

CONSOLIDATED FINANCIAL STATEMENTS 2008



ST. JOHN'S

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## **INTRODUCTION**

These documents comprise the City of St. John's financial reporting for the fiscal year ended December 31, 2008.

The Consolidated Financial Statements are the primary document, however much additional detail and explanation is provided in the "Financial Statement Discussion and Analysis" which should be read in conjunction with the Consolidated Financial Statements for a full understanding of the City's financial operations in 2008 and its financial position at December 31, 2008.

## **HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS 2008**

I am pleased to present the City of St. John's (the "City") 2008 Financial Annual Report, which has been prepared by the management of the City. This Report for 2008 demonstrates the progress the City has made in working towards the highest standards of performance measurement, accountability, transparency, and service delivery.

The discussion and analysis of financial performance of the City should be read in conjunction with the audited consolidated financial statements and their accompanying notes and schedules, which are prepared in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Consolidated Financial Statements of the City (the "Statements") provide information about the economic resources, obligations and accumulated surplus of the City. They include the City's operating departments, as well as City agencies such as the St. John's Transportation Commission, the City of St. John's Non-Profit Housing Fund and St. John's Sports & Entertainment Ltd. A brief description of the City's major funds and agencies follows.

The City's Sinking Fund contains the principal payments on the City's debenture financed long term debt, as well as the interest earned on those payments. The City uses 20 year Sinking Fund bond issues to finance most capital borrowing. Under the terms of those bonds the City pays interest on the principal to the issuer semi-annually and at the same time pays a set percentage (typically 2.5% per annum) of the principal into the Sinking Fund. The money in this Fund is then invested in financial instruments authorized under the Trustee Act in order to safely accumulate the funds required to repay the lender on maturity.

The City's Non-Profit Housing Fund owns rental properties in projects located around the City. The properties were financed and constructed in conjunction with the Canada Mortgage and Housing Corporation, however the City is fully responsible for managing and maintaining the properties, which are financed by mortgages paid out of the rental revenue. The Province of Newfoundland and Labrador provides support for these projects through annual operating grants.

The St. John's Transportation Commission, which operates as Metrobus, is a City agency overseen by seven Commissioners appointed by Council, of whom two are elected Councillors. The Commission has its own management and staff and operates independently. It receives an operating subsidy from the City and its annual budget as approved by the Commission is presented to and approved by the City.

St. John's Sports & Entertainment Ltd. ("SJSEL") is a corporation without share capital, incorporated by the City to own and operate Mile One Centre and the St. John's Convention Centre. The nine person Board of Directors is appointed by Council and includes one elected City Councillor and two City staff as ex-officio non-voting members. Similar to the Transportation Commission, SJSEL receives an operating

subsidy from the City and its annual budget as approved by the Board, is also presented to and approved by the City.

Separate financial statements are prepared annually for the Non-Profit Housing Fund, the St. John’s Transportation Commission and St. John’s Sports & Entertainment Ltd.

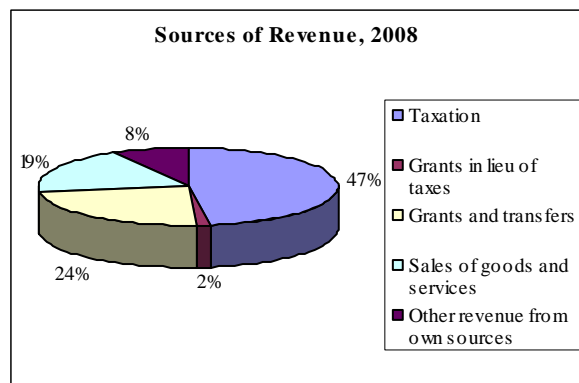
In addition, separate financial statements are prepared for the St. John’s Regional Fire Department and for the St. John’s Regional Water System. Both of these regional services are owned and operated by the City of St. John’s and their operations are included in the City’s Consolidated Financial Statements, however the actual cost of operations is allocated to all users of the services which include several other municipalities in the metropolitan area. Those costs billed out to other municipalities are included as revenue under “Sales of Goods and Services”.

## **OPERATING RESULTS**

The Consolidated Statement of Operations and Accumulated Surplus reports the City’s economic resources, obligations and accumulated surplus, on a comparative basis. The annual revenues exceeded expenditures, resulting in an increase in accumulated surplus. In 2008, the City registered consolidated revenues of \$232.01 million (2007 - \$217.57 million), recording an increase of 6.64% over 2007. Consolidated expenditures totalled \$187.22 million in 2008 (2007 - \$174.29 million), resulting in an increase in accumulated surplus by \$44.79 million.

<b>CONSOLIDATED REVENUES</b>					
For the years ending December 31 (in thousands of dollars)					
	2008		2007		Change
Taxation	110,065	47%	107,027	49%	3,038
Grants in lieu of taxes	3,696	2%	2,985	1%	711
Grants and transfers	55,447	24%	48,459	22%	6,988
Sales of goods and services	43,772	19%	40,735	19%	3,037
Other revenue from own sources	19,034	8%	18,359	8%	675
	232,014		217,565		14,449

Revenues improved due to several factors. Grants and transfers increased by \$6.99 million in 2008 from the prior year, primarily because of a large increase in municipal capital grants. Sales of goods and services increased by 7.46 percent, mainly due to increase in revenue from water and transportation services. Tax collection also improved in 2008, registering an increase of 2.84 percent over 2007. The major components of tax revenues include real property tax, business tax, utility tax, and accommodation tax. Increase in the assessed value of properties, resulting in an increase in real property tax earnings of \$1.89 million, and some rise in the collection of business and accommodation tax were the principal factors contributing to improved tax revenue.

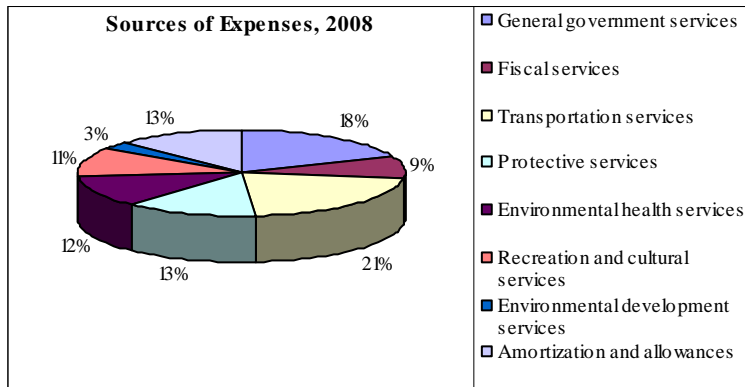


Interest earned on portfolio investments, and earnings from apartment rentals, construction and other permits also increased significantly in 2008.

Capital grants from the Government of Canada declined by \$14.35 million in 2008 as the capital costs of the Riverhead Waste Treatment Facility grew beyond the amount to be cost-shared by the Federal Government. But municipal capital grants from the Government of Newfoundland & Labrador increased by \$21.41 million. The City of Mount Pearl & Town of Paradise paid \$1.43 million more in cost-shared capital costs of the waste treatment facility.

Consolidated expenditures totalled \$187.22 million in 2008 (2007 - \$174.29 million), increasing by \$12.93 million over 2007. The rising expenditure was primarily owing to

increase in expenses in transportation services (by \$3.4 million), environmental health services (\$3.28 million), and amortization and allowances (\$3.31 million). Transportation services include road transport, street lighting, St. John's Transportation Commission



and Para-Transit System, and Parking meters. Increased capital expenditures (by \$1.08 million) of St. John's Transportation Commission was the major factor contributing to the increased outlays by transportation service.

<b>CONSOLIDATED EXPENSES</b>					
For the years ending December 31 (in thousands of dollars)					
	2008		2007		Change
General government services	34,362	18%	32,440	19%	1,922
Fiscal services	16,662	9%	16,259	9%	403
Transportation services	39,834	21%	36,434	21%	3,400
Protective services	24,826	13%	24,347	14%	479
Environmental health services	21,991	12%	18,712	11%	3,279
Recreation and cultural services	20,295	11%	20,559	12%	(264)
Environmental development services	5,077	3%	4,674	3%	403
Amortization and allowances	24,174	13%	20,867	12%	3,307
	187,221		174,292		12,929

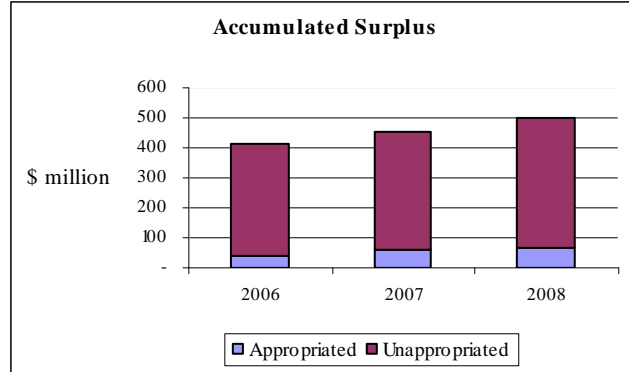
The environmental health services include water supply and distribution; regional water system; garbage, waste collection and disposal; and sewerage collection and disposal. All categories (except sewer collection and disposal) observed rise in expenses in 2008. The major hikes were in water supply and distribution (\$1.2 million), and garbage, waste collection and disposal expenses (\$1.73 million).

Amortization and allowances include provisions for uncollectible accounts, provision for obsolete inventory, loss on disposal of tangible capital assets, and amortization. Amortization of assets, which rose by \$4.37 million from the previous year (mainly

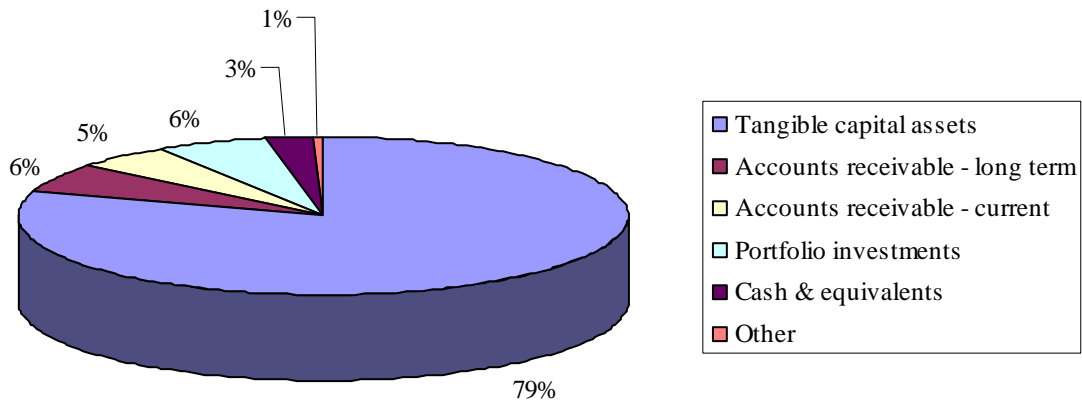
because new capital projects were undertaken), was primarily responsible for the hike in expenses under this category. General government services expenditure also experienced a hike in 2008, primarily because of a 32.36 percent rise in pensions and employee benefits.

**FINANCIAL POSITION**

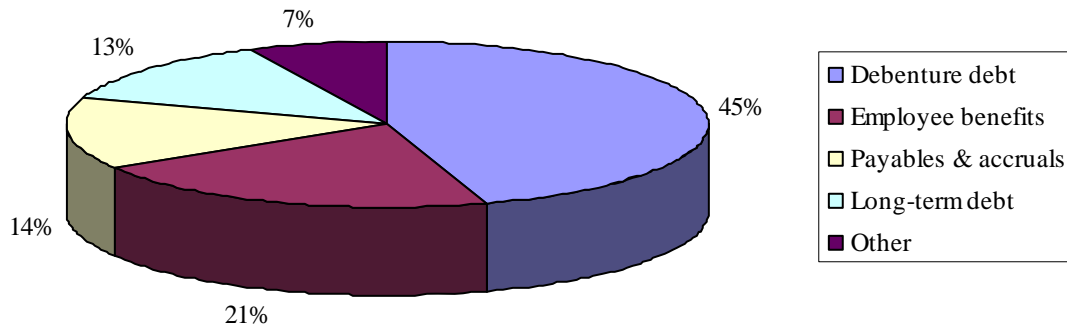
The Consolidated Statement of Financial Position reports the City’s financial and non-financial assets and liabilities, and accumulated surplus as at December 31, 2008, on a comparative basis to the restated results for 2007. This statement, read in conjunction with the referenced notes, is used to evaluate the City’s ability to finance its operations and to meet its obligations and commitments. The accumulated surplus, which represents the net assets of the City, is one of the key indicators on the Consolidated Statement of Financial Position. The annual change in the accumulated surplus is equal to the yearly excess of revenues over expenses for the year, which was \$44.79 million in 2008. The increase in surplus over 2007 was primarily attributable to increasing capital contributions with additional operating revenues providing increases in sales of goods and services, grants and transfers, and earnings from taxation.



**Asset Composition (2008)**



## Financial Liabilities (2008)



The accumulated surplus from past revenues and contributions has been used to create reserves (appropriated surplus) under various accounts/projects. The majority of these reserves are earmarked for future capital expenditures and for stabilizing the ups and downs in operating expenditures and revenue levels from year to year. In 2008, the City's reserve balances increased overall by \$8.71 million over the previous year. Sinking fund reserve for retirement of debentures accounted for the largest amount under reserve, which increased by \$7.24 million in 2008 from 2007.

Some of the important items in the Consolidated Statement of Financial Position are discussed in the following section.

### CASH & CASH EQUIVALENTS

Cash and cash equivalents declined by \$8.49 million in 2008 primarily as a result of investments made in other assets and payments of obligations. Deposits received under the Federal Public Transit Fund in the amount of \$22.56 million made up the major cash amount as at December 31, 2008. The money is to be used to construct a new Metrobus Depot with maintenance and storage facilities as well as administrative office space. Other significant items under the cash and cash equivalent account includes accommodation tax, advance payment from developers, and the replacement reserve fund for the City's non-profit housing projects, all of which increased in 2008 from the prior year.

### ACCOUNTS RECEIVABLE

The current portion of accounts receivable increased by \$26.44 million in 2008 over 2007, mainly because of increase in receivables from other governments, primarily consisting of capital costs of the Robin Hood Bay waste disposal site development. Accounts receivable – long term declined by \$5.14 million owing to a decline in receivables from the Government of Newfoundland and Labrador under various projects. The amounts receivable from other governments consist primarily of amounts expended in cost shared capital projects but not recovered from the other levels of government at year end. Similarly accounts receivable – long term consists of amounts receivable from



the provincial government for funds borrowed to finance the provincial share of cost shared capital projects.

## **PORTFOLIO INVESTMENTS**

Portfolio investments (sinking funds) increased by \$7.24 million in 2008 from the previous year. It is the accumulated principal payments and income earned under the terms of the City's Debenture debt borrowings and represents the payments made under the terms of the debt issuance, which must be offset against the Debenture debt total to provide the net debt outstanding at year end.

## **PAYABLES & ACCRUALS**

The payables and accruals consist of deposits and prepayments, trade, accrued interest, and obligations to other governments. Deposits and prepayments under this account includes the proceeds from the Federal Public Transit Fund, which is to be used for the construction of the new Metrobus Depot.

## **DEBT**

The City has two major types of debt obligations—debenture debt and long-term debt. The largest debt component is the sinking fund debentures, which totalled \$200.87 million as at December 31, 2008. The annual requirements until 2011, relating to scheduled sinking funds (less debt charges recoverable from the Province of Newfoundland and Labrador), is \$4.41 million. The long-term debt consists of various mortgage schemes including those for urban living non-profit housing, sewage treatment plants, and other capital projects. The City's net debt payable at the end of December 2008 is \$145.96 million, as summarized in the table below.

<b>Debt</b>			
(For the years ending December 31)			
	2008	2007	Change
Debenture debt	\$ 200,886,000	\$ 203,806,000	\$ (2,920,000)
Long term debt	56,142,502	59,074,673	(2,932,171)
	\$ 257,028,502	\$ 262,880,673	\$ (5,852,171)
Less: Accounts receivable - Long term	56,482,701	61,625,968	(5,143,267)
Portfolio Investment (Sinking Funds)	54,583,138	47,347,623	7,235,515
	<u>\$ 145,962,663</u>	<u>\$ 153,907,082</u>	<u>\$ (7,944,419)</u>

## **EMPLOYEE BENEFITS**

The City provides pension, sick leave, and severance pay benefit plans for qualified employees. The cost of these plans is actuarially determined each year, based on best estimates of a number of assumptions. Past experience and future economic and investment outlook lays the foundation for the assumptions; hence, future uncertainty may derail some of the projections. Variance between actual experience and assumptions (and revisions in assumptions) may lead to adjustments in pension, severance, and/or sick leave benefit expenses in future. Some important assumptions relates to such factors as the long-term expected rate of return on plan assets, inflation, increase in salaries,

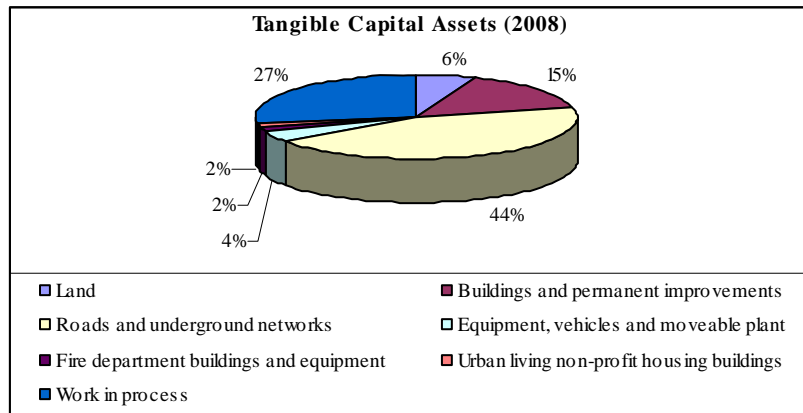
discount rates, and employee related factors such as retirement age, mortality, turnover, used sick leave, etc.

The City contributes to a defined benefit pension plan for employees as well as to a supplementary retirement plan for the members of Council, both providing benefits based on length of service and average annual income. The aggregate employee benefits obligation increased by \$10.59 million in 2008 over 2007. The largest amount, explained in more detail in note 11, is for post employment health and life insurance benefits, which is the current calculation of the future cost of paying the premiums for these benefits for current employees after their retirement.

## TANGIBLE CAPITAL ASSETS

Tangible capital assets include the City’s physical assets such as land, buildings, equipment, vehicles, roads, underground networks, etc. These assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, and/or development of the assets. The cost, less estimated residual value of the assets are amortized on a straight-line basis over the assets’ estimated useful lives, ranging from 5 to 100 years.

In 2008, the City made total capital investments of \$97.87 million under various projects, registering a 17.64% increase in investments over previous year. Major outlays were in buildings and permanent improvements (\$18.7 million); equipment, vehicles and moveable plant (\$4.74 million); and in work in progress (\$68.2 million) of projects from earlier years. In 2008, the City amortised and disposed \$22.64 million and \$1.17 million of



tangible assets, respectively. The ending book value of the City’s tangible capital assets stood at \$757.91 million as at December 31, 2008, recording an increase of 11.37 percent over 2007.

## FINANCIAL INDICATORS

The financial condition of the City is measured by its ability to meet the existing financial obligations to employees, creditors, and other stakeholders, while continuing to provide high quality service to the public. The City manages debts and credits efficiently which puts it on a good credit standing. Rigorous contract management, purchasing, and financial controls are in place to ensure proper financial checks and balances. An analysis of the comparative Consolidated Financial Statements for 2008 and 2007 reveals the City’s financial state.

One of the key indicators of financial health is the sustainability ratio. It measures the degree to which the City can maintain its existing service and financial commitments without increasing the relative debt or tax burden on the taxpayers. A critical measure of sustainability is the assets-to-liabilities ratio. The City maintained assets-to-liabilities ratio of 2.12 in 2008 and 2.14 in 2007, which implies that the City has more assets in place to cover its existing liabilities. However, the City's financial assets-to-liabilities ratio remained at a slightly lower level at 0.42 in 2008 and 0.43 in 2007.

## **CONSOLIDATED STATEMENT OF CASH FLOW**

The Consolidated Statement of Cash Flow summarizes how the City's cash position changed during the year by highlighting the City's sources and uses of cash. The statement is useful in determining the short-term viability of the City, particularly its ability to pay bills. The statement reconciles the cash position of the City over the fiscal year ended December 31, 2008 by starting with income earned during the year, adding back amortization of tangible capital assets as well as other non-cash expenditures, adding cash provided by borrowing and other financing activities, and deducting capital expenditures and principal payments on debt. As at December 31, 2008, the City's cash position stood at \$23.99 million, declining from the previous year. The decline is largely attributable to acquisition of tangible capital assets, and changes in receivables/accruals and working capital.

The Consolidated Statement of Cash Flow has been simplified from those presented in prior years as many of the items required to reconcile cash in previous years are now included directly in revenue or expenditure as a result of the adoption of accrual accounting.

## **CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

The City relies on borrowed funds to finance some of its capital expenditures as there is a gap between capital expenditure needs and ongoing revenue sources. However, debt has remained at sustainable levels. The Consolidated Statement of Change in Net Debt reconciles the net debt of the City, year-on-year, where net debt is the City's financial assets (cash and equivalents) less financial liabilities. The statement reports on the extent to which expenditures (as opposed to expenses) in the year have been met by revenues recognized in the year. Expenditures include both payments on debt principal in the year as well as the costs of acquisition of tangible capital assets, items that require the outlay of cash but are not considered expenses for the year. This statement essentially reports how these expenditures are financed.

In 2008, the City's net debt increased by \$32.45 million (2007 - \$19.74 million), which is a 64.36 percent rise over the prior year. The increase is entirely attributable to the acquisition of capital assets with borrowed funds.

## **COMPARISON TO BUDGET**

In accordance with the City of St. John's Act, the City prepares its annual budget on a cash basis rather than the full accrued basis now mandated for its annual consolidated financial statements by Canadian generally accepted accounting principles for local governments. There are many differences between the cash basis financial results derived from the cash budget and the results provided by accrual based financial statement accounting, however, in order to compare the City's operating results to the approved budget for 2008 we have to do it on a cash basis. The following schedule provides that comparison.

<b>CITY OF ST. JOHN'S</b>			
<b>Cash Basis Statement of Revenue and Expenditure</b>			
<b>Year ended December 31, 2008</b>			
	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>Variance</b>
Revenue			
Taxation	\$ 141,849,201	\$ 138,901,980	\$ 2,947,221
Grants from other governments	17,673,195	17,401,310	271,885
Grants in lieu of taxes	3,695,606	3,285,000	410,606
Sales of goods and services	8,798,505	7,878,840	919,665
Other revenue from own sources	6,575,041	6,302,430	272,611
Other transfers	486,826	700,000	(213,174)
Total Revenue	179,078,374	174,469,560	4,608,814
Expenditure			
General government services	25,676,638	25,054,030	622,608
Protective services	21,898,705	22,297,500	(398,795)
Transportation services	36,186,934	34,281,638	1,905,296
Environmental health services	30,984,080	31,131,950	(147,870)
Environmental development services	5,237,209	4,980,620	256,589
Recreation and cultural services	17,485,619	15,969,190	1,516,429
Fiscal services	25,872,589	26,199,910	(327,321)
Transfers to reserves and other funds	14,842,319	14,554,722	287,597
Total Expenditure	178,184,093	174,469,560	3,714,533
Net cash operating surplus	\$ 894,281	\$ -	\$ 894,281

As in 2006 and 2007, the City operated with a small cash surplus on operations for 2008. This surplus was achieved primarily as a result of Accommodation Tax and Utility Tax being in excess of budget along with permits, fees and other miscellaneous revenues. Expenditures were over budget in Transportation Services, primarily in heavy equipment maintenance, snowclearing and in streets maintenance.

## **WHAT THE FINANCIAL STATEMENTS MEAN**

The City of St. John's prepares its annual consolidated financing statements in accordance with Canadian generally accepted accounting principles for local governments as noted above. These consolidated financial statements are therefore prepared on the full accrual basis which requires the City to, amongst other things:

- (a) record capital grants from third parties, primarily the Provincial and Federal governments, as revenue in the year received;

- (b) record as revenue the value of subdivision common areas transferred to the City by developers;
- (c) exclude the purchase or construction cost of fixed assets from the Statement of Operations and the inclusion of amortization of those fixed assets as disclosed in Schedule 1 to the consolidated financial statements; and
- (d) exclude from expenditure, payments made on the principal balances of long term debt.

Readers of these financial statements must therefore understand that the high revenues and substantial operating surpluses recorded are almost entirely attributable to the receipt and recording as revenue of capital grants and actual physical assets. The consolidated financial statements as presented indicate the following:

- the City has spent a great deal of money on the acquisition of fixed or tangible assets in recent years, primarily basic infrastructure, and has received substantial capital contributions towards those expenditures from the Federal and Provincial governments;
- the surplus which has been generated is based on tangible capital assets which are held indefinitely and used to provide services to residents. They are not for sale and are not used to generate revenue; and
- the City has a small cash surplus on operations and is maintaining a good financial position.

The primary goal of a municipality's financial statements is accountability. This includes not only the basic handling of cash funds provided by tax payers and by other levels of government but also how those funds are used to ensure that the municipalities' physical assets are maintained as required, replaced as appropriate and financed responsibly. These statements are intended to provide that information to current and future readers and to provide an objective measure of the City's performance in achieving accountability for all its assets.

Robert G. Bishop, C.A.  
Director of Finance  
and City Treasurer

## **RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of St. John's. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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.

Prior to their submission to Council, the Consolidated Financial Statements have been reviewed and approved by the City's Audit Committee.

Deloitte & Touche LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and Councillors and appears in the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

Robert G. Bishop, C.A.  
Director of Finance  
and City Treasurer



*Consolidated Financial Statements of*

**CITY OF ST. JOHN'S**

*December 31, 2008*

# CITY OF ST. JOHN'S

December 31, 2008

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## Auditors' Report

To His Worship the Mayor and Councillors,  
City of St. John's

We have audited the consolidated statement of financial position of the City of St. John's as at December 31, 2008 and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated 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, changes in net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
September 3, 2009

# CITY OF ST. JOHN'S

## Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2008

	2008	2007
	\$	\$
		(Note 2)
<b>Revenue (Schedule 5)</b>		
Taxation	110,064,718	107,027,021
Grants in lieu of taxes	3,695,606	2,984,563
Grants and transfers	55,447,028	48,459,392
Sales of goods and services	43,712,602	40,735,338
Other revenue from own sources	19,033,918	18,359,002
	<b>231,953,872</b>	<b>217,565,316</b>
<b>Expenditure (Schedule 6)</b>		
General government services	34,361,592	32,440,462
Fiscal services	16,661,920	16,258,892
Transportation services	39,833,518	36,433,709
Protective services	24,825,751	24,346,819
Environmental health services	21,990,699	18,712,195
Recreation and cultural services	20,320,763	20,558,871
Environmental development services	5,076,812	4,673,580
Amortization and allowances	24,089,796	20,867,340
	<b>187,160,851</b>	<b>174,291,868</b>
Excess of revenues over expenditures	44,793,021	43,273,448
Accumulated surplus, beginning of year	456,517,377	413,243,929
<b>Accumulated surplus, end of year (Note 13)</b>	<b>501,310,398</b>	<b>456,517,377</b>

**CITY OF ST. JOHN'S**  
**Consolidated Statement of Financial Position**  
As at December 31

	2008	2007
	\$	\$ (Note 2)
<b>Financial assets</b>		
Cash and cash equivalents (Note 3)	23,986,740	32,478,626
Short-term investments	1,995,747	9,000,621
Accounts receivable - current (Note 4)	48,727,971	22,291,447
Accounts receivable - long-term (Note 5)	56,482,701	61,625,968
Investment in rental housing projects	425,226	449,887
Portfolio investments (Sinking funds) (Note 13, Schedule 2)	54,583,138	47,347,623
	<b>186,201,523</b>	<b>173,194,172</b>
<b>Financial liabilities</b>		
Bank indebtedness	29,169,215	-
Payables and accruals (Note 7)	63,377,777	51,360,083
Employee benefits (Note 8)	94,655,015	84,067,252
Deferred credits	1,682,240	2,162,880
Debenture debt (Note 9 and Schedule 2)	200,886,000	203,806,000
Long-term debt (Note 10, Schedule 3 and 4)	56,142,502	59,074,673
Trust funds payable	417,281	405,269
	<b>446,330,030</b>	<b>400,876,157</b>
<b>Net debt</b>	<b>(260,128,507)</b>	<b>(227,681,985)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6 and Schedule 1)	757,910,114	680,539,932
Inventory of materials and supplies	2,333,907	2,429,242
Prepaid expenditures	1,139,002	1,153,950
Unamortized bond discount	55,882	76,238
	<b>761,438,905</b>	<b>684,199,362</b>
<b>Accumulated surplus (Note 13)</b>	<b>501,310,398</b>	<b>456,517,377</b>

**On behalf of Council**

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Director of Finance and City Treasurer

**CITY OF ST. JOHN'S**  
**Consolidated Statement of Change in Net Debt**  
For the year ended December 31, 2008

	2008	2007
	\$	\$
		(Note 2)
<b>Excess of revenues over expenditures</b>	<b>44,793,021</b>	<b>43,273,448</b>
<b>Changes in tangible capital assets</b>		
Acquisition of tangible capital assets	(100,033,884)	(83,192,846)
Net book value of tangible capital assets disposals/adjustments	4,605,741	1,886,482
Amortization of tangible capital assets	18,057,961	18,279,308
<b>Increase in net book value of tangible capital assets</b>	<b>(77,370,182)</b>	<b>(63,027,056)</b>
<b>Changes in other non-financial assets</b>		
Change in prepaid expenditures and bond discounts	35,304	120,646
Acquisition of inventory and supplies net of usage	95,335	(108,172)
<b>Decrease in non-financial assets</b>	<b>130,639</b>	<b>12,474</b>
Increase in net debt	(32,446,522)	(19,741,134)
Net debt, beginning of year	(227,681,985)	(207,940,851)
<b>Net debt, end of year</b>	<b>(260,128,507)</b>	<b>(227,681,985)</b>

**CITY OF ST. JOHN'S**  
**Consolidated Statement of Cash Flows**  
For the year ended December 31, 2008

	2008	2007
	\$	\$
		(Note 2)
<b>Operating activities</b>		
Excess of revenues over expenditures	44,793,021	43,273,448
Non-cash charges to operations:		
Amortization of tangible capital assets	18,057,961	18,279,308
Employee benefits	10,587,763	9,634,091
Loss on disposal of tangible capital assets	4,502,284	1,636,334
	<b>77,941,029</b>	<b>72,823,181</b>
Net change in non-cash operating working capital (Note 14)	<b>(14,308,547)</b>	<b>19,924,301</b>
	<b>63,632,482</b>	<b>92,747,482</b>
<b>Financing activities</b>		
Decrease in long-term receivable	5,143,267	10,395,608
Proceeds from debenture debt	-	15,000,000
Proceeds from long-term debt	2,195,000	254,000
Repayment of		
Debenture debt	(2,920,000)	-
Long-term debt	(5,127,171)	(5,469,063)
Change in bank indebtedness	29,169,215	-
Other	(448,272)	(550,501)
	<b>28,012,039</b>	<b>19,630,044</b>
<b>Investing activities</b>		
Acquisition of tangible capital assets	(100,033,884)	(83,192,846)
Increase in sinking fund investments	(7,235,515)	(14,989,830)
Proceeds from sale of tangible capital assets	103,457	250,148
Proceeds on disposal of short-term investments	7,004,874	15,948,529
Decrease in investment in rental housing projects	24,661	23,113
	<b>(100,136,407)</b>	<b>(81,960,886)</b>
(Decrease) increase in cash and cash equivalents	<b>(8,491,886)</b>	<b>30,416,640</b>
Cash and cash equivalents, beginning of year	<b>32,478,626</b>	<b>2,061,986</b>
<b>Cash and cash equivalents, end of year</b>	<b>23,986,740</b>	<b>32,478,626</b>

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

*Basis of consolidation*

The consolidated financial statements include all the accounts of the City of St. John's (the "City"), St. John's Transportation Commission and St. John's Sports & Entertainment Ltd., which are wholly-owned and operated by the City. Any inter-company payable/receivable and income/expenses have been eliminated on consolidation. Any internal income and expenses for the City's Urban Living Non-Profit Housing Fund, Regional Fire Department and Regional Water Supply System have also been eliminated on consolidation.

*Revenue recognition*

Revenues are recognized as earned and when collection is reasonably assured. Property tax billings are prepared by the City based on the assessed values of all properties in the City. The tax rates are approved annually by Council.

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with banks (net of overdrafts) and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

*Inventories*

Inventories of material and supplies are carried at the lower of cost and net realizable value.

*Investments in rental housing projects*

Investments in rental housing projects are recorded at cost.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Tangible capital assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	45 years
Vehicles	
Transit buses	7-10 years
Vehicles	7-20 years
Computer hardware and software	5 years
Other	
Machinery and equipment	15-20 years
Water and waste plants and networks	
Underground networks	75 years
Sewage treatment plants and lift stations	45 years
Water pumping stations and reservoirs	45 years
Flood stations and other infrastructure	45 years
Transportation	
Roads	35 years
Bridges and structures	50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

*Contribution of tangible capital assets*

Contributions of tangible capital assets are recorded at fair value at the date of receipt.

*Leases*

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense incurred.

*Bond discounts*

Bond discounts are amortized and expensed over the term of the bond issue.

*Assessments*

Assessments for water and sewer installations and street improvements are recorded on an accrual basis.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Portfolio investments (Sinking funds)*

Sinking funds established for the retirement of debentures are held and administered by a third party and accounted for in the City's records on an accrual basis.

*Reserve for landfill capital improvements*

The City has established a reserve for landfill capital improvements to accumulate the net revenue received from users of the Robin Hood Bay landfill site. These funds are used to finance future capital works undertaken at the landfill site.

*Reserve for snow and ice management*

The City has established a snow and ice management reserve to accumulate funds to be used in years of severe winter conditions to alleviate the financial impact on the City's operations. The reserve has a maximum amount of \$2,000,000.

*Reserve for Civic Centre financing*

The City has established a Civic Centre financing reserve to accumulate its share of revenue received from the accommodations' tax. The accommodations' tax, which was legislated effective January 1, 1999, represents a three percent room levy on all fixed roof accommodations in the City of St. John's.

*Solid waste landfill closure and post-closure costs*

The liability for closure and post-closure care of the City's Robin Hood Bay landfill is recognized as the landfill site's capacity is used. Closure costs are included in annual operating costs as each section of the landfill site is filled and placed out of service. The present value of the estimated annual post-closure costs is being accrued over the remaining life of the landfill site.

*Severance pay*

The City accounts for severance pay on the accrual basis and the amount is calculated based upon accumulated unused sick leave or on years of service. The amount is payable when the employee ceases employment with the City.

*Retirement benefits*

The City provides a benefit to certain employees based upon the employee's length of service with the City. This benefit is payable only upon retirement.



**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accrued pension benefits*

The cost and obligation of pension benefits, earned by employees and members of Council, are actuarially determined using the accrued benefit method prorated on service and management's best estimate of assumptions of future investment returns for funded plans, salary changes and retirement ages of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The discount rate used for determining the benefit obligation is the expected rate of return on plan assets or the City's cost of borrowing.

Past service costs resulting from plan amendments are recognized at the date of amendment.

The excess of the net actuarial gain (loss) is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee plan is 15 years and 8 years for the Mayor and Councillors' plan.

*Employee future benefits*

The City provides post retirement benefits in the form of extended life and health coverage to employees. The cost and obligations of these benefits earned by employees are actuarially determined using the accrued benefit method prorated on service and management's best estimate of assumptions and future claim rates and costs. There is no requirement to fund these future obligations on a current basis.

*Use of estimates*

In preparing the City's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

**2. CHANGE IN ACCOUNTING POLICY**

Effective with the 2007 fiscal year, the City has implemented the PSAB financial statement presentation standards as prescribed in PSAB 1200.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

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**3. CASH AND CASH EQUIVALENTS**

	2008	2007
	\$	\$
Cash	-	12,808,557
Restricted cash deposits:		
Accommodation tax	355,416	162,420
Public Transit Fund	22,564,748	18,582,353
Advance payments from developers	417,281	405,269
Urban living non-profit housing		
Tenants' security deposits	100,858	96,829
Replacement reserve fund	548,437	423,198
	<b>23,986,740</b>	<b>32,478,626</b>

The Public Transit Fund consists of funds that have been received in advance of expenditure under the Federal Provincial Public Transit funding agreement signed March 31, 2007. The funds are to be used to construct a modern transit depot.

The City has agreements with Canada Mortgage and Housing Corporation ("CMHC") and Newfoundland and Labrador Housing Corporation ("NLHC") which stipulate that cash be set aside for a replacement reserve fund.

**4. ACCOUNTS RECEIVABLE - CURRENT**

	2008	2007
	\$	\$
Taxes	5,808,783	9,122,679
Other governments	36,568,349	6,497,426
Other	6,350,839	6,671,342
	<b>48,727,971</b>	<b>22,291,447</b>

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

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**5. ACCOUNTS RECEIVABLE - LONG-TERM**

The Government of Canada, through CMHC, has agreed to pay grants to the City as a share of Mundy Pond Neighbourhood Improvement program and Rennies River trunk sewer. The Province of Newfoundland and Labrador has agreed to pay grants to the City as a share of water and sewer, street paving and reconstruction, and recreational facilities programs. These grants are payable by annual installments and have maturity dates to October 1, 2017.

	<b>2008</b>	2007
	\$	\$
Government of Canada		
Rennies River trunk sewer	<b>461,809</b>	499,645
Mundy Pond neighbourhood improvement program	<b>152</b>	1,638
	<b>461,961</b>	501,283
Government of Newfoundland and Labrador		
Water and sewer projects	<b>40,231,739</b>	43,290,421
Civic Centre	<b>12,731,199</b>	13,844,492
Paving	<b>118,604</b>	353,711
Other	<b>34,815</b>	44,764
	<b>53,116,357</b>	57,533,388
Other		
Federation of Canadian Municipalities-interest grant	<b>1,682,240</b>	2,162,880
Civic Assessments	<b>1,222,143</b>	1,428,417
	<b>2,904,383</b>	3,591,297
	<b>56,482,701</b>	61,625,968

The Federal and Provincial government's share of cost shared loans is recorded in the accounts of the City as debt charges recoverable. For the next five years the amounts are as follows:

	Federal	Provincial	Total
	\$	\$	\$
2009	41,928	4,490,450	4,532,378
2010	46,126	4,480,402	4,526,528
2011	50,929	4,730,190	4,781,119
2012	56,233	5,034,742	5,090,975
2013	62,089	5,349,874	5,411,963

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

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**6. TANGIBLE CAPITAL ASSETS**

	2008	2007
	\$	\$
Land	46,301,869	46,199,148
Buildings and permanent improvements	114,710,550	101,925,941
Roads and underground networks	331,667,859	335,663,042
Equipment, vehicles and moveable plant	33,883,217	35,084,213
Fire department buildings and equipment	11,801,295	9,700,976
Urban living non-profit housing buildings	13,758,241	14,374,558
Work in process	205,787,083	137,592,054
	<b>757,910,114</b>	<b>680,539,932</b>

Additional information on additions, disposals and amortization is presented in Schedule 1.

**7. PAYABLES AND ACCRUALS**

	2008	2007
	\$	\$
Trade	31,632,762	24,627,562
Deposits and prepayments	29,671,978	24,574,951
Accrued interest	1,850,845	1,929,718
Other governments	222,192	227,852
	<b>63,377,777</b>	<b>51,360,083</b>

**8. EMPLOYEE BENEFITS**

	2008	2007
	\$	\$
Employee future benefits (Note 12)	68,455,623	58,515,400
Accrued pension benefits (Note 11)	10,445,060	9,803,085
Retirement benefits	9,160,698	8,682,891
Severance pay	6,593,634	7,065,876
	<b>94,655,015</b>	<b>84,067,252</b>

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

**9. DEBENTURE DEBT**

	<b>2008</b>	<b>2007</b>
	\$	\$
Debenture debt outstanding (Schedule 2)	<b>200,886,000</b>	203,806,000
Less: debt charges recoverable from the Province of Newfoundland and Labrador	<b>37,980,440</b>	40,459,172
Less: portfolio investments (sinking funds) available	<b>54,583,138</b>	47,347,623
	<b>108,322,422</b>	115,999,205

The annual requirements over the next five years relating to scheduled sinking funds less debt charges recoverable from the Province of Newfoundland and Labrador ("the Province") are as follows:

Year	Sinking Fund Requirements	Newfoundland and Labrador	Net Amount
	\$	\$	\$
2009	5,597,500	(1,184,886)	4,412,614
2010	5,597,500	(1,184,886)	4,412,614
2011	5,597,500	(1,184,886)	4,412,614
2012	4,887,500	(1,184,886)	3,702,614
2013	4,537,500	(1,184,886)	3,352,614

**10. LONG-TERM DEBT**

	<b>2008</b>	<b>2007</b>
	\$	\$
Long-term debt (Schedule 3)	<b>30,161,547</b>	34,196,036
Mortgages - Urban living non-profit housing (Schedule 4)	<b>19,285,955</b>	20,378,637
St. John's Transportation Commission	<b>6,695,000</b>	4,500,000
	<b>56,142,502</b>	59,074,673
Less: debt charges recoverable (Schedule 3)	<b>(15,597,878)</b>	(17,575,499)
	<b>40,544,624</b>	41,499,174

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

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**10. LONG-TERM DEBT (Continued)**

Annual principal repayments over the next five years relating to retirement of long-term debt are as follows:

Year	Long-term Debt	Non-Profit Housing Mortgages	St. John's Transportation Commission	Province of Newfoundland and Labrador Share	Net Amount
	\$	\$	\$	\$	\$
2009	3,958,365	1,149,501	6,695,000	(1,901,833)	9,901,033
2010	3,796,704	1,199,073	-	(1,734,714)	3,261,063
2011	3,886,022	1,250,863	-	(1,817,980)	3,318,905
2012	4,020,511	1,304,973	-	(1,945,818)	3,379,666
2013	4,155,420	1,361,511	-	(2,073,416)	3,443,515

The Province's portion of cost shared loans is recorded in the accounts of the City as debt charges recoverable.

Mortgages of the Urban Living Non-Profit Housing Fund are secured by specific rental properties situated in St. John's and an assignment of rental income.

**11. ACCRUED PENSION BENEFITS**

	2008	2007
	\$	\$
City of St. John's - Employees	8,430,197	7,787,960
City of St. John's - Mayor and Councillors	2,618,900	2,529,300
St. John's Transportation Commission	(604,037)	(514,175)
	<b>10,445,060</b>	<b>9,803,085</b>

*Pension plans*

The City maintains a defined benefit plan which provides pension benefits to its employees. The City also maintains a supplementary retirement arrangement for the members of Council. Both plans provide benefits based on length of service and average earnings.

Based on actuarial valuation of the plans completed as at December 31, 2006, the following results have been extrapolated to December 31, 2008.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**

**11. ACCRUED PENSION BENEFITS (Continued)**

	Employees	Mayor and Councillors	2008	2007
	\$	\$	\$	\$
<i>Accrued benefit obligation</i>				
Balance, beginning of year	152,693,632	2,410,900	155,104,532	144,466,523
Current service cost	7,939,046	90,900	8,029,946	7,653,600
Interest cost	10,177,575	120,400	10,297,975	9,608,672
Benefits paid	(5,146,084)	(98,200)	(5,244,284)	(4,674,987)
Past services and FABA contributions	231,132	-	231,132	316,500
Actuarial loss (gain)	-	-	-	(2,265,776)
<b>Balance, end of year</b>	<b>165,895,301</b>	<b>2,524,000</b>	<b>168,419,301</b>	<b>155,104,532</b>
<i>Plan assets</i>				
Fair value, beginning of year	138,396,202	-	138,396,202	134,533,400
Return on plan assets	(19,149,632)	-	(19,149,632)	65,513
Benefits paid	(5,146,084)	-	(5,146,084)	(4,605,887)
City contributions to plan	4,886,936	-	4,886,936	4,713,501
Past services and FABA contributions	231,132	-	231,132	316,500
Employee contributions to plan	3,802,818	-	3,802,818	3,373,175
<b>Fair value, end of year</b>	<b>123,021,372</b>	<b>-</b>	<b>123,021,372</b>	<b>138,396,202</b>
Funded status - deficit	(42,873,929)	(2,524,000)	(45,397,929)	(16,708,330)
Unamortized amounts	34,443,732	(94,900)	34,348,832	6,391,070
<b>Accrued benefit liability</b>	<b>(8,430,197)</b>	<b>(2,618,900)</b>	<b>(11,049,097)</b>	<b>(10,317,260)</b>
<i>Significant assumptions used</i>				
Discount rate	6.6%	5.2%		
Expected long-term rate of return on plan assets	6.6%	6.6%		
Rate of compensation increase	3.0%	3.3%		
Average remaining service period of active employees	12.6 years	1.2 years		
<i>Net benefit expense for the year</i>				
Current service cost	7,939,046	90,900	8,029,946	7,653,600
Interest cost	10,177,575	120,400	10,297,975	9,608,672
Amortization of gains/losses	474,088	(23,500)	450,588	(47,707)
Employee contributions	(3,802,818)	-	(3,802,818)	(3,373,175)
Expected return on plan assets	(9,258,718)	-	(9,258,718)	(9,004,515)
<b>Net benefit expense</b>	<b>5,529,173</b>	<b>187,800</b>	<b>5,716,973</b>	<b>4,836,875</b>

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**

**11. ACCRUED PENSION BENEFITS (Continued)**

*St. John's Transportation Commission ("Commission")*

*Defined benefit pension plans*

The Commission maintains two defined benefit plans which provide pension benefits to its union and non-union employees. The plans provide benefits based on length of service and average earnings.

Based on an actuarial valuation of the plans completed as at December 31, 2005, the following results have been extrapolated to December 31, 2008:

	2008	2007
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	24,520,511	22,519,856
Current service cost	1,056,695	975,680
Interest cost	1,641,770	1,514,532
Benefits cost	(974,379)	(710,507)
Cost of plan amendments	-	203,135
Participant contributions	18,513	17,815
Loss on accrued benefit obligation	636,604	-
Balance, end of year	26,899,714	24,520,511
<i>Plan assets</i>		
Fair value, beginning of year	25,694,126	24,957,556
Return on plan assets	(4,689,398)	382,038
Benefits paid	(974,379)	(710,507)
Employer contributions to plan	595,864	592,338
Employee contributions to plan	432,175	472,701
Fair value, end of year	21,058,388	25,694,126
Funded status - surplus (deficit)	(5,841,326)	1,173,615
Unamortized amounts	6,445,363	(659,440)
Accrued benefit asset	604,037	514,175
<i>Significant assumptions used</i>		
Discount rate	6.75%	6.75%
Expected long-term rate of return on plan assets	6.50%	6.50%
Rate of compensation increase	4.00%	4.00%
Average remaining service period of active employees	15 years	15 years



**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

**11. ACCRUED PENSION BENEFITS (Continued)**

	2008	2007
	\$	\$
<i>Net benefit expense for the year</i>		
Current service cost	1,056,695	975,680
Interest cost	1,641,770	1,514,532
Amortization of gains/losses	(60,234)	(170,227)
Liability increase due to flexible contributions	18,513	17,815
Recognition of net unamortized actuarial gains	-	(203,135)
Cost of plan amendments	-	203,135
Employee contributions	(432,175)	(472,701)
Expected return on plan assets	(1,718,567)	(1,679,939)
<b>Net benefit expense</b>	<b>506,002</b>	<b>185,160</b>

**12. EMPLOYEE FUTURE BENEFITS**

Both the City and the Commission provide post-retirement health and life benefits to their retired employees. Based on the actuarial valuation of the plan completed as at December 31, 2005 and extrapolated to December 31, 2008, the following results were obtained:

	2008			2007
	City	Commission	Total	Total
	\$	\$	\$	\$
<i>Accrued benefit obligation</i>				
Balance, beginning of year	89,676,900	6,154,053	95,830,953	83,808,024
Current service cost	3,579,700	206,673	3,786,373	3,154,691
Interest cost	4,529,700	307,954	4,837,654	4,354,239
Estimated claims and expenses	(1,746,600)	(196,602)	(1,943,202)	(1,673,721)
Cost of plan amendment	-	-	-	326,870
(Loss) gain on benefits obligation	(18,708,800)	-	(18,708,800)	5,860,850
<b>Balance, end of year</b>	<b>77,330,900</b>	<b>6,472,078</b>	<b>83,802,978</b>	<b>95,830,953</b>
Funded status - deficit	77,330,900	6,472,078	83,802,978	95,830,953
Unamortized amounts	(14,188,300)	(1,159,055)	(15,347,355)	(37,315,553)
<b>Accrued benefit liability</b>	<b>63,142,600</b>	<b>5,313,023</b>	<b>68,455,623</b>	<b>58,515,400</b>

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

**12. EMPLOYEE FUTURE BENEFITS (Continued)**

	2008			2007
	City	Commission	Total	Total
<i>Significant assumptions used</i>				
Discount rate	5.00%	5.00%		
Average remaining service period of active employees	11.8 years	14 years		
	\$	\$	\$	\$
<i>Net benefit expense for the year</i>				
Current service cost	3,579,700	206,673	3,786,373	3,154,691
Cost of plan amendments	-	-	-	326,870
Amortization of actuarial gains/losses	3,167,000	92,398	3,259,398	2,693,423
Interest cost	4,529,700	307,954	4,837,654	4,354,239
<b>Net benefit expense</b>	<b>11,276,400</b>	<b>607,025</b>	<b>11,883,425</b>	<b>10,529,223</b>

**13. ACCUMULATED SURPLUS**

	2008	2007
	\$	\$
Accumulated surplus, beginning of year	456,517,377	413,243,929
Excess of revenues over expenditures	44,793,021	43,273,448
<b>Accumulated surplus, end of year</b>	<b>501,310,398</b>	<b>456,517,377</b>
<i>Appropriated surplus</i>		
Sinking fund - reserve for retirement of debentures	54,583,138	47,347,623
Reserve for Shoal Bay treatment plant	134,440	89,620
Reserve for landfill capital improvements	5,480,868	5,480,868
Urban living non-profit housing - replacement reserve	548,437	423,198
Reserve for snow and ice management	2,000,000	2,000,000
Reserve for salt savings	539,345	281,639
Reserve for Civic Centre financing	593,535	253,839
Reserve for capital	479,929	635,506
Reserved for Employee benefits stabilization fund	1,933,233	1,071,652
Reserve for Robin Hood Bay post-closure costs	22,199	22,199
	66,315,124	57,606,144
<b>Unappropriated surplus</b>	<b>434,995,274</b>	<b>398,911,233</b>
	<b>501,310,398</b>	<b>456,517,377</b>

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**

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**14. SUPPLEMENTARY CASH FLOW INFORMATION**

	2008	2007
	\$	\$
Change in non-cash operating working capital:		
Receivables	(26,436,524)	(1,448,371)
Inventories	95,335	(108,172)
Prepaid expenditures	14,948	100,164
Payables and accruals	12,017,694	21,380,680
	<u>(14,308,547)</u>	<u>19,924,301</u>
Interest paid	<u>16,634,387</u>	<u>16,215,054</u>

**15. CREDIT FACILITIES**

The City has the following credit facilities available to meet its short-term financing needs:

- Demand facilities with the Royal Bank totalling \$34,560,000 (2007 - \$34,560,000), bearing interest on advances at Royal Bank prime rate minus 0.75% (2007 – Royal Bank prime rate minus 0.75%). Drawings on this facility at December 31, 2008 were \$Nil.
- Line of credit in the amount of \$7,500,000 (2007 - \$7,500,000), bearing interest on advances at Royal Bank prime rate minus 0.60% (2007 – Royal Bank prime rate minus 0.60%), of which \$6,695,000 (2007 - \$4,500,000) was used as at December 31, 2008, and matures January 16, 2009.

**16. CONTINGENCIES AND COMMITMENTS**

*Expropriation and other claims*

The City has received notices of claims totalling approximately \$1,309,750. No provision has been made for these claims either because the City is not expected to incur any significant liability, or because an estimate of loss, if any, is not determinable at this time.

The Commission is contingently liable for claims below \$50,000 which are not covered under its current insurance policy.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2008

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**16. CONTINGENCIES AND COMMITMENTS (Continued)**

*Lease commitments*

Under the terms of long-term operating leases on equipment, the City is required to make annual lease payments for the next five years as follows:

	\$
2009	1,473,945
2010	1,457,701
2011	1,451,716
2012	1,117,398
2013	933,369

*Greenbelt Tennis Club*

The City has guaranteed a loan of \$150,000 for the replacement of an air supported structure.

**17. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**CITY OF ST. JOHN'S**

**Consolidated Schedule of Tangible Capital Assets**

Year Ended December 31

Schedule 1

	Land	Buildings & Permanent Improvements	Roads & Underground Networks	Equipment, Vehicles & Moveable Plant	Fire Department Buildings & Equipment	Work in Process	Urban Living Non-profit Housing Buildings	2008 Totals
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance, beginning of year	46,199,148	135,944,766	454,742,409	78,312,246	14,087,996	137,592,054	27,209,002	894,087,621
Add: Additions during the year	102,721	21,006,390	3,165,082	4,906,696	2,657,966	68,195,029	-	100,033,884
Less: Disposals during the year	-	(5,053,473)	(235,486)	(1,283,042)	-	-	-	(6,572,001)
Adjustments	-	-	-	475,015	-	-	-	475,015
Balance, end of year	46,301,869	151,897,683	457,672,005	82,410,915	16,745,962	205,787,083	27,209,002	988,024,519
<b>Accumulated amortization</b>								
Balance, beginning of year	-	34,018,825	119,079,367	43,228,033	4,387,020	-	12,834,444	213,547,689
Add: Additions during the year	-	3,754,999	6,924,779	6,204,219	557,647	-	616,317	18,057,961
Less: Disposals during the year	-	(586,691)	-	(1,379,569)	-	-	-	(1,966,260)
Adjustments	-	-	-	475,015	-	-	-	475,015
Balance, end of year	-	37,187,133	126,004,146	48,527,698	4,944,667	-	13,450,761	230,114,405
<b>Net book value of tangible capital assets</b>	46,301,869	114,710,550	331,667,859	33,883,217	11,801,295	205,787,083	13,758,241	757,910,114

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Debenture Debt**  
December 31, 2008

Schedule 2

Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	2008		2007	
				Sinking Funds Available	Sinking Fund Requirement in 2009	Sinking Funds Available	Sinking Fund Requirement in 2008
		\$	\$	\$	\$	\$	\$
Dec. 2005	11.250%	5,000,000	-	-	-	5,000	-
Dec. 2008	11.125%	6,000,000	-	11,192	-	2,966,730	-
Dec. 2009	10.500%	7,000,000	2,374,000	2,491,301	-	2,421,332	-
Nov. 2011	6.150%	9,012,000	9,012,000	6,242,047	710,000	5,188,448	710,000
June 2012	10.875%	14,000,000	11,000,000	8,893,977	350,000	7,727,798	350,000
Sep. 2013	9.160%	9,000,000	6,000,000	3,939,260	225,000	3,229,735	225,000
Oct. 2015	9.400%	5,000,000	5,000,000	3,007,783	125,000	2,555,209	125,000
Dec. 2020	6.840%	7,000,000	7,000,000	2,706,027	175,000	2,289,762	175,000
Dec. 2021	7.380%	15,000,000	15,000,000	4,496,825	375,000	3,749,679	375,000
Apr. 2022	7.250%	16,500,000	16,500,000	3,427,221	412,500	2,821,798	412,500
Feb. 2023	6.680%	11,000,000	11,000,000	2,633,408	275,000	2,085,651	275,000
Feb. 2024	6.162%	25,000,000	25,000,000	4,269,121	625,000	3,226,922	625,000
June 2025	5.534%	18,000,000	18,000,000	2,413,743	450,000	1,675,499	450,000
Mar. 2026	5.300%	25,000,000	25,000,000	2,186,884	625,000	1,281,862	625,000
Dec. 2026	4.975%	35,000,000	35,000,000	7,468,205	875,000	6,122,198	875,000
Dec. 2027	5.400%	15,000,000	15,000,000	396,144	375,000	-	375,000
		222,512,000	200,886,000	54,583,138	5,597,500	47,347,623	5,597,500

For the debenture debt that matures in 2021, 2023, 2024, 2025, and 2026, there is debt recoverable from the Province of Newfoundland and Labrador of \$3,795,803, \$5,495,733, \$8,368,999, \$7,316,434 and \$13,003,471 respectively, for a total of \$37,980,440.

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Long-Term Debt**  
December 31, 2008

Schedule 3

	Date of Maturity	Interest Rate	Amount Issued	2008		2007	
				Amount Outstanding	Principal Requirement in 2009	Amount Outstanding	Principal Requirement in 2008
			\$	\$	\$	\$	\$
<b>Canada Mortgage and Housing Corporation</b>							
Mundy Pond trunk sewer	Jan. 2008	5.875%	78,830	-	-	4,920	4,920
Virginia Park trunk sewer	Apr. 2013	7.500%	104,408	33,940	5,827	39,353	5,413
Virginia Park trunk sewer	Mar. 2014	7.875%	157,908	61,359	8,358	69,095	7,737
Rennies River trunk sewer	Oct. 2015	10.375%	1,011,991	522,617	54,007	571,429	48,812
Rennies River trunk sewer	Oct. 2017	9.750%	681,350	401,000	29,545	427,862	26,862
Mundy Pond neighbourhood improvement program	Jan. 2009	10.375%	18,985	201	201	2,166	1,965
Wedgewood Park water and sewer	Jan. 2017	7.875%	12,410	6,514	521	6,996	482
<b>Federation of Canadian Municipalities</b>							
Harbour Sewage Treatment Plant	Aug. 2015	2.450%	15,000,000	10,500,000	1,500,000	12,000,000	1,500,000
Harbour Sewage Treatment Plant	Dec. 2015	2.660%	5,000,000	3,500,000	500,000	4,000,000	500,000
<b>Newfoundland Municipal Financing Corporation</b>							
1996 Capital Works	Jan. 2008	7.375%	2,012,777	-	-	138,912	138,912
1997 Streets	Jan. 2009	7.500%	165,603	11,486	11,486	33,229	21,742
1998 Streets A	Dec. 2009	8.375%	264,132	37,168	37,168	71,409	34,240
1998 Streets B	Dec. 2009	8.375%	104,868	14,757	14,757	28,351	13,594
1992 Airport Heights Phase 3	May 2009	10.625%	1,181,128	75,578	75,578	215,487	139,910
1993 Airport Heights Phase 4	Dec. 2009	11.500%	1,070,242	139,245	139,245	263,760	124,514
1998 Retaining Wall	Dec. 2009	8.375%	31,942	4,495	4,495	8,636	4,141
1991 Studies	May 2010	10.875%	201,165	37,129	24,092	58,799	21,671
1998 Bridge Rehabilitation	Sept. 2010	8.125%	189,044	50,698	24,340	73,174	22,477
1998 St. John's Rec. Centre	Sept. 2010	8.125%	60,361	16,187	7,772	23,364	7,177
Fire Equipment	Sept 2011	7.750%	90,895	34,815	10,735	44,764	9,949
1991 Studies B	Feb. 2011	9.750%	46,373	12,920	4,802	17,286	4,366
Higgins Line 1997	June 2013	7.375%	484,764	203,493	39,671	240,393	36,899
1997 Harbour Cleanup	Jan. 2014	7.500%	1,464,499	729,389	111,631	833,096	103,707
2001 Harbour Cleanup	Feb. 2014	7.500%	1,448,983	721,661	110,448	824,270	102,608
Higgins Line 2001	Dec. 2014	8.375%	574,858	315,696	42,441	354,794	39,098
Mile One Stadium	Sept. 2016	7.750%	19,006,737	12,731,199	1,201,245	13,844,491	1,113,293
			50,464,253	30,161,547	3,958,365	34,196,036	4,034,489

For the long-term debt that matures from 2009 to 2016, there is debt recoverable from the Province of Newfoundland and Labrador of \$15,135,917 and a debt recoverable from the Government of Canada of \$461,191 for a total of \$15,597,878.

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Mortgages - Urban Living**  
**Non-Profit Housing**

Schedule 4

December 31, 2008

			2008		2007
	Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	Amount Outstanding
			\$	\$	\$
<b>Newfoundland &amp; Labrador Housing Corporation</b>					
Hamlyn Road	Aug. 1, 2022	5.500%	2,207,290	1,430,433	1,499,050
Infill 1987	Apr. 1, 2023	5.500%	2,070,285	1,391,493	1,453,878
Gear Street - Infill 1988	Sept. 1, 2025	5.500%	1,929,560	1,421,093	1,471,682
Brookfield Road	Dec. 1, 2025	5.500%	2,203,600	1,628,749	1,685,433
Cochrane Street	Nov. 1, 2026	4.630%	745,887	474,755	497,255
Infill 1990	Nov. 1, 2026	4.160%	1,628,008	1,171,709	1,215,021
Campbell Avenue	Feb. 1, 2028	3.900%	968,952	744,844	770,049
Infill 1992	Dec. 1, 2028	5.500%	1,682,553	1,155,677	1,186,765
<b>Canada Mortgage and Housing Corporation</b>					
Forest Road	Jan. 1, 2018	3.900%	1,647,890	829,574	903,597
Cuckholds Cove Road	Apr. 1, 2018	3.160%	804,200	410,035	446,234
Infill 1982	July 1, 2018	3.090%	651,550	343,981	372,715
Rawlins Cross	Dec. 1, 2018	2.860%	1,249,485	678,083	730,817
Hamilton Avenue - Riverhead Towers	Feb. 1, 2019	3.590%	3,736,230	2,009,868	2,171,101
Fahey's Row - Infill 1983	May 1, 2019	4.330%	962,163	558,021	599,661
Alexander Street - Hamilton Avenue	June 1, 2019	4.330%	1,920,998	1,115,718	1,198,155
Carnell Street - Larkin Square	Jan. 1, 2020	3.880%	1,910,065	1,164,075	1,246,723
Goodview Street - Carter's Hill	Jan. 1, 2020	3.840%	1,406,630	866,343	928,016
Infill 1985	Apr. 1, 2021	4.590%	880,530	563,851	597,182
Carter's Hill - Sebastian Court	Aug. 1, 2021	4.260%	2,031,175	1,327,653	1,405,303
			<b>30,637,051</b>	<b>19,285,955</b>	<b>20,378,637</b>
Amounts due in 2009				<b>1,149,501</b>	<b>1,087,771</b>

Mortgages are secured by specific rental properties situated in St. John's and assignment of rental income.



**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Revenue**  
Year Ended December 31, 2008

Schedule 5

	2008	2007
	\$	\$
<b>Taxation</b>		
Real property tax	80,109,483	78,220,265
Business tax	21,344,505	20,463,484
Utility tax	6,691,744	6,547,380
Accommodation tax	1,918,986	1,795,892
	<b>110,064,718</b>	<b>107,027,021</b>
<b>Grants in lieu of taxes</b>		
Government of Canada	1,415,145	897,694
Government of Canada agencies	569,164	529,615
Water Tax Grant	1,626,187	1,478,352
Government of Newfoundland agencies	85,110	78,902
	<b>3,695,606</b>	<b>2,984,563</b>
<b>Grants and transfers</b>		
Government of Canada		
Capital grant	1,335,107	15,684,356
Gas tax rebate	3,407,403	3,992,994
Government of Newfoundland & Labrador		
Municipal operating grant	3,101,298	3,101,298
Municipal capital grant	36,297,022	14,883,118
Recovery of debt charges	3,964,960	4,039,496
Rental housing projects	1,486,714	1,383,573
City of Mount Pearl & Town of Paradise		
Capital contribution	3,320,280	1,887,187
City of Mount Pearl public transit contribution	578,556	514,588
Other capital grants	1,573,000	2,722,376
Real Program Grants / ACOA	382,688	250,406
	<b>55,447,028</b>	<b>48,459,392</b>
<b>Sales of goods and services</b>		
Environmental health services		
Water tax	19,087,625	16,979,829
Water tax for Harbour Clean-up	2,008,047	1,922,165
Water sales - commercial and shipping	4,027,140	3,670,072
Tipping fees	3,387,788	3,345,579
Regional Fire recovery	4,360,171	4,256,860
Regional Water recovery	2,915,816	2,544,660
Other	117,542	85,592

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Revenue**  
Year Ended December 31, 2008

Schedule 5 (continued)

	2008	2007
	\$	\$
<b>Sales of goods and services (continued)</b>		
General government services	491,600	148,250
Transportation services		
Parking meters	1,364,105	1,268,174
Parking permits	215,220	206,840
Other	13,318	20,569
Sale of land	220,199	120,562
Sponsorship	-	10,000
Recreation, parks and tourism	1,187,929	1,201,652
St. John's Sports & Entertainment Ltd.	2,596,157	3,397,144
St. John's Convention Centre	1,232,745	1,130,578
Railway Coastal Museum	309,273	294,488
Other general services	177,927	132,324
	<b>43,712,602</b>	<b>40,735,338</b>
<b>Other revenue from own sources</b>		
Interest on tax arrears	1,470,572	1,647,724
Interest earned on portfolio investments	3,097,654	2,437,146
Interest savings, Green Municipal Infrastructure Fund	480,640	540,720
Fines	1,686,001	1,556,526
Construction and other permits	2,437,781	2,075,923
Interest earned	998,577	1,320,049
Business and amusement licenses	123,586	124,032
Rents, concessions and franchises	46,040	40,219
Apartment rentals	2,455,128	2,349,564
St. John's Transportation Commission		
Passenger fares	5,466,176	5,155,582
Charters	120,672	116,477
Transit advertising	73,494	131,574
Sundry	90,770	56,513
Civic assessments	296,493	641,331
Sub - Division assessments	190,334	165,622
	<b>19,033,918</b>	<b>18,359,002</b>
<b>Total Revenue</b>	<b>231,953,872</b>	<b>217,565,316</b>

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Expenditure**  
Year Ended December 31

Schedule 6

	2008	2007
	\$	\$
<b>General government services</b>		
Legislative	781,979	902,040
General government	16,492,222	16,070,805
Engineering services	4,424,496	4,189,808
Pensions and employee benefits	3,881,729	2,553,531
Employee future benefits	8,129,556	8,350,498
Other general government	651,610	373,780
	<b>34,361,592</b>	<b>32,440,462</b>
<b>Fiscal services</b>		
Debenture debt charges		
Interest	13,219,913	12,486,968
Amortization	20,355	20,481
Long-term debt interest	2,273,026	2,567,474
Non-Profit Housing mortgage interest	897,840	923,037
St. John's Transportation Commission interest	214,582	212,244
Interest on temporary bank loans	8,671	4,850
Other debt charges	27,533	43,838
	<b>16,661,920</b>	<b>16,258,892</b>
<b>Transportation services</b>		
Road transport		
Administration	2,677,925	2,397,713
Fleet services	650,793	296,180
Snow clearing	11,268,047	10,973,117
Streets, roads and sidewalks	4,543,467	3,352,959
Maintenance depot	1,460,357	1,301,327
Traffic services	1,163,658	1,197,050
Street cleaning	115,985	96,496
Street lighting	3,620,835	3,533,093
St. John's Transportation Commission	13,323,018	12,238,613
St. John's Para-Transit System	949,693	997,637
Parking meters	59,740	49,524
	<b>39,833,518</b>	<b>36,433,709</b>

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Expenditure**  
Year Ended December 31

Schedule 6 (continued)

	2008	2007
	\$	\$
<b>Protective services</b>		
Fire protection	18,860,119	18,662,687
Protective inspections	2,976,794	2,800,200
Traffic enforcement	2,087,264	2,012,555
Animal and pest control	901,574	871,377
	<b>24,825,751</b>	<b>24,346,819</b>
<b>Environmental health services</b>		
Water supply and distribution	10,769,432	9,565,054
Regional Water system	4,340,444	3,909,670
Garbage, waste collection and disposal	6,306,453	4,577,028
Sewerage collection and disposal	574,370	660,443
	<b>21,990,699</b>	<b>18,712,195</b>
<b>Recreation and cultural services</b>		
Parks and open spaces	6,102,793	5,950,990
Recreation	6,216,690	5,471,221
St. John's Sports & Entertainment Ltd.	5,033,790	6,781,095
Railway Coastal Museum	398,824	361,552
Destination St. John's	833,089	772,946
Other recreation and cultural services	1,735,577	1,221,067
	<b>20,320,763</b>	<b>20,558,871</b>
<b>Environmental development services</b>		
Environmental planning and zoning	969,246	961,520
Housing and real estate	2,302,402	2,083,711
Other environmental development services	1,805,164	1,628,349
	<b>5,076,812</b>	<b>4,673,580</b>
<b>Amortization and allowances</b>		
Provision for uncollectible accounts	1,391,392	902,221
Provision for obsolete inventory	138,158	49,477
Loss on disposal of tangible capital assets	4,502,285	1,636,334
Amortization	18,057,961	18,279,308
	<b>24,089,796</b>	<b>20,867,340</b>
<b>Total expenditures</b>	<b>187,160,851</b>	<b>174,291,868</b>