>	<u>746,026</u>
<u>CASH</u> , end of year	<u>\$ 738,476</u>	<u>746,026</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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>2006</u>	<u>2005</u>
Taxes		
Municipal	\$1,910,907	1,923,536
Business	657,919	642,510
Service fees	158,991	145,230
Utility	609,837	588,888
Tax rebate	145,403	206,444
Recoverable works:		
Flood damages	1,225,722	1,223,389
Pepsi Centre roof	393,701	373,547
Province of Newfoundland Labrador	147,052	139,471
Advance - YMCA	26,000	27,000
Other	<u>238,061</u>	<u>295,523</u>
	5,513,593	5,565,538
Less: Allowance for doubtful accounts	<u>505,829</u>	<u>327,091</u>
	<u>\$5,007,764</u>	<u>5,238,447</u>

3. Prepaid expenses consist of:

	<u>2006</u>	<u>2005</u>
Inventory of supplies, at cost	\$ 861,318	755,300
Prepaid bank loans	55,207	71,573
Prepaid - other	45,000	3,201
Prepaid insurance	<u>32,626</u>	<u>95,988</u>
	<u>\$ 994,151</u>	<u>926,062</u>

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

4. Property and equipment consists of:

	<u>2006</u>	<u>2005</u>
<u>General</u>		
Land	\$ 2,985,860	2,634,711
Buildings	30,827,400	29,983,622
Equipment	8,614,720	7,815,684
Streets and improvements	68,701,881	66,709,109
Parks and playgrounds	4,182,145	4,136,008
Cemetery	<u>10,503</u>	<u>10,503</u>
	<u>115,322,509</u>	<u>111,289,637</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>26,934,184</u>	<u>23,553,412</u>
	<u>27,170,517</u>	<u>23,789,745</u>
	<u>\$142,493,026</u>	<u>135,079,382</u>

5. Due to bank consists of:

	<u>2006</u>	<u>2005</u>
Royal Bank of Canada:		
Current account overdraft	<u>\$ 3,628,722</u>	<u>4,556,494</u>

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

6. Long-term debt consists of:

	<u>2006</u>	<u>2005</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
Canadian Imperial Bank of Commerce		
(a) 6.11% term loan, repayable in blended monthly installments of \$22,315, maturing in 2007	<u>66,268</u>	<u>321,471</u>
	66,268	699,020

..... Cont'd

CITY OF CORNER BROOK
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2006

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

	<u>2006</u>	<u>2005</u>
Brought forward	\$ 66,268	699,020
(b) 5.46% term loan, repayable in blended monthly installments of \$16,366, maturing in 2006	--	16,292
(c) Term loan at prime less .94%, repayable in blended monthly installments of \$11,480, maturing in 2007	23,187	156,681
(d) 4.45% term loan, repayable in blended monthly installments of \$13,034, maturing in 2006	--	140,230
(e) 4.26% term loan, repayable in blended monthly installments of \$9,306, maturing in 2007	9,240	117,991
(f) Term loan at prime less 1.65%, repayable in blended monthly installments of \$11,146, maturing in 2008	255,701	375,505
Bank of Montreal		
(a) 3.78% term loan, repayable in blended monthly installments of \$9,159, maturing in 2009	311,243	407,402
(b) 4.42% term loan, repayable in blended monthly installments of \$17,676, maturing in 2010	776,684	950,000
(c) Term loan, repayable in blended monthly installments of \$10,650, maturing in 2011	490,378	--
(d) Term loan, repayable in blended monthly installments of \$14,066, maturing in 2011	744,718	--
Royal Bank of Canada		
(a) 4.68% term loan, repayable in blended semi-annual installments of \$49,061, maturing in 2021	<u>1,024,788</u>	<u>--</u>
	3,702,207	2,863,121

..... Cont'd

CITY OF CORNER BROOK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

	<u>2006</u>	<u>2005</u>
Brought forward	\$ 3,702,207	2,863,121
(b) Temporary bank loans, to be refinanced with long-term borrowings	5,192,345	2,510,517
Newfoundland Municipal Financing Corporation		
Loans with interest rates ranging from 7.375% to 14.5%, repayable in semi-annual installments with maturity dates between 2007 and 2020	<u>5,587,633</u>	<u>6,546,430</u>
	<u>\$14,482,185</u>	<u>11,920,068</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:

2007	\$1,083,395
2008	1,097,482
2009	1,010,520
2010	942,034
2011	659,703

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.

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>2006</u>	<u>2005</u>
Severance pay	\$1,285,959	1,347,629
Sick leave benefits	485,520	480,680
Early retirees - bridging	157,772	161,682
Early retirees - group benefits	<u>212,707</u>	<u>189,333</u>
	<u>\$2,141,958</u>	<u>2,179,324</u>

CITY OF CORNER BROOK
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8. Reserves consist of:

	Balance December <u>31, 2005</u>	Allocation <u>2006</u>	Utilized <u>2006</u>	Balance December <u>31, 2006</u>
Snow clearing	\$ 115,460	--	--	115,460
Operating - other	40,000	--	--	40,000
Corner Brook Curling Association	24,000	6,000	--	30,000
Environment	50,000	--	--	50,000
Wild Cove Landfill Site	208,887	50,000	--	258,887
NLHC paving	262,459	--	--	262,459
Reserve - water and sewer	385,024	580,475	--	965,499
Reserve flood	<u> --</u>	<u>500,000</u>	<u> --</u>	<u>500,000</u>
	1,085,830	1,136,475	--	2,222,305
Capital infrastructure	<u>321,000</u>	<u>200,000</u>	<u>321,000</u>	<u>200,000</u>
	<u>\$1,406,830</u>	<u>1,336,475</u>	<u>321,000</u>	<u>2,422,305</u>

9. Investments in property and equipment:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$123,089,844	119,361,006
Add:		
Appropriations from revenue fund for Retirement of long-term debt	3,507,976	2,919,272
Capital contributions	229,771	149,019
Capital expenditure out of revenue	355,131	496,447
Capital expenditure from reserves	<u>321,000</u>	<u>264,000</u>
	127,503,722	123,189,744
Deduct:		
Capital dispositions	<u>152,660</u>	<u>99,900</u>
	<u>\$127,351,062</u>	<u>123,089,844</u>

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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 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, 2006 was \$935,013.