

Consolidated Financial Statements 2010



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, 2010.

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 2010 and its financial position at December 31, 2010.

**FINANCIAL STATEMENT
DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

I am pleased to present the City of St. John's (the "City") 2010 Financial Annual Report, which has been prepared by the management of the City. This Report for 2010 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 income 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, the St. John's Regional Water System, the St. John's Waste Water System, and Robin Hood Bay Regional Waste Management Facility. All 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 Eastern Region of the Province, as well as commercial users. Those costs billed out to other municipalities and to commercial users 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 2010, the City registered consolidated revenues of \$254.14 million (2009 - \$250.01 million), recording an increase of 1.6% over 2009. Consolidated expenditures totalled \$212.16 million in 2010 (2009 - \$198.63 million), resulting in an increase in accumulated surplus of \$41.96 million.

CONSOLIDATED REVENUES

For the years ended December 31 (in thousands of dollars)

	2010		2009		Change
Taxation	153,192	60%	135,259	54%	17,933
Grants in lieu of taxes	4,190	2%	3,739	1%	451
Grants and transfers	44,301	17%	63,387	25%	(19,086)
Sales of goods and services	32,043	13%	28,709	11%	3,334
Other revenue from own sources	20,414	8%	18,997	8%	1,417
	254,140		250,091		4,049

Overall revenues for 2010 increased slightly but there were significant changes in the makeup of that revenue. Taxation revenue increased by approximately \$18 million. \$2.8 million of the increase was in Water Tax, the rates for which are set on a straight forward cost recovery basis of the operating and capital costs of the City's water treatment and distribution systems along with the waste water collection and treatment systems. Business Tax increased by \$3.2 million while Residential and Commercial Property Taxes show a net increase of approximately \$10 million; a reflection of the increasing property values within the City and the need for increased revenues to cover increasing operating costs. These increases were obtained even with reduced mil rates for all three assessment based taxes.

Grants in lieu of taxes increased slightly. Approximately one half of this category consists of payments equivalent to Business Realty Tax paid by the Federal Government with the other half being payments made for water by the Provincial Government.

Grants and transfers are down significantly for 2010 compared to 2009. As in 2009 capital grants from the Government of Canada consisted primarily of funds received under the Federal Gas Tax rebate program. These funds were used to enhance the City's street rehabilitation program. Municipal capital grants from the Government of Newfoundland and Labrador decreased in 2010 by almost \$18 million. These amounts related to both the Harbour Cleanup and the Multi-Year Capital Works Program with the reduction reflecting the exhaustion of the Provincial contribution to the Harbour Clean-Up Project. The City of Mount Pearl and the Town of Paradise paid \$1.97 million in cost-shared capital costs of the waste treatment facility in 2010, a decrease of approximately \$2.72 million from 2009 as the project neared completion.

CONSOLIDATED EXPENSES

For the years ended December 31 (in thousands of dollars)

	2010		2009		Change
General government services	39,948	19%	37,700	19%	2,248
Fiscal services	16,997	8%	16,241	8%	756
Transportation services	39,929	19%	41,290	21%	(1,361)
Protective services	28,225	13%	27,143	14%	1,082
Environmental health services	29,544	14%	26,302	13%	3,242
Recreation and cultural services	25,177	12%	22,215	11%	2,962
Environmental development services	5,103	2%	4,948	2%	155
Amortization and allowances	27,238	13%	22,779	11%	4,459
	212,161		198,618		13,543

Consolidated expenditures totalled \$212.16 million in 2010 (2009 - \$198.62 million), an increase of \$13.54 million over 2009. The rising expenditure was primarily owing to increase in expenses in general government services (up by \$2.25 million), environmental health services (\$3.24 million), and recreation and cultural services (\$1.96 million).

The increase in general government services is attributable to a wide variety of increasing costs but one major item was an increase of over \$1.5 million in severance costs as a large number of employees retired. Engineering Services showed an increase of \$1.3 million, primarily related to staff and consulting costs required to deal with the high levels of construction activity in the City. Fiscal services are the costs in servicing the City's long term debt. These costs were comparable to 2009 as the City did not issue any new long term debt in 2010 and interest on interim financing for capital projects was comparable to 2009.

Transportation services include road transport, street lighting, St. John's Transportation Commission and Para-Transit System, and parking meters. Decreased costs of \$1.3 million were almost entirely due to savings on road

transport in the 2010 fiscal year, with all other costs being comparable to both past years and to the 2010 budget. The major items here include snowclearing and fleet maintenance.

Protective services include fire protection, parking enforcement and the City's inspection services for plumbing, electrical and building construction. The \$1.1 million increase in this category is attributable to salary increases and the effects of inflation on non-compensatory costs.

Environmental health services include water supply and distribution; regional water system; garbage, waste collection and disposal; and sewerage collection and disposal. Most categories showed increased expenditure in 2010. The major hikes were in garbage, waste collection and disposal expenses (\$1.5 million) and Regional Waste Water. The major increases in garbage disposal expenses relate to the re-development of the Robin Hood Bay Waste Management Facility and the introduction of recycling late in 2010. The \$1.4 million increase in Regional Waste Water costs relate to the commencement of operations at the Riverhead Sewage Treatment facility.

Recreation and cultural services increased by \$2.96 million over 2009. This category takes in the operations of the City's Recreation Department, the Parks Division of the Public Works and Parks Department, the operations of St. John's Sports & Entertainment Ltd. (Mile One Centre and the St. John's Convention Centre), as well as other recreational and cultural services. The major increase in recorded expenditures in this category for 2010 was the expensing of the capital cost of a number of sculptures, monuments and similar items previously carried in work-in-progress (capital) in order to comply with current accounting standards. This amounted to almost \$1 million but was a one-time event.

Amortization and allowances include provisions for uncollectible accounts, provision for obsolete inventory, loss on disposal of tangible capital assets and amortization. Amortization of assets rose by \$4.46 million from the previous year and was primarily responsible for the increase in expenses under this category. Amortization is a charge to operating expenses in each year of a portion of the capitalized cost of fixed assets. The purpose of this amortization is to allocate the cost of tangible capital assets to all the years the assets are used in City operations rather than just in the year acquired or in which capital expenditures were made. Note 5 and Schedule 1 of the Consolidated Financial Statements provide more details on the City's tangible assets.

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, 2010, on a comparative basis to the results for 2009. 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 \$41.98 million in 2010. This increase in surplus is primarily attributable to the capital contributions from other levels of government, which must be recorded as revenue in the year received and additional operating revenues providing increases in sales of goods and services, grants and transfers, and earnings from taxation.

As shown in Note 12 to the Consolidated Financial Statements 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 2010, the City's reserve balances increased overall by \$15.4 million over the previous year. Sinking fund reserve for retirement of debentures accounted for the largest amount under reserve, which increased by \$10.9 million in 2010.

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 decreased by \$3.57 million in 2010 mainly because construction of the new Metrobus facility got underway. Deposits received under the Federal Public Transit Fund in the amount of \$25.17 million made up the major cash amount as at December 31, 2009. Over \$6 million of these funds were spent in 2010. Other significant items under the cash and cash equivalent account includes accommodation tax, advance payments from developers, and the replacement reserve fund for the City's non-profit housing projects. The amount reserved for closure and post-closure costs at the Robin Hood Bay Waste Management Facility increased to \$2.4 million in 2010 while a further \$850,741 has been set aside for equipment replacement at Robin Hood Bay. These monies are collected as part of the tipping fees paid by all users of the Facility. This item is explained in detail in Note 16 to the consolidated financial statements.

ACCOUNTS RECEIVABLE

The current portion of accounts receivable decreased by \$5.35 million in 2010 over 2009, mainly because of a decrease in receivables from other governments, the vast majority of which consists of capital costs incurred under cost-sharing programs.

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. Accounts receivable – long term declined by a further \$4.15 million as the Provincial Government continues paying off its share of older loans and pays its share of cost-shared projects out of its own current revenues.

PORTFOLIO INVESTMENTS

Portfolio investments (sinking funds) increased by \$10.93 million in 2010 from the previous year. Sinking funds are established under the terms of the City's Debenture debt borrowings and are used to accumulate the principle payments required each year. These typically consist of payments of 2.5% of the originally borrowed amount of each bond issue per year, plus the income earned as these amounts are invested. This process ensures that sufficient funds are on hand to pay off the bonds (debentures) on maturity. The total amount of the Sinking Funds 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 funding from the Federal Public Transit Fund, which is being 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 \$225.51 million as at December 31, 2010. The annual requirements until 2015, relating to sinking funds (less debt charges recoverable from the Province of Newfoundland and Labrador), range from \$5.09 million down to \$3.8 million as older bonds mature. The long-term debt consists of various mortgages and other loans 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 2010 is \$149.18 million, as summarized in the table below. Added to this should be the \$39 million interim financing loan also shown on the

DEBT			
(for the years ended December 31)			
	2010	2009	Change
Debenture debt	225,512,000	225,568,000	(56,000)
Long term debt	43,786,166	49,159,418	(5,373,252)
	269,298,166	274,729,427	(5,431,261)
Less: Accounts receivable - long term	46,690,147	51,626,346	(4,936,199)
Portfolio investments (Sinking Funds)	73,424,249	62,490,598	10,933,651
Net debt payable	149,183,770	160,612,483	(11,428,713)

Consolidated Statement of Financial Position. This amount covers capital expenditures already incurred but not financed as at year end. As discussed in Note 17 to the Consolidated Financial Statements, in August 2011 the City sold a \$70 million bond issue which eliminated the \$39 million interim financing loan and also covered the City's expected Capital expenditures in 2011.

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 lay the foundation for the assumptions; hence, future uncertainty may derail some of the projections. Variance between actual experience and assumptions (and revisions in assumptions) will almost certainly lead to adjustments in pension, severance, and/or sick leave benefit expenses in future. Some important assumptions relate 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 \$11.75 million in 2010 over 2009. 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. This is an extrapolation with no funding required on a current basis.

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 2010, the City made total capital investments of \$170.78 million under various projects, registering a 55.1% increase in capital expenditure over the previous year. Major outlays were in buildings and permanent improvements; equipment, vehicles and moveable plant; and in work in progress of projects from earlier years. The ending book value of the City's tangible capital assets stood at \$912.06 million as at December 31, 2010, recording an increase of 7.5 percent over 2008.

FINANCIAL INDICATORS

The financial condition of the City is measured by its ability to meet its 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 2010 and 2009 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 an assets-to-liabilities ratio of 2.18 in both 2010 and 2009 which implies that the City has sufficient assets in place to cover its existing liabilities. It has to be borne in mind that much of both the assets and liabilities relate to the infrastructure required to be in place and maintained to ensure that the City continues to be able to provide its mandated services. The City's financial assets-to-liabilities ratio at a slightly higher level at the end of 2010 at 0.37 compared to 0.34 in 2009 and 0.42 in 2008. These levels are to be expected as most financial liabilities are long term debt repayable over the next twenty years.

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, 2010 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, 2010, the City's cash position stood at \$24.72 million, a decrease of \$3.6 million over the previous year. The decrease is primarily attributable to the commencement of construction of the new Metrobus Depot and the consequent drawdown of funds received from the Federal Government.

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 2010, the City's net debt increased by \$21.73 million (2009 - \$36.79 million). The increase is entirely attributable to the acquisition of capital assets with borrowed funds. It should be noted that the City's Long Term Debt Policy allows

borrowing only for capital projects where at least 50% of the cost is borne by third parties or where there is a dedicated new source of revenue sufficient to cover the City's cost. That policy also provides that the City's total general obligation debt service (eg. paid from property tax) shall not exceed 17.5% of the City's net operating revenue. That ratio as of December 31, 2010 is at approximately 8%.

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 accrual 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 2010 we have to do it on a cash basis. The following schedule provides that comparison.

CITY OF ST. JOHN'S

Cash Basis Statement of Revenue and Expenditure

Year ended December 31, 2010

	2010 Actual	2010 Budget	Variance
Revenue			
Taxation	\$ 165,582,732	\$ 159,299,461	\$ 6,283,271
Grants from other governments	22,119,449	22,385,753	(266,304)
Grants in lieu of taxes	4,189,985	3,585,000	604,985
Sales of goods & services	14,075,027	12,733,225	1,341,802
Other revenue own sources	9,862,755	8,795,160	1,067,595
Other transfers	1,357,113	700,000	657,113
Total Revenue	217,187,061	207,498,599	9,688,462
Expenditure			
General government services	29,457,023	28,314,652	1,142,371
Protective services	24,558,391	24,653,650	(95,259)
Transportation services	37,458,939	38,437,809	(978,870)
Environmental health services	45,303,925	50,886,660	(5,582,735)
Environmental development services	8,646,650	9,125,336	(478,686)
Recreation and cultural services	18,581,960	18,136,081	445,879
Fiscal services	24,338,988	24,893,059	(554,071)
Transfers to reserves & other funds	18,533,180	13,051,352	5,481,828
Total Expenditure	206,879,056	207,498,599	-619,543
Net cash operating deficit	10,308,005	0	10,308,005

As shown, City operations in 2010 resulted in a significant surplus of approximately \$10,300,000. When this is added to the accumulated cash surplus from prior years, the accumulated cash surplus from operations at December 31, 2010 amounts to approximately \$10,840,000.

The major differences between budget and actual expenses in 2010 that resulted in the surplus are on the revenue side. Taxation was the major factor with Water Tax and sales (Regional Water) being well in excess of budget and Business Occupancy being higher than budgeted as increased business activity led to the

take-up of effectively all available office space leading to higher rents and assessments.

The following schedule provides a reconciliation of the City's surplus on operations as reported in the Consolidated Financial Statements to the cash basis surplus calculated in accordance with the City's approved budget.

RECONCILIATION OF OPERATING SURPLUS FROM ACCRUAL BASIS TO CASH BASIS
(for the year ended December 31, 2010)

Surplus on operations per Consolidated Financial Statements	\$ 41,979,111
Add:	
Gross expenditures - St. John's Transportation Commission	15,303,622
Gross expenditures - St. John's Sports & Entertainment Ltd.	7,999,011
Amortization of tangible capital assets	25,247,782
Provision for employee post-retirement benefits	10,322,461
Adjustment to capital assets	1,376,092
Management expenses, Non-Profit Housing	964,635
	<u>103,192,714</u>
Less:	
Gross revenues - St. John's Transportation Commission	6,375,388
Gross revenues - St. John's Sports & Entertainment Ltd.	5,553,254
Operating subsidy - St. John's Transportation Commission	8,366,540
Operating subsidy - St. John's Sports & Entertainment Ltd.	1,500,000
Capital contribution - St. John's Sports & Entertainment Ltd.	455,131
Net surplus, Non-Profit Housing	4,612,237
Interest earned, Sinking Funds	3,301,990
Principle portion of debt service	13,138,311
Contribution to capital out of revenue	16,986,282
Contribution to capital - third parties	27,703,543
Transfer to reserves	4,430,797
Other	461,236
	<u>92,884,709</u>
Surplus on operations on cash basis	<u>\$ 10,308,005</u>

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:

- record capital grants from third parties, primarily the Provincial and Federal governments, as revenue in the year received;
- record as revenue the value of subdivision common areas transferred to the City by developers;
- 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 directly generate revenue; and
- the City maintains a cumulative 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, 2010

CITY OF ST. JOHN'S
December 31, 2010

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the City of St. John's which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statement of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies, attached schedules and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of St. John's as at December 31, 2010 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
February 20, 2012

CITY OF ST. JOHN'S**Consolidated Statement of Operations and Accumulated Surplus**

For the year ended December 31, 2010

	2010	2009
	\$	\$
Revenue (Schedule 5)		
Taxation	153,192,435	135,258,841
Grants in lieu of taxes	4,189,985	3,739,477
Grants and transfers	44,301,418	63,387,225
Sales of goods and services	32,042,690	28,709,120
Other revenue from own sources	20,413,803	18,996,690
	254,140,331	250,091,353
Expenditure (Schedule 6)		
General government services	39,947,471	37,699,629
Fiscal services	16,997,462	16,240,930
Transportation services	39,929,453	41,290,621
Protective services	28,224,520	27,142,950
Environmental health services	29,543,595	26,302,044
Recreation and cultural services	25,177,342	22,214,780
Environmental development services	5,102,928	4,947,647
Amortization and allowances	27,238,449	22,779,129
	212,161,220	198,617,730
Excess of revenues over expenditures	41,979,111	51,473,623
Accumulated surplus, beginning of year	555,266,103	503,792,480
Accumulated surplus, end of year (Note 12)	597,245,214	555,266,103

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

	2010	2009
	\$	\$
Financial assets		
Cash and cash equivalents (Note 2)	24,723,959	28,297,608
Accounts receivable - current (Note 3)	39,533,141	44,899,862
Accounts receivable - long-term (Note 4)	46,690,147	51,626,346
Investment in rental housing projects	370,835	398,913
Portfolio investments (Sinking funds) (Note 12 and Schedule 2)	73,424,249	62,490,598
	184,742,331	187,713,327
Financial liabilities		
Bank indebtedness (Note 14)	11,490,127	10,243,480
Interim financing loan (Note 14)	39,000,000	24,000,000
Payables and accruals (Note 6)	63,006,480	66,124,064
Employee benefits (Note 7)	119,474,498	107,726,001
Deferred credits	901,200	1,261,680
Debenture debt (Note 8)	225,512,000	225,568,000
Long-term debt (Note 9)	43,786,166	49,159,418
Trust funds payable	418,091	751,394
	503,588,562	484,834,037
Net debt	(318,846,231)	(297,120,710)
Contingencies and commitments (Note 15)		
Subsequent events (Note 17)		
Non-financial assets		
Tangible capital assets (Note 5 and Schedule 1)	912,063,497	848,370,691
Inventory of materials and supplies	2,637,931	2,508,900
Prepaid expenditures	1,365,263	1,470,049
Unamortized bond discount	24,754	37,173
	916,091,445	852,386,813
Accumulated surplus (Note 12)	597,245,214	555,266,103

On behalf of Council

Mayor

Director of Finance and City Treasurer

CITY OF ST. JOHN'S**Consolidated Statement of Changes in Net Debt**

For the year ended December 31, 2010

	2010	2009
	\$	\$
Excess of revenues over expenditures	41,979,111	51,473,623
Changes in tangible capital assets		
Acquisition of tangible capital assets	(89,263,357)	(110,110,688)
Net book value of tangible capital assets disposals/adjustments	78,999	39,436
Amortization of tangible capital assets	25,491,552	22,092,758
Increase in net book value of tangible capital assets	(63,692,806)	(87,978,494)
Changes in other non-financial assets		
Change in prepaid expenditures and unamortized bond discounts	117,205	(312,338)
Acquisition of inventory and supplies, net of usage	(129,031)	(174,994)
Increase in other non-financial assets	(11,826)	(487,332)
Increase in net debt	(21,725,521)	(36,992,203)
Net debt, beginning of year	(297,120,710)	(260,128,507)
Net debt, end of year	(318,846,231)	(297,120,710)

CITY OF ST. JOHN'S
Consolidated Statement of Cash Flows
For the year ended December 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Excess of revenues over expenditures	41,979,111	51,473,623
Non-cash charges to operations:		
Amortization of tangible capital assets	25,491,552	22,092,758
Employee benefits	11,748,497	13,070,986
Gain on disposal of tangible capital assets	(32,588)	(239,672)
	79,186,572	86,397,695
Net change in non-cash operating working capital (Note 13)	1,864,413	5,647,796
	81,050,985	92,045,491
Capital transactions		
Acquisition of tangible capital assets	(89,263,357)	(110,110,688)
Proceeds from sale of tangible capital assets	111,587	279,108
	(89,151,770)	(109,831,580)
Financing transactions		
Decrease in long-term accounts receivable	4,936,199	4,856,355
Proceeds from interim financing loan	15,000,000	24,000,000
Proceeds from debenture debt	-	27,000,000
Repayment of debenture debt	(56,000)	(2,318,000)
Repayment of long-term debt	(5,373,252)	(6,983,084)
Increase (decrease) in bank indebtedness	1,246,647	(18,925,735)
Other	12,418	18,709
	15,766,012	27,648,245
Investing transactions		
Increase in sinking fund investments	(10,933,651)	(7,907,460)
Proceeds on disposal of short-term investments	-	1,995,747
(Decrease) increase in trust funds payable	(333,303)	334,113
Decrease in investment in rental housing projects	28,078	26,312
	(11,238,876)	(5,551,288)
(Decrease) increase in cash and cash equivalents	(3,573,649)	4,310,868
Cash and cash equivalents, beginning of year	28,297,608	23,986,740
Cash and cash equivalents, end of year	24,723,959	28,297,608

Supplementary cash flow information (Note 13)

CITY OF ST. JOHN'S

Notes to the Consolidated Financial Statements

December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board ("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 transactions have been eliminated on consolidation. Any internal income and expenses for the City's Urban Living Non-Profit Housing Fund, Regional Fire Department, Regional Waste Water System, Robin Hood Bay Regional Waste Management Facility, 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 the respective property. The tax rates are approved annually by Council.

Government grants and transfers are recognized as revenue in the financial period in which events give rise to the transfer occurring, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amount can be determined.

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, 2010

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 is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	45 years
Vehicles	
Transit buses	7-12 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. The contribution is recorded as revenue.

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.

Bond discounts

Bond discounts are amortized and expensed over the term of the related 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, 2010

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 snow and ice management

The City has established a snow and ice management reserve, to a maximum of \$2,000,000, to accumulate funds to be used in years of severe winter conditions.

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. The funds in the reserve are used to reduce the debt related to the construction of the St. John's Convention centre and to pay for capital improvements for the facility.

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, payable on retirement, based upon the employee's length of service with the City.

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

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 14.7 years and 1.2 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 for local governments, 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.

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

2. CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash	-	-
Restricted cash deposits:		
Accommodation tax	728,498	366,084
Public Transit Fund	19,034,095	25,171,841
Robin Hood Bay post closure costs (Note 16)	2,400,000	1,000,000
Robin Hood Bay equipment replacement	850,741	-
Northeast Avalon Regional Plan	313,202	197,959
Advance payments from developers	418,091	751,394
Urban living non-profit housing		
Tenants' security deposits	103,930	101,770
Replacement reserve fund	875,402	708,560
	24,723,959	28,297,608

The Public Transit Fund consists of funds that have been received in advance of expenditure under the Federal Provincial Public Transit funding agreement signed October 23, 2007. The funds are being 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.

3. ACCOUNTS RECEIVABLE - CURRENT

	2010	2009
	\$	\$
Taxes	7,283,172	5,582,927
Other governments	22,598,367	32,057,948
Other	9,651,602	7,258,987
	39,533,141	44,899,862

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

4. ACCOUNTS RECEIVABLE - LONG-TERM

The Government of Canada, through CMHC, has agreed to pay grants to the City as a share of Rennie's River trunk sewer and Mundy Pond neighbourhood improvement program. 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 instalments and have maturity dates to December, 2026.

	2010	2009
	\$	\$
Government of Canada		
Rennie's River trunk sewer	373,906	420,033
Government of Newfoundland and Labrador		
Water and sewer projects	33,899,199	37,045,515
Civic Centre	10,233,809	11,529,954
Paving	-	26,358
Other	12,498	24,080
	44,145,506	48,625,907
Other		
Federation of Canadian Municipalities-interest grant	901,200	1,261,680
Civic assessments	1,269,535	1,318,726
	2,170,735	2,580,406

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
	\$	\$	\$
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
2014	68,556	5,522,381	5,590,937
2015	75,697	5,658,058	5,733,755

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

5. TANGIBLE CAPITAL ASSETS

	2010	2009
	\$	\$
Land	48,492,075	48,017,519
Buildings and permanent improvements	195,223,245	191,970,725
Roads and underground networks	452,018,712	418,394,166
Equipment, vehicles and moveable plant	99,720,149	85,341,220
Fire department buildings and equipment	13,519,488	13,528,828
Urban living non-profit housing buildings	16,151,664	13,141,925
Work in process	86,938,164	77,976,308
	912,063,497	848,370,691

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

6. PAYABLES AND ACCRUALS

	2010	2009
	\$	\$
Trade	31,391,588	29,237,485
Deposits and prepayments	29,452,109	34,739,515
Accrued interest	1,782,777	1,924,428
Other governments	380,006	222,636
	63,006,480	66,124,064

7. EMPLOYEE BENEFITS

	2010	2009
	\$	\$
Employee future benefits (Note 11)	83,711,624	75,921,737
Accrued pension benefits (Note 10)	19,462,211	16,132,476
Retirement benefits	10,225,790	9,794,221
Severance pay	6,074,873	5,877,567
	119,474,498	107,726,001

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

8. DEBENTURE DEBT

	2010	2009
	\$	\$
Debenture debt outstanding (Schedule 2)	225,512,000	225,568,000
Less: debt charges recoverable from the Province of Newfoundland and Labrador (Schedule 2)	32,558,082	35,349,896
Less: portfolio investments (sinking funds) available (Schedule 2)	73,424,249	62,490,598
	119,529,669	127,727,506

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	Scheduled Sinking Fund Requirements	Province of Newfoundland and Labrador	Net Amount
	\$	\$	\$
2011	6,272,500	(1,184,886)	5,087,614
2012	5,562,500	(1,184,886)	4,377,614
2013	5,212,500	(1,184,886)	4,027,614
2014	4,987,500	(1,184,886)	3,802,614
2015	4,987,500	(1,184,886)	3,802,614

9. LONG-TERM DEBT

	2010	2009
	\$	\$
Long-term debt (Schedule 3)	22,406,479	26,203,182
Mortgages - Urban living non-profit housing (Schedule 4)	16,746,187	18,051,236
St. John's Transportation Commission	4,633,500	4,905,000
	43,786,166	49,159,418
Less: debt charges recoverable (Schedule 3)	(11,961,330)	(13,696,045)
	31,824,836	35,463,373

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

9. 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
	\$	\$	\$	\$	\$
2011	3,886,022	1,350,054	4,633,500	(1,817,980)	8,051,596
2012	4,020,511	1,387,864	-	(1,945,818)	3,462,557
2013	4,155,420	1,426,836	-	(2,073,416)	3,508,840
2014	4,128,524	1,467,016	-	(2,046,904)	3,548,636
2015	4,047,896	1,508,431	-	(1,971,372)	3,584,955
Thereafter	2,168,106	9,605,986	-	(2,105,840)	9,668,252

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.

10. ACCRUED PENSION BENEFITS

	2010	2009
	\$	\$
City of St. John's - Employees	16,197,436	13,244,875
City of St. John's - Mayor and Councillors	2,789,700	2,711,700
St. John's Transportation Commission	475,075	175,901
	19,462,211	16,132,476

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.

An actuarial valuation of the plans was completed as at December 31, 2007 for the Mayor and Councillors and St. John's Transportation Commission plans and December 31, 2010 for Employees plan as described below.

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

10. ACCRUED PENSION BENEFITS (Continued)

	Employees	Mayor and Councilors	2010	2009
	\$	\$	\$	\$
<i>Accrued benefit obligation</i>				
Balance, beginning of year	179,378,501	2,640,300	182,018,801	168,419,301
Current service cost	8,554,523	100,200	8,654,723	7,814,168
Interest cost	11,926,047	131,300	12,057,347	11,161,511
Benefits paid	(6,173,594)	(130,000)	(6,303,594)	(5,450,204)
Past services and Flexible Ancillary Benefit				
Account ("FABA") contributions	257,440	-	257,440	245,145
Actuarial loss (gain)	12,723,230	-	12,723,230	(171,120)
Balance, end of year	206,666,147	2,741,800	209,407,947	182,018,801
<i>Plan assets</i>				
Fair value, beginning of year	145,609,846	-	145,609,846	123,021,372
Return on plan assets	12,270,864	-	12,270,864	19,316,860
Benefits paid	(6,173,594)	-	(6,173,594)	(5,345,104)
City contributions to plan	5,517,200	-	5,517,200	4,674,268
Past services and FABA contributions	257,440	-	257,440	245,145
Employee contributions to plan	4,164,816	-	4,164,816	3,697,305
Fair value, end of year	161,646,572	-	161,646,572	145,609,846
Funded status - deficit	(45,019,575)	(2,741,800)	(47,761,375)	(36,408,955)
Unamortized amounts	28,822,139	(47,900)	28,774,239	20,452,380
Accrued benefit liability	(16,197,436)	(2,789,700)	(18,987,136)	(15,956,575)
<i>Significant assumptions used</i>				
Discount rate	6.25%	5.00%		
Expected long-term rate of return on plan assets	6.00%	6.00%		
Rate of compensation increase	4.00%	3.25%		
Average remaining service period of active employees	14.7 years	1.2 years		
<i>Net benefit expense for the year</i>				
Current service cost	8,554,523	100,200	8,654,723	7,814,168
Interest cost	11,926,047	131,300	12,057,347	11,161,511
Amortization of (gains) losses	1,893,318	(23,500)	1,869,818	2,635,846
Employee contributions	(4,164,816)	-	(4,164,816)	(3,697,305)
Expected return on plan assets	(9,734,676)	-	(9,734,676)	(8,227,374)
Net benefit expense	8,474,396	208,000	8,682,396	9,686,846

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

10. 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, 2007, the following results have been extrapolated to December 31, 2010:

	2010	2009
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	28,730,877	26,899,714
Current service cost	1,039,953	1,128,820
Interest cost	1,776,067	1,667,226
Benefits paid	(1,029,238)	(984,586)
Participant contributions	23,337	19,703
Balance, end of year	30,540,996	28,730,877
<i>Plan assets</i>		
Fair value, beginning of year	25,413,624	21,058,388
Return on plan assets	2,088,929	4,198,743
Benefits paid	(1,029,238)	(984,586)
Employer contributions to plan	681,816	658,997
Employee contributions to plan	501,319	482,082
Fair value, end of year	27,656,450	25,413,624
Funded status - surplus (deficit)	(2,884,546)	(3,317,253)
Unamortized amounts	2,409,471	3,141,352
Accrued benefit liability	(475,075)	(175,901)
<i>Significant assumptions used</i>		
Discount rate	6.25%	6.75%
Expected long-term rate of return on plan assets	6.00%	6.50%
Rate of compensation increase	3.50%	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, 2010

10. ACCRUED PENSION BENEFITS (Continued)

	2010	2009
	\$	\$
<i>Net benefit expense for the year</i>		
Current service cost	1,039,953	1,128,820
Interest cost	1,776,067	1,667,226
Amortization of losses	217,527	411,152
Liability increase due to flexible contributions	23,337	19,703
Employee contributions	(501,319)	(482,082)
Expected return on plan assets	(1,574,575)	(1,305,884)
Net benefit expense	980,990	1,438,935

11. EMPLOYEE FUTURE BENEFITS

Both the City and the Commission provide post-retirement health and life benefits to their retired employees. The actuarial valuation of the plan completed as at December 31, 2008, extrapolated to December 31, 2010 is presented below.

	2010			2009
	City	Commission	Total	Total
	\$	\$	\$	\$
<i>Accrued benefit obligation</i>				
Balance, beginning of year	82,776,600	7,225,452	90,002,052	83,802,978
Current service cost	3,353,600	215,143	3,568,743	3,306,572
Interest cost	4,176,500	389,787	4,566,287	4,228,619
Estimated claims and expenses	(1,846,100)	(229,429)	(2,075,529)	(1,769,375)
Gain on benefits obligation	-	-	-	433,258
Balance, end of year	88,460,600	7,600,953	96,061,553	90,002,052
Funded status - deficit	88,460,600	7,600,953	96,061,553	90,002,052
Unamortized amounts	(10,972,500)	(1,377,429)	(12,349,929)	(14,080,315)
Accrued benefit liability	77,488,100	6,223,524	83,711,624	75,921,737

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

11. EMPLOYEE FUTURE BENEFITS (Continued)

	2010		2009	
	City	Commission	Total	Total
<i>Significant assumptions used</i>				
Discount rate	5.00%	5.00%		
Average remaining service period of active employees	12 years	14.4 years		
	\$	\$	\$	\$
<i>Net benefit expense for the year</i>				
Current service cost	3,353,600	215,143	3,568,743	3,306,572
Amortization of actuarial gains/losses	1,607,900	122,488	1,730,388	1,700,298
Interest cost	4,176,500	389,787	4,566,287	4,228,619
Net benefit expense	9,138,000	727,418	9,865,418	9,235,489

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

12. ACCUMULATED SURPLUS

	2010	2009
	\$	\$
Accumulated surplus, beginning of year	555,266,103	503,792,480
Excess of revenues over expenditures	41,979,111	51,473,623
Accumulated surplus, end of year	597,245,214	555,266,103
Appropriated surplus		
Sinking fund - reserve for retirement of debentures	73,424,249	62,490,598
Reserve for Shoal Bay treatment plant	224,080	179,260
Reserve for landfill capital improvements	7,863,587	7,863,587
Urban living non-profit housing - replacement reserve	875,402	708,560
Reserve for snow and ice management	2,000,000	2,000,000
Reserve for salt savings	1,372,746	779,012
Reserve for Civic Centre financing	1,557,156	1,017,094
Reserve for capital	2,774,680	1,828,116
Reserve for employee benefits stabilization fund	1,899,946	1,943,664
Reserve for Robin Hood Bay equipment replacement	850,741	-
Reserve for Robin Hood Bay post-closure costs (Note 16)	2,400,000	1,000,000
	95,242,587	79,809,891
Unappropriated surplus	502,002,627	475,456,212
	597,245,214	555,266,103

13. SUPPLEMENTARY CASH FLOW INFORMATION

	2010	2009
	\$	\$
Change in non-cash operating working capital:		
Accounts receivable	5,366,721	3,828,109
Inventory of material and supplies	(129,031)	(174,993)
Prepaid expenditures	104,786	(331,047)
Payables and accruals	(3,117,583)	2,746,287
Deferred credits	(360,480)	(420,560)
	1,864,413	5,647,796

CITY OF ST. JOHN'S

Notes to the Consolidated Financial Statements

December 31, 2010

14. CREDIT FACILITIES

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

- Demand facilities with the Royal Bank totalling \$14,500,000 (2009 - \$14,500,000), bearing interest on advances at Royal Bank prime rate minus 0.5% (2009 – Royal Bank prime rate minus 0.5%). Drawings on the facility at December 31, 2010 were \$11,490,127 (2009 - \$10,243,480)
- Demand facilities with the Royal Bank totalling \$49,560,000 for the purpose of capital financing (2009 - \$34,560,000), bearing interest on advances at Royal Bank prime rate minus 0.75% (2009 – Royal Bank prime rate minus 0.75%). Drawings on this facility at December 31, 2010 were \$39,000,000 (2009 - \$24,000,000).
- Line of credit in the amount of \$15,000,000 (2009 - \$7,500,000), bearing interest on advances at Royal Bank prime rate minus 0.60% (2009 – Royal Bank prime rate minus 0.60%), of which \$4,633,500 (2009 - \$4,905,000) was used as at December 31, 2010, and maturing January 16, 2009 and subsequently renewed with an interest rate of 2.2% maturing February 27, 2012.

15. CONTINGENCIES AND COMMITMENTS

Expropriation and other claims

The City has received notices of claims totalling approximately \$2,388,060. 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.

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:

	\$
2011	2,888,885
2012	2,410,821
2013	1,576,486
2014	526,450
2015	476,280

At December 31, 2010, the St. John's Transportation Commission has a commitment totalling \$407,125 for the purchase of one bus.

CITY OF ST. JOHN'S
Notes to the Consolidated Financial Statements
December 31, 2010

15. CONTINGENCIES AND COMMITMENTS (Continued)

Greenbelt Tennis Club

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

16. ROBIN HOOD BAY CLOSURE AND POST-CLOSURE COSTS

The liability for closure and post-closure care of the Robin Hood Bay landfill is recognized as the landfill site's capacity is used. Closure costs include the final cover and landscaping while post-closure costs include cap maintenance, groundwater and leachate monitoring, continued gas management operations, inspections and annual reports. The liability recognized in the financial statement is subject to measurement uncertainty. The recognized amounts are based on the City's best information and judgement. Amounts could materially change in the long term.

Estimated closure and post-closure costs over the next 38 years	\$47,000,000
Discount rate	5%
Discounted cost	\$7,360,452
Expected year capacity will be reached	2049
Percent utilized	5%
Liability based on the percentage utilized	\$368,023

The tipping fees charged by the City to all users, including the City itself, other municipalities and commercial users include a provision for closure and post-closure costs which is contributed to an interest-bearing reserve to accumulate the funds that will be required at each closure and post-closure phase. The balance in the reserve at December 31, 2010 was \$ 2,400,000.

17. SUBSEQUENT EVENT

On August 11, 2011 the City sold a \$70,000,000 20 year Sinking Fund bond issue at an interest rate of 4.622%. This issue replaced the demand facilities disclosed in Note 14 to the Consolidated Financial Statements as well as accounts payable associated with capital expenditures.

CITY OF ST. JOHN'S

Schedule 1

Consolidated Schedule of Tangible Capital Assets

Year Ended December 31, 2010

	Land	Buildings & Permanent Improvements	Roads & Underground Networks	Equipment, Vehicles & Moveable Plant	Fire Department Buildings & Equipment	Work in Process	Urban Living Non-profit Housing Buildings	2010 Totals
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	48,017,519	233,065,183	552,608,119	140,453,619	19,071,925	77,976,308	27,209,002	1,098,401,675
Add: Additions during the year	474,556	10,141,543	43,556,148	22,792,692	594,045	89,504,070	3,713,836	170,776,890
Less: Disposals during the year	-	-	-	(2,827,475)	-	-	-	(2,827,475)
Adjustments	-	(33,813)	(82,547)	(854,959)	-	(80,542,214)	-	(81,513,533)
Balance, end of year	48,492,075	243,172,913	596,081,720	159,563,877	19,665,970	86,938,164	30,922,838	1,184,837,557
Accumulated amortization								
Balance, beginning of year	-	41,094,458	134,213,953	55,112,399	5,543,097	-	14,067,077	250,030,984
Add: Additions during the year	-	5,964,662	9,849,055	8,370,353	603,385	-	704,097	25,491,552
Less: Disposals during the year	-	-	-	(2,748,476)	-	-	-	(2,748,476)
Adjustments	-	890,548	-	(890,548)	-	-	-	-
Balance, end of year	-	47,949,668	144,063,008	59,843,728	6,146,482	-	14,771,174	272,774,060
Net book value of tangible capital assets	48,492,075	195,223,245	452,018,712	99,720,149	13,519,488	86,938,164	16,151,664	912,063,497

CITY OF ST. JOHN'S
Consolidated Schedule of Debenture Debt
December 31, 2010

Schedule 2

Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	2010		2009	
				Sinking Funds Available	Sinking Fund Requirement in 2011	Sinking Funds Available	Sinking Fund Requirement in 2010
		\$	\$	\$	\$	\$	\$
Dec. 2009	10.500%	7,000,000	-	-	-	60,779	-
Nov. 2011	6.150%	9,012,000	9,012,000	8,320,748	710,000	7,304,520	710,000
June 2012	10.875%	14,000,000	11,000,000	10,979,367	350,000	9,943,089	350,000
Sept. 2013	9.160%	9,000,000	6,000,000	5,358,748	225,000	4,675,926	225,000
Oct. 2015	9.400%	5,000,000	5,000,000	3,757,987	125,000	3,429,467	125,000
Dec. 2020	6.840%	7,000,000	7,000,000	3,493,708	175,000	3,138,616	175,000
Dec. 2021	7.380%	15,000,000	15,000,000	6,088,784	375,000	5,269,888	375,000
Apr. 2022	7.250%	16,500,000	16,500,000	4,706,871	412,500	4,049,561	412,500
Feb. 2023	6.680%	11,000,000	11,000,000	3,842,809	275,000	3,218,019	275,000
Feb. 2024	6.162%	25,000,000	25,000,000	6,547,853	625,000	5,373,785	625,000
June 2025	5.534%	18,000,000	18,000,000	3,995,308	450,000	3,193,089	450,000
Mar. 2026	5.300%	25,000,000	25,000,000	4,131,640	625,000	3,137,987	625,000
Dec. 2026	4.975%	35,000,000	35,000,000	10,274,312	875,000	8,881,914	875,000
Dec. 2027	5.400%	15,000,000	15,000,000	1,238,234	375,000	813,958	375,000
Nov. 2029	5.539%	27,000,000	27,000,000	687,880	675,000	-	675,000
		238,512,000	225,512,000	73,424,249	6,272,500	62,490,598	6,272,500

For the debenture debt that matures in 2021, 2023, 2024, 2025, and 2026, there are debt recoverable charges from the Province of Newfoundland and Labrador of \$2,975,892, \$4,605,297, \$7,157,177, \$6,350,096 and \$11,469,620 respectively, for a total of \$32,558,082.

CITY OF ST. JOHN'S
Consolidated Schedule of Long-Term Debt
December 31, 2010

Schedule 3

				2010		2009	
	Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	Principal Requirement in 2011	Amount Outstanding	Principal Requirement in 2010
			\$	\$	\$	\$	\$
Canada Mortgage and Housing Corporation							
Virginia Park trunk sewer	Apr. 2013	7.500%	104,408	21,841	6,752	28,113	6,272
Virginia Park trunk sewer	Mar. 2014	7.875%	157,908	43,972	9,754	53,001	9,029
Rennies River trunk sewer	Oct. 2015	10.375%	1,011,991	408,854	66,116	468,610	59,756
Rennies River trunk sewer	Oct. 2017	9.750%	681,350	338,959	35,742	371,454	32,496
Wedgewood Park water and sewer	Jan. 2017	7.875%	12,410	5,430	608	5,993	563
Federation of Canadian Municipalities							
Harbour Sewage Treatment Plant	Aug. 2015	2.450%	15,000,000	7,500,000	1,500,000	9,000,000	1,500,000
Harbour Sewage Treatment Plant	Dec. 2015	2.660%	5,000,000	2,500,000	500,000	3,000,000	500,000
Newfoundland Municipal Financing Corporation							
1991 Studies	May 2010	10.875%	201,165	-	-	13,037	13,037
1998 Bridge Rehabilitation	Sept. 2010	8.125%	189,044	-	-	26,358	26,358
1998 St. John's Rec. Centre	Sept. 2010	8.125%	60,361	-	-	8,416	8,416
Fire Equipment	Sept. 2011	7.750%	90,895	12,498	12,498	24,080	11,583
1991 Studies B	Feb. 2011	9.750%	46,373	2,835	2,835	8,117	5,282
Higgins Line 1997	June 2013	7.375%	484,764	121,172	45,854	163,823	42,650
1997 Harbour Cleanup	Jan. 2014	7.500%	1,464,499	497,598	129,341	617,758	120,160
2001 Harbour Cleanup	Feb. 2014	7.500%	1,448,983	492,326	127,971	611,213	118,887
Higgins Line 2001	Dec. 2014	8.375%	574,858	227,185	50,009	273,255	46,070
Mile One Stadium	Sept. 2016	7.750%	19,006,737	10,233,809	1,398,542	11,529,954	1,296,145
			45,535,746	22,406,479	3,886,022	26,203,182	3,796,704

For the long-term debt that matures from 2011 to 2016, there are debt recoverable charges from the Province of Newfoundland and Labrador of \$11,587,424 and a debt recoverable charges from the Government of Canada of \$373,906, for a total of \$11,961,330.

CITY OF ST. JOHN'S
Consolidated Schedule of Mortgages - Urban Living
Non-Profit Housing
December 31, 2010

Schedule 4

			2010		2009
	Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	Amount Outstanding
			\$	\$	\$
Newfoundland & Labrador Housing Corporation					
Hamlyn Road	Aug. 1, 2022	2.140%	2,207,290	1,249,930	1,343,302
Infill 1987	Apr. 1, 2023	2.140%	2,070,285	1,225,842	1,311,827
Gear Street - Infill 1988	Sept. 1, 2025	2.140%	1,929,560	1,280,812	1,353,935
Brookfield Road	Dec. 1, 2025	2.140%	2,203,600	1,470,850	1,553,193
Cochrane Street	Nov. 1, 2026	4.630%	745,887	426,528	451,191
Infill 1990	Nov. 1, 2026	4.160%	1,628,008	1,079,504	1,126,551
Campbell Avenue	Feb. 1, 2028	3.900%	968,952	690,280	718,085
Infill 1992	Dec. 1, 2028	2.140%	1,682,553	1,064,110	1,112,103
Canada Mortgage and Housing Corporation					
Forest Road	Jan. 1, 2018	3.900%	1,647,890	671,051	749,157
Cuckholds Cove Road	Apr. 1, 2018	3.160%	804,200	331,979	370,534
Infill 1982	July 1, 2018	3.090%	651,550	280,287	312,620
Rawlins Cross	Dec. 1, 2018	2.860%	1,249,485	557,388	618,585
Hamilton Avenue - Riverhead Towers	Feb. 1, 2019	1.810%	3,736,230	1,647,816	1,832,845
Fahey's Row - Infill 1983	May 1, 2019	2.610%	962,163	465,081	513,583
Alexander Street - Hamilton Avenue	June 1, 2019	2.610%	1,920,998	931,621	1,027,725
Carnell Street - Larkin Square	Jan. 1, 2020	2.650%	1,910,065	984,419	1,078,159
Goodview Street - Carter's Hill	Jan. 1, 2020	2.760%	1,406,630	734,119	802,259
Infill 1985	Apr. 1, 2021	4.590%	880,530	492,451	528,958
Carter's Hill - Sebastian Court	Aug. 1, 2021	4.260%	2,031,175	1,162,119	1,246,624
			30,637,051	16,746,187	18,051,236
Current portion				1,350,054	1,305,049

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 Revenues
Year Ended December 31, 2010

Schedule 5

	2010	2009
	\$	\$
Taxation		
Real property	92,601,279	81,612,144
Water	27,387,323	24,540,266
Business	24,893,457	21,704,206
Utility	6,182,312	5,346,380
Accommodation	2,128,064	2,055,845
	153,192,435	135,258,841
Grants in lieu of taxes		
Government of Canada	1,451,153	1,415,143
Government of Canada agencies	532,079	520,840
Water tax grant	2,109,666	1,712,033
Government of Newfoundland agencies	97,087	91,461
	4,189,985	3,739,477
Grants and transfers		
Government of Canada		
Capital grant	74,380	70,932
St. John's Transportation Commission	56,931	-
Gas tax rebate	4,182,852	4,474,773
Government of Newfoundland & Labrador		
Municipal operating grant	3,101,298	3,508,936
Municipal capital grant	24,042,158	41,952,236
Capital Grant - Non-Profit Housing	4,347,513	-
Recovery of debt charges	3,139,278	3,390,197
Rental housing projects	927,943	1,393,535
City of Mount Pearl & Town of Paradise		
Capital contribution	1,970,162	4,691,748
City of Mount Pearl public transit contribution	576,405	695,524
Other capital grants	923,937	2,639,911
Real Program Grants / ACOA	958,561	569,433
	44,301,418	63,387,225
Sales of goods and services		
Environmental health services		
Water sales - commercial and shipping	5,352,241	5,434,004
Tipping fees	6,629,355	5,579,242
Recycling materials	74,445	-
Regional Fire recovery	5,113,077	5,067,696

CITY OF ST. JOHN'S
Consolidated Schedule of Revenue
Year Ended December 31, 2010

Schedule 5 (continued)

	2010	2009
	\$	\$
Sales of goods and services (continued)		
Environmental health services (continued)		
Regional Water recovery	3,195,756	2,723,298
Regional Waste Water recovery	356,549	121,286
Other	183,566	126,050
General government services	388,150	458,875
Transportation services		
Parking meters	1,420,428	1,395,698
Parking permits	231,367	225,772
Other	15,008	26,202
Third party charges	424,804	-
Sale of land	357,409	196,458
Gain on disposal of equipment	32,588	239,672
Recreation, parks and tourism	1,265,124	1,273,996
St. John's Sports & Entertainment Ltd.	5,553,254	5,352,121
Railway Coastal Museum	306,697	318,664
Other general services	1,142,872	170,086
	32,042,690	28,709,120
Other revenue from own sources		
Interest on tax arrears	1,652,431	1,296,136
Interest earned on portfolio investments	3,301,990	3,123,230
Interest savings, Green Municipal Infrastructure Fund	360,480	420,560
Fines	1,830,841	1,841,641
Construction and other permits	4,449,607	2,861,054
Interest earned	109,317	28,397
Business and amusement licenses	142,192	126,645
Rents, concessions and franchises	33,685	41,243
Apartment rentals	2,683,305	2,585,767
St. John's Transportation Commission		
Passenger fares	4,670,766	5,526,784
Charters	69,522	68,968
Transit advertising	311,305	311,857
Sundry	58,914	53,339
Civic assessments	321,314	415,569
Sub - division assessments	418,134	295,500
	20,413,803	18,996,690
Total revenue	254,140,331	250,091,353

CITY OF ST. JOHN'S
Consolidated Schedule of Expenditure
Year Ended December 31, 2010

Schedule 6

	2010	2009
	\$	\$
General government services		
Legislative	895,872	979,171
General government	18,535,431	16,795,730
Engineering services	5,869,908	4,522,997
Pensions and employee benefits	3,702,345	2,634,641
Employee future benefits	10,357,181	11,962,681
Other general government	586,734	804,409
	39,947,471	37,699,629
Fiscal services		
Debenture debt charges		
Interest	14,077,031	13,068,694
Amortization	12,420	18,709
Long-term debt interest	1,790,479	1,995,582
Non-Profit Housing mortgage interest	495,836	603,618
St. John's Transportation Commission interest	81,887	60,984
Interest on temporary bank loans	506,014	340,730
Other debt charges	33,795	152,613
	16,997,462	16,240,930
Transportation services		
Road transport		
Administration	2,832,731	2,680,039
Fleet services	(118,475)	696,471
Snow clearing	11,199,747	11,461,587
Streets, roads and sidewalks	4,293,544	4,654,719
Maintenance depot	1,443,359	1,302,261
Traffic services	1,318,977	1,285,962
Street cleaning	158,070	122,894
Street lighting	3,765,755	3,622,429
St. John's Transportation Commission	13,531,592	14,076,385
St. John's Para-Transit System	1,431,223	1,302,831
Parking meters	72,930	85,043
	39,929,453	41,290,621

CITY OF ST. JOHN'S
Consolidated Schedule of Expenditures
Year Ended December 31, 2010

Schedule 6 (continued)

	2010	2009
	\$	\$
Protective services		
Fire protection	21,587,462	20,962,416
Protective inspections	3,438,896	3,058,802
Traffic enforcement	2,233,702	2,185,986
Animal and pest control	964,460	935,746
	28,224,520	27,142,950
Environmental health services		
Water supply and distribution	12,487,572	11,919,249
Regional Water system	4,207,135	4,396,562
Regional Waste Water system	2,286,750	879,912
Regional Robin Hood Bay Landfill	6,716,319	5,851,379
Garbage, waste collection and disposal	3,344,330	2,672,497
Sewage collection and disposal	501,489	582,445
	29,543,595	26,302,044
Recreation and cultural services		
Parks and open spaces	8,497,750	6,232,437
Recreation	6,997,337	6,441,829
St. John's Sports & Entertainment Ltd.	6,109,265	6,103,485
Railway Coastal Museum	452,778	533,402
Destination St. John's	938,652	880,436
Other recreation and cultural services	2,181,560	2,023,191
	25,177,342	22,214,780
Environmental development services		
Environmental planning and zoning	1,156,569	1,097,307
Housing and real estate	2,161,679	2,229,973
Other environmental development services	1,784,680	1,620,367
	5,102,928	4,947,647
Amortization and allowances		
Allowance for uncollectible accounts	1,629,499	656,419
Allowance for obsolete inventory	117,398	29,952
Amortization	25,491,552	22,092,758
	27,238,449	22,779,129
Total expenditures	212,161,220	198,617,730