

**CONSOLIDATED FINANCIAL STATEMENTS**  
**2014**

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## **INTRODUCTION**

These documents comprise the City of St. John's financial reporting for the fiscal year ended December 31, 2014.

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 2014 and its financial position at December 31, 2014.

# **FINANCIAL STATEMENT DISCUSSION AND ANALYSIS**

**YEAR ENDED DECEMBER 31, 2014**

## INTRODUCTION & NATURE OF OPERATIONS

I am pleased to present the City of St. John's (the "City") 2014 Annual Financial Report, which has been prepared by the management of the City. This report for 2014 demonstrates a continued commitment towards fiscal responsibility in accordance with the City's 2015-2018 Strategic Plan. The City firmly believes in transparency and accountability to its citizens.

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

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 core operating departments, as well as other segmented operations including the:

- St. John's Transportation Commission,
- City of St. John's Sinking Funds,
- City of St. John's Non-Profit Housing Fund,
- St. John's Sports & Entertainment Ltd., and
- Railway Coastal Museum.

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.

The City's Sinking Fund contains the principal payments on the City's debenture 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 the debentures 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 located throughout the City. The properties were financed and constructed in conjunction with the federal and provincial governments, 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.

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 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.

The Railway Coastal Museum is operated by the Newfoundland Railway Coastal Museum Foundation Inc. The Foundation is a registered charity effectively controlled by the City of St. John's as the Chair and three members of the seven member Board of Directors are appointed by the City. The remaining three members are appointed by the C.N. Pensioners Association. The Foundation owns the former C.N. Railway Station in St. John's and adjacent property and operates a museum on site. The City rents the upper storeys of the former station building.

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 Supply System, the St. John's Wastewater System, and the 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. 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. Costs billed to users of the services 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. In 2014, the City recorded consolidated revenues of \$341.4 million (2013 - \$300.9 million), an increase of 13.5% over 2013. Consolidated expenditures totalled \$283 million in 2014 (2013 - \$282.4 million), resulting in an increase in accumulated surplus of \$58.4 million.

Details of the types of revenue making up the broad categories shown in the Consolidated Statement of Operations and Accumulated Surplus can be found in Schedule 5, beginning on Page 29 of the Consolidated Financial Statements.

<b>CONSOLIDATED REVENUES FOR THE YEAR ENDED DECEMBER 31, 2014</b>	<b>Actual 2014</b>	<b>Actual 2013</b>	<b>Change</b>
Taxation	\$ 182,257,671	\$ 179,826,270	\$ 2,431,401
Grants in lieu of taxes	9,304,382	7,578,918	1,725,464
Grants and transfers	73,121,133	44,896,263	28,224,870
Sales of goods and services	50,779,298	45,605,380	5,173,918
Other revenue from own sources	25,973,929	22,957,800	3,016,129
	<b>\$ 341,436,413</b>	<b>\$ 300,864,631</b>	<b>\$ 40,571,782</b>

Overall revenues increased by \$40.6 million over 2013 driven largely by an increase in grants and transfers of \$28.2 million. Grants and transfers consists of two main items. The first is grants from other governments primarily for capital expenditures rather than operating expenditures. These tend to rise and fall dependent on the level of capital work undertaken. The second is transfers of infrastructure to the City by the developers

of both residential and commercial subdivisions. This includes in-ground infrastructure such as water and sewer pipes, the land in which the infrastructure is built, and the streets and sidewalks constructed on the land. The former increased by \$11.5 million with the latter rising by \$19.3 million.

Sales of goods and services is a revenue category that takes in such things as commercial water sales, cost recoveries from other municipalities for regional services, as well as the consolidation of revenues from St. John's Sports & Entertainment Ltd. (Mile One Centre and the St. John's Convention Centre) and the Railway Coastal Museum. The major increases here were on recoveries from regional partners of \$2 million and higher revenues at SJSEL of \$727,000.

"Other revenue from own sources" is a category of revenue derived from direct City operations. This increased by \$3 million mostly due to an increase in construction and other permits of \$2 million and interest revenue of another \$1 million.

Other revenue highlights include:

- Growth in the assessment roll was the main reason for an increase in taxation revenue of \$2.4 million.
- Grants in lieu of taxes increased by \$1.7 million due to the opening of a new Federal government property

Consolidated expenditures totalled \$283 million in 2014, an increase of \$600,000 over the 2013 total of \$282.4 million. There was a tepid rise in expenditures across the board with the exception of lower amortization and allowances which decreased by \$11.6 million attributable to a change in accounting estimate which occurred in 2013.

Details of the expenditures making up the broad categories shown in the Consolidated Statement of Operations and Accumulated Surplus can be found in Schedule 6, beginning on Page 31 of the Consolidated Financial Statements.



<b>CONSOLIDATED EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2014</b>	<b>Actual 2014</b>	<b>Actual 2013</b>	<b>Change</b>
General government services	\$ 50,708,440	\$ 49,424,119	\$ 1,284,321
Fiscal services	18,618,248	17,281,554	1,336,694
Transportation services	56,229,553	54,066,890	2,162,663
Protective services	33,828,465	31,057,795	2,770,670
Environmental health services	44,546,450	40,772,591	3,773,859
Recreation and cultural services	29,652,638	29,558,415	94,223
Environmental development services	6,474,935	5,730,594	744,341
Amortization and allowances	42,933,553	54,516,801	(11,583,248)
	\$ 282,992,282	\$ 282,408,759	\$ 583,523

General government services include the cost of the Mayor and Councillors' offices, general administrative support services, as well as maintenance of City buildings. The cost increase within this category is associated with the reassignment of functions from other divisions as well as a general increase in administrative costs. This was partially offset by a decrease in pension and employee benefits expense of \$2.4 million.

Transportation services include road transport, street lighting, the St. John's Transportation Commission, Accessible Transit System, and parking meters. The increased cost of approximately \$2.1 million is largely attributable to snow clearing and streets maintenance costs.

Protective services increased by \$2.8 million and consist mainly of the City's share of the cost of the St. John's Regional Fire Department. This one item accounted for \$2.4 million of the increase.

Environmental Health Services is a category that takes in water and wastewater treatment and delivery as well as garbage collection and disposal. Water supply and distribution costs have increased due to the continuous expansion of the area being serviced within the regional water supply and the City. The costs of operating the landfill also increased for much the same reason. These two services accounted for \$3.4 million of the total \$3.8 million increase in this category.

Recreation and cultural services increased by \$94,000 compared to 2013. This category takes in the operations of the City's Recreation Department, the Parks Division

of the Public Works, the operations of St. John's Sports & Entertainment Ltd. as well as other recreational and cultural services. It should be noted that the expenditures for St. John's Sports & Entertainment Ltd., which increased by \$580,000, cover all the operating expenses for that organization for the year, just as all the revenue for St. John's Sports & Entertainment Ltd. is shown under revenues in Schedule 5 under "Sales of goods and services".

Amortization and allowances include provisions for uncollectible accounts, provision for obsolete inventory, loss on disposal of tangible capital assets and amortization. As noted above, amortization decreased in 2014. This is primarily attributable to a restatement which occurred in 2013 which significantly increased amortization for that year. Schedule 1 of the Consolidated Financial Statements provide more details on the City's tangible assets.

## **COMPARISON TO BUDGET**

Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada require that the City provide a comparison of the actual and budgeted financial results of the City's management of its economic resources, obligations and financial affairs. However, while the City's consolidated financial statements are prepared on a full accrual basis in accordance with PSAS requirements, the City's budget is prepared on a cash basis in accordance with its governing legislation - *The City of St. John's Act*. PSAS requires that planned results, e.g. the City's budget, be presented for the same scope of activities and on a basis consistent with that used for actual results. Accordingly on page 34 of the financial statements a reconciliation of the major variances between cash and accrual accounting is provided and shown below.

**CITY OF ST. JOHN'S**  
**CASH BASIS STATEMENT OF REVENUES & EXPENDITURES**

		Budget 2014	Actual 2014	Change
REVENUES	Taxation	\$ 205,724,601	\$ 190,577,408	\$ (15,147,193)
	Grants other Governments	26,794,275	27,378,584	584,309
	Grants in lieu of taxes	5,735,000	9,304,382	3,569,382
	Sales of goods and services	19,366,516	36,869,540	17,503,024
	Other revenue own sources	10,471,508	14,775,905	4,304,397
	Other transfers/assessments	4,194,778	3,293,426	(901,352)
		<u>\$ 272,286,678</u>	<u>\$ 282,199,245</u>	<u>\$ 9,912,567</u>
EXPENDITURES	General government services	\$ 40,923,215	\$ 33,686,873	\$ (7,236,342)
	Protective services	29,679,819	30,125,183	445,364
	Transportation services	51,487,272	51,841,553	354,281
	Environmental health services	71,094,353	68,947,621	(2,146,732)
	Environmental development services	11,123,579	13,584,700	2,461,121
	Recreation and cultural services	19,886,206	19,745,651	(140,555)
	Fiscal services	31,127,282	30,789,794	(337,488)
	Transfers to reserves and other funds	16,964,952	28,810,949	11,845,997
		<u>\$ 272,286,678</u>	<u>\$ 277,532,324</u>	<u>\$ 5,245,646</u>
		<u>\$ -</u>	<u>\$ 4,666,921</u>	<u>\$ 4,666,921</u>

This shows the city's budget had a net operating surplus of \$4.67 million for fiscal 2014. As noted earlier, the increase in revenues is attributable to grants in lieu from the Federal government, higher than expected construction permits, as well as higher than expected revenue billings for regional services.

From a cash expenditure perspective the major variance is on the transfers to reserves and funds which is largely driven by an increasing contribution to capital and provision for allowances.

## **REGIONAL SERVICES**

In addition to providing services to its own taxpayers, The City of St. John's also provides a number of services to neighbouring municipalities. These services are shared and governed either through Provincial legislation or mutual agreement. The services provided include the treatment and supply of water, treatment and disposition of wastewater, fire protection, public transit and solid waste management. Separate audited financial statements are prepared for each regional service however all

revenues and expenses of the regional services are included in the City's audited consolidated financial statements.

### **Regional Water**

In addition to water reservoirs and treatment plants at Windsor Lake and Petty Harbour-Long Pond which serve only the City of St. John's, the City owns and operates the reservoir and water treatment plant at Bay Bulls Big Pond which provides water to the City of Mount Pearl and the Towns of Paradise, Portugal Cove-St. Philips and Conception Bay South, as well as the western portion of St. John's. Operating costs are billed out to the participating municipalities on a full cost recovery basis.

### **Regional Fire Services**

The St. John's Regional Fire Department is responsible for fire protection services in St. John's, Mount Pearl, Paradise and Petty Harbour-Maddox Cove. In addition, the Fire Department has agreements in place to respond to fire events as requested by officials in other neighbouring municipalities. For this service these municipalities pay an annual retainer and hourly-based fees for any services actually required.

### **Public Transit**

Public Transit is not strictly a regional service under the same criteria as the other services described herein. The St. John's Transportation Commission, operating as Metrobus, is responsible only to the City of St. John's but does provide a limited service on a fee-for-service basis to the City of Mount Pearl. Similar arrangements apply to the City's Accessible Transit Service with each participating municipality, as well as Provincial government agencies, paying for their own services provided on a negotiated basis with the contracted service provider, MVT Canadian Bus, Inc.

### **Wastewater**

The City of St. John's, the City of Mount Pearl, and the Town of Paradise participated in the capital and participate in the operating costs of the Riverhead Sewage Treatment Plant. The net operating costs are allocated annually to each municipality in accordance with the metered flows attributed to each.

### **Solid Waste Management**

The City has owned and operated the Robin Hood Bay Waste Management Facility for many years. The operation provides a waste disposal service for the City, surrounding

municipalities and commercial operations. In 2007 the Provincial government decided that Robin Hood Bay would be the solid waste management facility for the entire Avalon Peninsula, and possibly some adjacent areas. Working with the Eastern Regional Services Board (operating as Eastern Waste Management) the City operates the Robin Hood Bay facility on a full cost recovery basis with surpluses or deficits carried forward into the calculation of the per ton tipping fees charged for waste disposal. The Robin Hood Bay facility continues to be owned and operated by the City and the City has 50% of the positions on the Board of Directors of the Eastern Regional Services Board.

## **STATEMENT OF 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, 2014, on a comparative basis to the restated results for 2013. 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 \$58.4 million in 2014. This increase in surplus is primarily attributable to the capital contributions from other levels of government and from developers, which must be recorded as revenue in the year received. As previously discussed, additional operating revenues were generated by increases in sales of goods and services and grants and transfers.

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 significant variances in operating expenditures and revenue levels from year to year. In 2014, the City's reserve balances increased overall by approximately \$18 million from the previous year. The sinking fund reserve for retirement of debentures accounted for the largest amount under reserve, which increased by \$13.7 million in 2014.

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 \$36.3 million at December 31, 2014 compared to 2013. This is largely attributable to the significant amount of capital work being undertaken by the City. As the City's cash inflows are cyclical given the nature of tax billings, this low end of year balance is not unexpected. To manage a reduction in cash balances the City has lines of credit in place to facilitate capital construction costs until the expenditures are formally termed out through bond issuances.

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 as well as the replacement reserve fund for urban living non-profit housing fund increased by a combined \$8.5 million as amounts previously held as short-term investments were converted back to cash.

#### **Accounts Receivable**

The current portion of accounts receivable increased by \$8.8 million in 2014 over 2013 due primarily to receivables from other governments, the vast majority of which consists of capital costs incurred under cost-sharing programs which saw the expenditures incurred late in 2014.

Accounts receivable – long term consists mainly 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 \$5.8 million as the Provincial Government continue to pay 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 \$13.7 million in 2014 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.

The funds 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 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. The substantial increase of \$7.66 million at year end is mainly attributable to capital works projects paid or refinanced subsequent to year end. An increase in deposits of \$2 million is the increase in accumulated surplus from the operation of the regional landfill.

#### 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 stood at \$329.5 million as at December 31, 2014 (see Schedule 2 to the consolidated financial statements). The annual requirements until 2019, relating to sinking funds (less debt charges recoverable from the Province of Newfoundland and Labrador), range from \$5.5 million down to \$4.5 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.

	2014	2013
	\$	\$
Debt outstanding	329,500,000	329,500,000
Less: debt charges recoverable from the Province of Newfoundland & Labrador	(19,567,206)	(23,332,708)
Less: portfolio investments (sinking funds) available	(97,214,142)	(83,480,438)
	212,718,652	222,686,854

The City is managing its debt prudently as indicated by its recent credit ratings. The City was first rated by two rating agencies in 2011; the first time the City had sought a formal credit rating. The ratings obtained were Aa2 Stable by Moody's and A+ Stable by Standard and Poors. These credit ratings enable the City to market its bonds to a larger market and provide us with better (lower) interest rates. These ratings were confirmed in

2014 and subsequently in 2015. Contributing factors in the favourable ratings include a positive economic environment and the financial planning tools and controls in place to ensure proper financial checks and balances exist and long term risks are managed.

### **Employee Benefits**

The City provides pension, sick leave, and severance pay benefit plans for qualifying employees. The cost of these plans is actuarially determined each year. These valuations are based on a number of assumptions which are determined through discussion between the City and its actuaries. Past experience and future economic and investment outlook are the key assumptions however there are others surrounding inflation, increase in salaries, retirement age, mortality, turnover, and sick leave use. Any variation between the assumptions and actual experience could materially impact the results of the plan.

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 plans provide benefits based on length of service and average annual income. The consolidated financial statements also incorporate the two pension plans in place for the St. John's Transportation Commission (see Note 9). The consolidated aggregate employee benefit obligation increased by \$10.1 million to \$176.9 million as at December 31, 2014. The largest amount, explained in more detail in Note 10, 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.

As disclosed in Note 9 to the Consolidated Financial Statements, a required triennial actuarial valuation of the City's employee pension plan was completed as of December 31, 2013. This is just one year after the previous valuation, however annual valuations are a condition placed on the City by the Provincial Director of Pension Standards in return for relief from the requirement to make special "solvency" payments to the City's Employee Pension Plan. The City continues to make special payments into the pension plan as calculated on the "going concern" basis. The actuarial valuation produced reported pension plan liabilities of \$317,354,300 versus plan assets of \$254,807,100,



leaving a going concern funding deficiency of \$62,547,200, down from the deficiency at December 31, 2013 of \$65,225,044. The primary reason for the significant decrease in pension fund liabilities is good investment returns in 2014. As well, during 2014 the employees' share of contributions to the pension fund increased from 7.5% to 8.1%. The overall liabilities in the plan continue to reflect, low interest rates, which boost actuarial liabilities, new mortality tables which reflect the fact that people are living longer, and plan provisions which allow for early retirement with unreduced pensions.

Subsequent to December 31<sup>st</sup> 2014 the City finalized a pension plan valuation for said date. This resulted in a special payment of \$9.4 million, up from \$8.1 million in 2014. As disclosed in Note 9 effective January 1, 2015 membership to the defined benefit plan is effectively closed with new employees becoming members of a defined contribution plan. This will aid in minimizing the downside risk of the defined benefit plan.

#### **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 75 years.

In 2014, the City made total capital investments of \$139.6 million under various projects. 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 \$1.25 billion as at December 31, 2014.

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

The City relies on borrowed funds to finance much 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 2014, the City's net debt increased by \$41.4 million (2013, increased by \$30.2 million). 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. The 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.

## **STATEMENT OF CASH FLOW**

The Consolidated Statement of Cash Flow summarizes changes in the City's cash position during the year by highlighting the primary 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, 2014 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, 2014, the City's cash position stood at \$1.5 million, a decrease of \$36.3 million from the previous year. The composition of cash on hand is set out in Note 2 to the consolidated financial statements and was discussed previously.

## **WHAT THE FINANCIAL STATEMENTS MEAN**

The City of St. John's prepares its annual consolidated financial 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 receivable;
- 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 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 taxpayers 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.

Derek Coffey, CPA, CA, MBA  
Acting Deputy City Manager, Financial Management

## **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 Chartered Professional Accountants of Canada.

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

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

The City's external auditors, Grant Thornton, 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.



Derek Coffey, CPA, CA, MBA  
Acting Deputy City Manager, Financial Management



## Consolidated Financial Statements

City of St. John's

December 31, 2014

**CITY OF ST. JOHN'S**  
December 31, 2014

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## Statement of Responsibility

The accompanying financial statements are the responsibility of the management of the City of St. John's (the "City") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

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

Prior to their submission to Council, the City's Audit Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP, as the City's appointed external auditors, has audited the financial statements. The auditor's report is addressed to the Mayor and Councillors and appears on the following page. 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 financial statements are free of material misstatement and present fairly the financial position and results of the City in accordance with Canadian public sector accounting standards.

Mayor

Deputy City Manager, Financial Management



## Independent auditors' 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, 2014, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 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, the consolidated financial statements present fairly, in all material respects, the financial position of the City of St. John's, as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

St. John's, Canada.  
November 9, 2015

# CITY OF ST. JOHN'S

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2014

	Budget 2014	Actual 2014	Actual 2013
	\$	\$	\$
	(Schedule 8)		
<b>Revenues (Schedule 5)</b>			
Taxation	184,922,590	182,257,671	179,826,270
Grants in lieu of taxes	5,735,000	9,304,382	7,578,918
Grants and transfers	73,676,540	73,121,133	44,896,263
Sales of goods and services	44,284,688	50,779,298	45,605,380
Other revenue from own sources	26,234,688	25,973,929	22,957,800
	334,853,506	341,436,413	300,864,631
<b>Expenditures (Schedule 6)</b>			
General government services	52,106,088	50,708,440	49,424,119
Fiscal services	19,154,599	18,618,248	17,281,554
Transportation services	58,352,051	56,229,553	54,066,890
Protective services	32,452,003	33,828,465	31,057,795
Environmental health services	46,664,957	44,546,450	40,772,591
Recreation and cultural services	28,402,923	29,652,638	29,558,415
Environmental development services	6,308,009	6,474,935	5,730,594
Amortization and allowances	41,626,826	42,933,553	54,516,801
	285,067,456	282,992,282	282,408,759
Excess of revenues over expenditures	49,786,050	58,444,131	18,455,872
Accumulated surplus, beginning of year	773,330,125	773,330,125	754,874,253
<b>Accumulated surplus, end of year (Note 12)</b>	<b>823,116,175</b>	<b>831,774,256</b>	<b>773,330,125</b>

See accompanying notes to the consolidated financial statements

**CITY OF ST. JOHN'S**  
**Consolidated Statement of Financial Position**  
As at December 31, 2014

	2014	2013
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	1,455,801	37,727,817
Short-term investments	-	9,107,000
Accounts receivable - current (Note 3)	64,090,145	55,250,451
Accounts receivable - long-term (Note 4)	24,847,102	30,599,614
Investment in rental housing projects	238,328	274,761
Portfolio investments (Sinking funds) (Note 12 and Schedule 2)	97,214,142	83,480,438
	<b>187,845,518</b>	<b>216,440,081</b>
<b>Financial liabilities</b>		
Payables and accruals (Note 5)	81,658,614	74,002,246
Employee benefits (Note 6)	176,930,052	166,814,140
Deferred credits	60,080	180,240
Debenture debt (Note 7 and Schedule 2)	329,500,000	329,500,000
Long-term debt (Note 8)	25,914,819	30,785,792
Trust funds payable	30,729	30,429
	<b>614,094,294</b>	<b>601,312,847</b>
<b>Net debt</b>	<b>(426,248,776)</b>	<b>(384,872,766)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	1,252,958,681	1,153,389,234
Inventory of materials and supplies	2,889,087	2,654,233
Prepaid expenditures	2,174,308	2,157,219
Unamortized bond discount	956	2,205
	<b>1,258,023,032</b>	<b>1,158,202,891</b>
<b>Accumulated surplus (Note 12)</b>	<b>831,774,256</b>	<b>773,330,125</b>

Contingencies and commitments (Note 15)

See accompanying notes to the consolidated financial statements

On behalf of Council

Mayor

Deputy City Manager, Financial Management

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

Year ended December 31, 2014

	Budget 2014	2014	2013
	\$	\$	\$
<b>Excess of revenues over expenditures</b>	<b>49,786,050</b>	<b>58,444,131</b>	<b>18,455,872</b>
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	(101,898,826)	(139,662,240)	(101,898,826)
Net book value of tangible capital assets disposals/adjustments	315,492	15,967	315,492
Amortization of tangible capital assets	40,076,826	40,076,826	53,410,240
<b>Increase in net book value of tangible capital assets</b>	<b>(61,506,508)</b>	<b>(99,569,447)</b>	<b>(48,173,094)</b>
<b>Changes in other non-financial assets</b>			
Change in prepaid expenditures and unamortized bond discounts	-	(15,840)	(728,181)
Acquisition of inventory and supplies, net of usage	-	(234,854)	281,944
<b>Increase in other non-financial assets</b>	<b>-</b>	<b>(250,694)</b>	<b>(446,237)</b>
<b>Increase in net debt</b>	<b>(11,720,458)</b>	<b>(41,376,010)</b>	<b>(30,163,459)</b>
<b>Net debt, beginning of year</b>	<b>(384,872,766)</b>	<b>(384,872,766)</b>	<b>(354,709,307)</b>
<b>Net debt, end of year</b>	<b>(396,593,224)</b>	<b>(426,248,776)</b>	<b>(384,872,766)</b>

See accompanying notes to the consolidated financial statements

**CITY OF ST. JOHN'S**  
**Consolidated Statement of Cash Flows**  
Year ended December 31, 2014

	2014	2013
	\$	\$
<b>Operating transactions</b>		
Excess of revenues over expenditures	58,444,131	18,455,872
Non-cash charges to operations:		
Amortization of tangible capital assets	40,076,826	53,410,240
Employee benefits	10,115,912	12,636,626
(Gain) loss on disposal of tangible capital assets	(7,519)	241,072
	108,629,350	84,743,810
Net change in other (Note 13)	(1,555,430)	(7,188,342)
	107,073,920	77,555,468
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(139,662,240)	(101,898,826)
Proceeds from sale of tangible capital assets	23,486	74,420
	(139,638,754)	(101,824,406)
<b>Financing transactions</b>		
Decrease in long-term accounts receivable	5,752,512	5,606,892
Proceeds from debenture debt	-	60,000,000
Proceeds from long-term debt	753,700	1,810,860
Repayment of debenture debt	-	(6,000,000)
Repayment of long-term debt	(5,624,673)	(5,612,983)
Other	1,250	2,847
	882,789	55,807,616
<b>Investing transactions</b>		
Increase in sinking fund investments	(13,733,704)	(6,203,340)
Decrease (increase) of short-term investments	9,107,000	(9,107,000)
Increase (decrease) in trust funds payable	300	(280,717)
Decrease in investment in rental housing projects	36,433	34,132
	(4,589,971)	(15,556,925)
(Decrease) increase in cash and cash equivalents	(36,272,016)	15,981,753
Cash and cash equivalents, beginning of year	37,727,817	21,746,064
<b>Cash and cash equivalents, end of year</b>	<b>1,455,801</b>	<b>37,727,817</b>

Supplementary cash flow information (Note 13)

See accompanying notes to the consolidated financial statements

# **CITY OF ST. JOHN'S**

## **Notes to the Consolidated Financial Statements**

**December 31, 2014**

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### **1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS") 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 revenue 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.

#### *Short-term investments*

Short-term investments consist of City bonds and are recorded at cost plus accumulated interest.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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

Buildings	45 years
Parking spaces - garage	50 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
Waste management facility and infrastructure	10-40 years
Transportation	
Roads	15-35 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.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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

*Assessments*

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

*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 accommodation tax. The accommodation tax, which was legislated effective January 1, 1999, represents a four 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 & Accrued Sick Leave Benefits*

The cost and obligation of severance and accrued non-vesting sick leave benefits earned by employees are actuarially determined using the projected accrued benefit method prorated on service and management's best estimate of assumptions of future service, future benefit usage, salary changes, and retirement ages of those employees.

The discount rate used for determining the benefit obligation is the City's cost of borrowing.

Past service costs resulting from changes to these benefits are recognized at the date of amendment.



**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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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 which is 15 years for the employee plan and 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 PSAS, 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. Items subject to management estimate include allowance for doubtful accounts, useful life of tangible capital assets, impairment of assets, employee future benefits, and closure and post-closure costs related to Robin Hood Bay Landfill. Actual results could differ from these estimates.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

**2. CASH AND CASH EQUIVALENTS**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash (bank indebtedness)	<b>(14,323,939)</b>	32,647,939
Restricted cash deposits:		
Accommodation tax	<b>1,915,391</b>	669,386
Public Transit Fund	-	24,590
Robin Hood Bay post closure costs (Note 16)	<b>6,808,671</b>	93,926
Robin Hood Bay equipment replacement	<b>3,185,284</b>	2,498,344
Convention Centre equipment replacement	<b>1,218,720</b>	912,261
Northeast Avalon Regional Plan	-	325,225
Riverhead waste/water equipment replacement	<b>703,082</b>	416,399
Advance payments from developers	<b>30,593</b>	30,428
Urban living non-profit housing:		
Tenants' security deposits	<b>106,781</b>	106,167
Replacement reserve fund	<b>1,811,218</b>	3,152
	<b>1,455,801</b>	37,727,817

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. As at December 31, 2014 the City held cash of \$1,811,218 (2013-\$3,152) and an investment in City bonds of \$nil (2013-\$1,518,000) for this reserve.

**3. ACCOUNTS RECEIVABLE – CURRENT**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Taxes	<b>17,949,113</b>	15,897,360
Other governments	<b>36,366,537</b>	29,099,529
Other	<b>9,774,495</b>	10,253,562
	<b>64,090,145</b>	55,250,451

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

**4. ACCOUNTS RECEIVABLE - LONG-TERM**

The Government of Canada, through CMHC, has agreed to pay grants to the City as a share of the cost of the Rennie's River trunk sewer. The Province of Newfoundland and Labrador has agreed to pay grants to the City as a share of the costs of water and sewer, street paving and reconstruction, and recreational facilities. These grants are payable by annual instalments and have maturity dates to December, 2026.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Government of Canada</b>		
Rennie's River trunk sewer	<b>136,100</b>	204,656
<b>Government of Newfoundland and Labrador</b>		
Water and sewer projects	<b>19,567,206</b>	23,332,708
Civic Centre	<b>3,941,112</b>	5,697,992
	<b>23,508,318</b>	29,030,700
<b>Other</b>		
Federation of Canadian Municipalities - interest grant	<b>60,080</b>	180,240
Civic assessments	<b>1,142,604</b>	1,184,018
	<b>1,202,684</b>	1,364,258
	<b>24,847,102</b>	30,599,614

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

	<b>Federal</b>	<b>Provincial</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
2015	75,697	5,658,058	5,733,755
2016	28,765	5,705,813	5,734,578
2017	31,638	3,535,491	3,567,129
2018	-	3,349,218	3,349,218
2019	-	2,588,221	2,588,221
Thereafter	-	2,671,517	2,671,517

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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**5. PAYABLES AND ACCRUALS**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade	<b>56,884,806</b>	51,204,900
Deposits and prepayments	<b>21,887,857</b>	19,912,119
Accrued interest	<b>2,703,664</b>	2,724,566
Other governments	<b>182,287</b>	160,661
	<b>81,658,614</b>	74,002,246

**6. EMPLOYEE BENEFITS**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Employee future benefits (Note 10)	<b>123,647,725</b>	112,353,626
Accrued pension benefits (Note 9)	<b>27,601,872</b>	29,593,398
Severance & sick leave benefits (Note 11)	<b>25,680,455</b>	24,867,116
	<b>176,930,052</b>	166,814,140

**7. DEBENTURE DEBT**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Debenture debt outstanding (Schedule 2)	<b>329,500,000</b>	329,500,000
Less: debt charges recoverable from the Province of Newfoundland and Labrador (Schedule 2)	<b>19,567,206</b>	23,332,708
Less: portfolio investments (sinking funds) available (Schedule 2)	<b>97,214,142</b>	83,480,438
	<b>212,718,652</b>	222,686,854

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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**7. DEBENTURE DEBT (Continued)**

The annual requirements over the next five years and thereafter 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
	\$	\$	\$
2015	8,237,500	(3,762,382)	4,475,118
2016	8,112,500	(3,660,376)	4,452,124
2017	8,112,500	(3,535,491)	4,577,009
2018	8,112,500	(3,349,218)	4,763,282
2019	8,112,500	(2,588,221)	5,524,279
Thereafter	68,393,750	(2,671,517)	65,722,233

**8. LONG-TERM DEBT**

	2014	2013
	\$	\$
Long-term debt (Schedule 3)	6,216,001	10,344,525
Mortgages - Urban living non-profit housing (Schedule 4)	11,125,258	12,621,407
St. John's Transportation Commission	8,573,560	7,819,860
	<b>25,914,819</b>	<b>30,785,792</b>
Less: debt charges recoverable (Schedule 3)	(4,077,212)	(6,124,117)
	<b>21,837,607</b>	<b>24,661,675</b>

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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

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

Year	Long-term Debt	Non-Profit Housing Mortgages	St. John's Transportation Commission	Government of Newfoundland and Labrador and Canada Share	Net Amount
	\$	\$	\$	\$	\$
2015	4,047,896	1,524,548	8,573,560	(1,971,372)	12,174,632
2016	2,103,862	1,556,420	-	(2,074,202)	1,586,080
2017	64,243	1,588,980	-	(31,638)	1,621,585
2018	-	1,477,241	-	-	1,477,241
2019	-	1,116,939	-	-	1,116,939
Thereafter	-	3,861,130	-	-	3,861,130

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

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.

**9. ACCRUED PENSION BENEFITS**

	2014	2013
	\$	\$
City of St. John's - Employees	24,451,500	25,413,700
City of St. John's - Mayor and Councillors	3,573,000	3,213,500
St. John's Transportation Commission	(422,628)	966,198
	<b>27,601,872</b>	<b>29,593,398</b>

*Pension plans*

The City maintains a defined benefit plan which provides pension benefits to its employees and the employees of St. John's Sports & Entertainment Ltd. 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, 2013 and extrapolated to December 31, 2014.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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

	Employees	Mayor and Councillors	Supplementary Plan	2014	2013
	\$	\$		\$	\$
<i>Accrued benefit obligation</i>					
Balance, beginning of year	279,751,500	3,776,900	-	283,528,400	265,026,500
Current service cost	12,945,200	82,700	3,900	13,031,800	11,364,738
Interest cost	16,221,500	167,900	4,300	16,393,700	15,292,639
Benefits paid	(8,536,300)	(172,800)	-	(8,709,100)	(8,603,939)
Cost of plan amendments	-	-	94,400	94,400	-
Past services and Flexible Ancillary Benefit					
Account ("FABA") contributions	312,500	-	-	312,500	296,153
Actuarial loss	12,322,700	367,400	12,500	12,702,600	152,344
Balance, end of year	313,017,100	4,222,100	115,100	317,354,300	283,528,435
<i>Plan assets</i>					
Fair value, beginning of year	218,303,400	-	-	218,303,400	179,249,502
Return on plan assets	23,599,100	-	-	23,599,100	26,646,872
Benefits paid	(8,536,300)	-	-	(8,536,300)	(8,471,339)
City contributions to plan	15,492,900	-	-	15,492,900	15,902,259
Past services and FABA contributions	312,500	-	-	312,500	296,153
Employee contributions to plan	5,635,500	-	-	5,635,500	4,679,944
Fair value, end of year	254,807,100	-	-	254,807,100	218,303,391
Funded status - deficit	(58,210,000)	(4,222,100)	(115,100)	(62,547,200)	(65,225,044)
Unamortized amounts	33,861,100	649,100	12,500	34,522,700	36,597,844
Accrued benefit liability	(24,348,900)	(3,573,000)	(102,600)	(28,024,500)	(28,627,200)
<i>Significant assumptions used for 2014</i>					
Discount rate	5.50%	3.60%	3.60%		
Expected long-term rate of return on plan assets	5.50%	-	-		
Rate of compensation increase	3.00%	3.00%	3.00%		
Average remaining service period of active employees	15 years	2 years	2 years		
<i>Significant assumptions used for 2013</i>					
Discount rate	5.75%	4.50%	-		
Expected long-term rate of return on plan assets	5.75%	-	-		
Rate of compensation increase	3.00%	3.00%	-		
Average remaining service period of active employees	15 years	2 years	-		
<i>Net benefit expense for the year</i>					
Current service cost	12,945,200	82,700	3,900	13,031,800	11,364,738
Interest cost	16,221,500	167,900	94,400	16,483,800	15,292,639
Amortization of losses	3,820,500	281,700	4,300	4,106,500	4,996,025
Employee contributions	(5,635,500)	-	-	(5,635,500)	(4,679,944)
Expected return on plan assets	(12,923,500)	-	-	(12,923,500)	(10,663,549)
Net benefit expense	14,428,200	532,300	102,600	15,063,100	16,309,909

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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**9. 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, 2013, the following results have been extrapolated to December 31, 2014:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Accrued benefit obligation</i>		
Balance, beginning of year	<b>38,456,956</b>	36,837,640
Current service cost	<b>1,556,743</b>	1,604,669
Interest cost	<b>2,379,200</b>	2,098,147
Benefits paid	<b>(1,400,125)</b>	(1,321,238)
Participant contributions	<b>35,534</b>	26,936
Actuarial loss (gain) on accrued benefit obligation	<b>4,711,092</b>	(789,198)
Balance, end of year	<b>45,739,400</b>	38,456,956
<i>Plan assets</i>		
Fair value, beginning of year	<b>33,156,495</b>	28,885,801
Return on plan assets	<b>4,054,540</b>	3,520,582
Benefits paid	<b>(1,400,125)</b>	(1,321,238)
Employer contributions to plan	<b>2,910,924</b>	1,485,093
Employee contributions to plan	<b>725,093</b>	586,257
Fair value, end of year	<b>39,446,927</b>	33,156,495
Funded status (deficit)	<b>(6,292,473)</b>	(5,300,461)
Unamortized amounts	<b>6,715,101</b>	4,334,263
Accrued benefit asset (liability)	<b>422,628</b>	(966,198)
<i>Significant assumptions used</i>		
Discount rate	<b>5.50%</b>	6.25%
Expected long-term rate of return on plan assets	<b>6.25%</b>	5.75%
Rate of compensation increase	<b>3.50%</b>	3.50%
Average remaining service period of active employees	<b>16.1 years</b>	16.3 years



**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Net benefit expense for the year</i>		
Current service cost	<b>1,556,743</b>	1,604,669
Interest cost	<b>2,379,200</b>	2,098,147
Amortization of losses	<b>392,560</b>	564,002
Liability increase due to flexible contributions	<b>35,534</b>	26,936
Employee contributions	<b>(725,093)</b>	(586,257)
Expected return on plan assets	<b>(2,115,958)</b>	(1,660,696)
Net benefit expense	<b>1,522,986</b>	2,046,801

During 2014 the City agreed on a new pension plan structure for all union and non-union groups except the International Association of Firefighters Local 1075. This agreement will see the defined benefit pension plan effectively closed to new entrants as of January 1, 2015. Employees in the defined benefit plan as of that date will continue to accrue benefits under the defined benefit plan. Employees hired on or after January 1, 2015 will be enrolled into a defined contribution pension plan.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

**10. EMPLOYEE FUTURE BENEFITS**

Both the City and the Commission provide post-retirement health and life benefits to their retired employees. The numbers presented are based on extrapolations from actuarial valuations as at December 31, 2013 for the City and as at December 31, 2011 for the Commission.

			2014	2013
	City	Commission	Total	Total
	\$	\$	\$	\$
<i>Accrued benefit obligation</i>				
Balance, beginning of year	125,599,100	9,734,168	135,333,268	127,597,200
Current service cost	4,907,700	322,454	5,230,154	4,474,740
Interest cost	5,695,200	439,538	6,134,738	6,027,555
Estimated claims and expenses	(2,986,400)	(255,773)	(3,242,173)	(2,783,599)
Impact of plan amendments	-	-	-	5,500
Loss on benefits obligation	24,667,800	1,932,198	26,599,998	11,872
Balance, end of year	157,883,400	12,172,585	170,055,985	135,333,268
Funded status - deficit	157,883,400	12,172,585	170,055,985	135,333,268
Unamortized amounts	(43,771,900)	(2,636,360)	(46,408,260)	(22,979,642)
Accrued benefit liability	114,111,500	9,536,225	123,647,725	112,353,626
<i>Significant assumptions used for 2014</i>				
Discount rate	3.60%	4.50%		
Average remaining service period of active employees	12 years	14.8 years		
<i>Significant assumptions used for 2013</i>				
Discount rate	4.50%	4.60%		
Average remaining service period of active employees	12 years	14.8 years		
<i>Net benefit expense for the year</i>				
Current service cost	4,907,700	322,454	5,230,154	4,474,740
Cost of plan amendments	-	-	-	5,500
Amortization of actuarial losses	3,063,300	108,080	3,171,380	3,168,851
Interest cost	5,695,200	439,538	6,134,738	6,027,555
Net benefit expense	13,666,200	870,072	14,536,272	13,676,646

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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**11. SEVERANCE AND SICK LEAVE BENEFITS**

The City provides severance for employees hired before December 31, 1979 as a payout of their accumulated sick leave upon retirement or termination. Severance for those hired after December 31, 1979 consists of one weeks salary for each year worked and is only paid upon retirement. These employees are also allowed to accumulate sick leave which is non-vesting.

The cost of severance and sick leave benefits for St. John's Sports & Entertainment Ltd. has been prorated based on the City's actuarial valuation adjustment resulting in a liability of \$435,778 at December 31, 2014 (2013 - \$492,062).

Sick pay benefits accrue to employees of St. John's Transportation Commission at the rate of 12 days per year. Employees can accumulate up to 30 days of sick pay benefits to be paid to them upon retirement, termination, or illness. Any excess is paid out to the employee annually. The liability at December 31, 2014 is \$809,880 (2013- \$789,217).

Based on an actuarial valuation completed for the City as at December 31, 2013, the following results have been extrapolated to December 31, 2014:

	<b>Severance</b>	<b>Sick leave</b>	<b>2014 Total</b>	<b>2013 Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Accrued benefit obligation</i>				
Balance, beginning of year	17,402,937	5,672,873	23,075,810	23,183,832
Current period benefit cost	1,053,056	641,867	1,694,923	1,749,754
Interest cost	780,787	254,316	1,035,103	1,084,067
Benefits payments/contributions	(1,157,270)	(684,665)	(1,841,935)	(1,986,923)
Loss (gain) on benefits obligation	1,420,310	322,306	1,742,616	(954,921)
Balance, end of year	19,499,820	6,206,697	25,706,517	23,075,809
Funded status - deficit	19,499,820	6,206,697	25,706,517	23,075,809
Unamortized amounts	(1,051,538)	(220,182)	(1,271,720)	510,028
Accrued benefit liability	18,448,282	5,986,515	24,434,797	23,585,837
<i>Significant assumptions used</i>				
Discount rate			3.60%	4.50%
Average remaining service period of active employees	12 years	14.8 years		
<i>Net benefit expense for the year</i>				
Current period benefit cost	1,053,056	641,867	1,694,923	1,749,754
Amortization of actuarial (gains) losses	(30,617)	(8,515)	(39,132)	40,445
Interest cost	780,787	254,316	1,035,103	1,084,066
Net benefit expense	1,803,226	887,668	2,690,894	2,874,265

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

**12. ACCUMULATED SURPLUS**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Accumulated surplus, beginning of year	<b>773,330,125</b>	754,874,253
Excess of revenues over expenditures	<b>58,444,131</b>	18,455,872
Accumulated surplus, end of year	<b>831,774,256</b>	773,330,125
Appropriated surplus		
Sinking fund - reserve for retirement of debentures	<b>97,214,142</b>	83,480,438
Reserve for Shoal Bay treatment plant	<b>403,360</b>	358,540
Reserve for landfill capital improvements	<b>7,863,587</b>	7,863,587
Urban living non-profit housing - replacement reserve	<b>1,811,218</b>	1,521,152
Reserve for snow and ice management	<b>2,000,000</b>	2,000,000
Reserve for salt savings	<b>1,096,591</b>	1,096,591
Reserve for Civic Centre financing	<b>3,925,919</b>	2,529,270
Reserve for capital	<b>21,127,095</b>	20,719,482
Reserve for employee benefits stabilization fund	<b>1,985,775</b>	1,959,966
Reserve for Robin Hood Bay equipment replacement	<b>3,185,285</b>	2,498,344
Reserve for Robin Hood Bay post-closure costs (Note 18)	<b>6,808,671</b>	5,723,926
Reserve for Riverhead Waste/water equipment replacement	<b>703,082</b>	416,399
	<b>148,124,725</b>	130,167,695
Unappropriated surplus	<b>683,649,531</b>	643,162,430
	<b>831,774,256</b>	773,330,125

**13. SUPPLEMENTARY CASH FLOW INFORMATION**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Changes in other balances:		
Accounts receivable	<b>(8,839,695)</b>	(16,164,103)
Inventory of materials and supplies	<b>(234,854)</b>	281,944
Prepaid expenditures	<b>(17,089)</b>	(731,028)
Payables and accruals	<b>7,656,368</b>	9,605,085
Deferred credits	<b>(120,160)</b>	(180,240)
	<b>(1,555,430)</b>	(7,188,342)
Interest paid	<b>18,541,313</b>	17,016,212

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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**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 \$30,000,000 (2013 - \$14,500,000), bearing interest on advances at Royal Bank prime rate minus 0.5% (2013 – Royal Bank prime rate minus 0.5%). Drawings on the facility at December 31, 2014 were \$Nil (2013 - \$Nil).

The Commission has, guaranteed by the City, for capital expenditures:

- \$15,000,000 credit facility, bearing interest of 2.3%, maturing on January 29, 2015.

**15. CONTINGENCIES AND COMMITMENTS**

*Expropriation and other claims*

The City has received notices of claims totalling approximately \$1,643,882 (2013 - \$1,708,100). 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:

2015	2,523,654
2016	2,277,399
2017	1,815,762
2018	1,611,126
2019	1,361,709

*Greenbelt Tennis Club*

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

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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

*Parking Space Lease*

The City has signed an agreement with a developer for the lease of parking spaces in a property currently under construction. The lease term is 75 years and calls for a capital contribution by the City of \$3,348,000. The capital contribution is due in full once the City has approved the parking spaces available for use.

**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 consolidated 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 35 years	\$47,000,000
Discount rate	5%
Discounted cost	\$8,946,675
Expected year capacity will be reached	2049
Percent utilized	15%
Liability based on the percentage utilized	\$1,342,001

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, 2014 was \$6,808,671 (2013 - \$5,723,926). As at December 31, 2014 the City held cash of \$6,808,671 (2013-\$93,926) and an investment in City bonds of \$nil (2013-\$5,630,000) for this reserve.

**CITY OF ST. JOHN'S**  
**Notes to the Consolidated Financial Statements**  
December 31, 2014

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**17. SEGMENTED INFORMATION**

The Consolidated Statement of Operations and Accumulated Surplus has been prepared in accordance with PSAB Handbook Section 2700 (PS 2700) Segment Disclosures. The segments selected enhance the ability to understand the City's major revenue and expense activities. (Schedule 7)

For each reported segment, revenues and expenses represent amounts directly attributable to each segment. The segments have been selected based on there being a functional difference within the segments. Each segment has its own budget and financial reporting process. The segments include:

**City of St. John's** includes those operations primarily funded through property tax revenues.

**Non Profit Housing** includes revenues and expenses related to the provision of housing to qualifying individuals. This segment includes Federal assistance through Canada Mortgage and Housing Corporation as well as through Newfoundland and Labrador Housing Corporation to reduce the operating costs for certain City projects.

**St. John's Transportation Commission** includes those revenues and expenses related to provision of public transit services.

**St. John's Sports & Entertainment Ltd.** includes those revenues and expenses related to the operation of Mile One Centre and the St. John's Convention Centre.

**18. EXPENDITURES BY OBJECT**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Personnel	<b>136,511,055</b>	128,711,571
Contractual services	<b>47,181,126</b>	44,880,367
Materials and supplies	<b>25,955,721</b>	25,070,326
Grants and subsidies	<b>6,263,272</b>	6,149,294
Financial charges	<b>21,182,269</b>	21,430,419
Amortization and allowances	<b>42,933,553</b>	54,516,801
Other	<b>2,965,286</b>	1,649,981
	<b>282,992,282</b>	282,408,759

**CITY OF ST. JOHN'S**

**Consolidated Schedule of Tangible Capital Assets**

Year Ended December 31, 2014

**Schedule 1**

	Land	Buildings & Permanent Improvements		Capital Leases Parking Spaces		Roads & Underground Networks		Equipment, Vehicles & Moveable Plant		Fire Department Buildings & Equipment		Work in Process		Urban Living Non-profit Housing Buildings		2013 Totals	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>																	
Balance, beginning of year	54,491,971	320,799,436	-	-	799,906,097	190,662,726	22,177,325	105,575,303	35,847,592	1,529,460,450	1,432,497,299						
Add: Additions during the year	3,090,728	11,239,837	5,104,167	69,439,552	6,253,269	6,289,318	6,289,318	108,830,525	10,019,540	220,266,936	220,422,770						
Less: Disposals during the year	-	-	-	-	-	(2,243,724)	(185,847)	-	-	(2,429,571)	(4,863,508)						
Adjustments	-	-	-	-	-	-	-	(80,604,696)	-	(80,604,696)	(118,596,112)						
Balance, end of year	57,582,699	332,039,273	5,104,167	869,345,649	194,672,271	28,280,796	28,280,796	133,801,132	45,867,132	1,666,693,119	1,529,460,449						
<b>Accumulated amortization</b>																	
Balance, beginning of year	-	68,954,378	-	203,548,703	77,507,215	8,434,931	8,434,931	-	17,625,989	376,071,216	327,281,159						
Add: Additions during the year	-	8,232,731	51,042	18,469,079	11,266,440	933,913	933,913	-	1,123,621	40,076,826	53,410,240						
Less: Disposals during the year	-	-	-	-	(2,229,076)	(184,528)	(184,528)	-	-	(2,413,604)	(4,548,016)						
Adjustments	-	-	-	-	-	-	-	-	-	-	(72,168)						
Balance, end of year	-	77,187,109	51,042	222,017,782	86,544,579	9,184,316	9,184,316	-	18,749,610	413,734,438	376,071,215						
<b>Net book value of tangible capital assets</b>	57,582,699	254,852,164	5,053,125	647,327,867	108,127,692	19,096,480	19,096,480	133,801,132	27,117,522	1,252,958,681	1,153,389,234						



**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Debenture Debt**  
**December 31, 2014**

**Schedule 2**

Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	2014		2013	
				Sinking Funds Available	Sinking Fund Requirement in 2015	Sinking Funds Available	Sinking Fund Requirement in 2014
		\$	\$	\$	\$	\$	\$
Oct. 2015	9.400%	5,000,000	<b>5,000,000</b>	<b>5,065,346</b>	<b>125,000</b>	4,730,812	125,000
Dec. 2020	6.840%	7,000,000	<b>7,000,000</b>	<b>5,119,506</b>	<b>175,000</b>	4,690,072	175,000
Dec. 2021	7.380%	15,000,000	<b>15,000,000</b>	<b>9,890,932</b>	<b>375,000</b>	8,893,225	375,000
Apr. 2022	7.250%	16,500,000	<b>16,500,000</b>	<b>9,397,935</b>	<b>412,500</b>	8,526,953	412,500
Feb. 2023	6.680%	11,000,000	<b>11,000,000</b>	<b>6,719,368</b>	<b>275,000</b>	5,951,966	275,000
Feb. 2024	6.162%	25,000,000	<b>25,000,000</b>	<b>11,903,094</b>	<b>625,000</b>	10,472,739	625,000
June 2025	5.534%	18,000,000	<b>18,000,000</b>	<b>7,691,773</b>	<b>450,000</b>	6,712,111	450,000
Mar. 2026	5.300%	25,000,000	<b>25,000,000</b>	<b>8,706,186</b>	<b>625,000</b>	7,481,900	625,000
Dec. 2026	4.975%	35,000,000	<b>35,000,000</b>	<b>16,989,648</b>	<b>875,000</b>	15,222,524	875,000
Dec. 2027	5.400%	15,000,000	<b>15,000,000</b>	<b>3,197,331</b>	<b>375,000</b>	2,676,239	375,000
Nov. 2029	5.539%	27,000,000	<b>27,000,000</b>	<b>3,859,441</b>	<b>675,000</b>	3,018,147	675,000
Aug. 2031	4.622%	70,000,000	<b>70,000,000</b>	<b>7,155,335</b>	<b>1,750,000</b>	5,103,750	1,750,000
Dec. 2033	4.500%	60,000,000	<b>60,000,000</b>	<b>1,518,247</b>	<b>1,500,000</b>	-	1,500,000
		<b>329,500,000</b>	<b>329,500,000</b>	<b>97,214,142</b>	<b>8,237,500</b>	83,480,438	8,237,500

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 \$932,472, \$2,431,694 \$4,244,180, \$4,070,131 and \$7,888,729 respectively, for a total of \$19,567,206.

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Long-Term Debt**  
December 31, 2014

**Schedule 3**

	Date of Maturity	Interest Rate	Amount Issued	2014	Principal Requirement	2013	Principal Requirement
				Amount Outstanding	in 2015	Amount Outstanding	in 2014
			\$	\$	\$	\$	\$
<b>Canada Mortgage and Housing Corporation</b>							
Virginia Park trunk sewer	Mar. 2014	7.875%	157,908	-	-	12,298	12,298
Rennies River trunk sewer	Oct. 2015	10.375%	1,011,991	99,088	99,088	188,643	89,556
Rennies River trunk sewer	Oct. 2017	9.750%	681,350	173,112	52,305	220,668	47,556
Wedgewood Park water and sewer	Jan. 2017	7.875%	12,410	2,689	828	3,456	766
<b>Federation of Canadian Municipalities</b>							
Harbour Sewage Treatment Plant	Aug. 2015	2.450%	15,000,000	1,500,000	1,500,000	3,000,000	1,500,000
Harbour Sewage Treatment Plant	Dec. 2015	2.660%	5,000,000	500,000	500,000	1,000,000	500,000
<b>Newfoundland Municipal Financing Corporation</b>							
1997 Harbour Cleanup	Jan. 2014	7.500%	1,464,499	-	-	79,172	79,172
2001 Harbour Cleanup	Feb. 2014	7.500%	1,448,983	-	-	78,332	78,332
Higgins Line 2001	Dec. 2014	8.375%	574,858	-	-	63,965	63,965
Mile One Stadium	Sept. 2016	7.750%	19,006,737	3,941,112	1,895,675	5,697,991	1,756,879
			44,358,736	6,216,001	4,047,896	10,344,525	4,128,524

For the long-term debt that matures from 2015 to 2016, there are debt recoverable charges from the Province of Newfoundland and Labrador of \$3,941,112 and a debt recoverable charges from the Government of Canada of \$136,100, for a total of \$4,077,212.

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

**Schedule 4**

**December 31, 2014**

				<b>2014</b>	<b>2013</b>
	Date of	Interest	Amount	<b>Amount</b>	<b>Amount</b>
	Maturity	Rate	Issued	<b>Outstanding</b>	<b>Outstanding</b>
			\$	\$	\$
<b>Newfoundland &amp; Labrador Housing Corporation</b>					
Hamlyn Road	Aug. 1, 2022	2.040%	2,207,290	<b>855,568</b>	957,592
Infill 1987	Apr. 1, 2023	2.040%	2,070,285	<b>862,658</b>	956,634
Gear Street - Infill 1988	Sept. 1, 2025	2.040%	1,929,560	<b>971,875</b>	1,051,874
Brookfield Road	Dec. 1, 2025	2.040%	2,203,600	<b>1,122,956</b>	1,213,049
Cochrane Street	Nov. 1, 2027	1.710%	745,887	<b>414,306</b>	443,799
Infill 1990	Nov. 1, 2026	1.640%	1,628,008	<b>842,884</b>	906,436
Campbell Avenue	Feb. 1, 2028	1.620%	968,952	<b>557,869</b>	595,602
Infill 1992	Dec. 1, 2028	2.040%	1,682,553	<b>861,274</b>	913,850
<b>Canada Mortgage and Housing Corporation</b>					
Forest Road	Jan. 1, 2018	1.620%	1,647,890	<b>308,582</b>	405,490
Cuckholds Cove Road	Apr. 1, 2018	1.670%	804,200	<b>158,659</b>	204,569
Infill 1982	July 1, 2018	2.350%	651,550	<b>139,936</b>	176,946
Rawlins Cross	Dec. 1, 2018	2.110%	1,249,485	<b>293,456</b>	363,062
Hamilton Avenue - Riverhead Towers	Feb. 1, 2019	1.810%	3,736,230	<b>871,319</b>	1,070,510
Fahey's Row - Infill 1983	May 1, 2019	2.610%	962,163	<b>256,415</b>	310,817
Alexander Street - Hamilton Avenue	June 1, 2019	2.610%	1,920,998	<b>518,186</b>	625,982
Carnell Street - Larkin Square	Jan. 1, 2020	2.650%	1,910,065	<b>579,712</b>	684,919
Carter's Hill	Jan. 1, 2020	2.760%	1,406,630	<b>433,235</b>	511,577
Infill 1985	Apr. 1, 2021	2.260%	880,530	<b>317,410</b>	363,518
Carter's Hill - Sebastian Court	Aug. 1, 2021	1.800%	2,031,175	<b>758,958</b>	865,181
			30,637,051	<b>11,125,258</b>	12,621,407
<b>Current portion</b>				<b>1,524,548</b>	1,495,312

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, 2014

**Schedule 5**

	2014	2013
	\$	\$
<b>Taxation</b>		
Real property and business	141,632,410	139,799,036
Water	30,251,699	29,704,644
Utility	7,076,743	7,183,578
Accommodation	3,296,819	3,139,012
	<b>182,257,671</b>	<b>179,826,270</b>
<b>Grants in lieu of taxes</b>		
Government of Canada	5,142,961	3,383,479
Government of Canada agencies	1,008,521	998,291
Water tax grant	3,152,900	3,197,148
	<b>9,304,382</b>	<b>7,578,918</b>
<b>Grants and transfers</b>		
Government of Canada		
Capital grant	8,244,527	5,316,502
St. John's Transportation Commission	56,414	4,900
Gas tax rebate	2,145,739	4,182,852
Government of Newfoundland and Labrador		
Municipal capital grant	24,863,904	13,195,807
Capital Grant - Non-Profit Housing	319,728	3,429,700
Recovery of debt charges	1,309,296	2,096,814
Rental housing projects	1,123,362	1,140,930
City of Mount Pearl public transit contribution	1,066,145	874,262
Capital contribution from Developers	32,050,555	12,773,965
Other capital grants	473,323	1,284,472
Real Program Grants / ACOA	1,468,140	596,059
	<b>73,121,133</b>	<b>44,896,263</b>
<b>Sales of goods and services</b>		
Environmental health services		
Water sales - commercial and shipping	8,905,041	8,423,045
Tipping fees	11,807,895	10,826,130
Recycling materials	739,621	749,003
Regional Fire recovery	6,465,996	5,753,492

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Revenues**  
Year ended December 31, 2014

**Schedule 5 (continued)**

	2014	2013
	\$	\$
<b>Sales of goods and services (continued)</b>		
Environmental health services (continued)		
Regional Water recovery	6,268,635	5,021,240
Regional Waste Water recovery	1,390,748	664,100
Other	230,283	222,706
General government services	1,037,378	1,064,891
Transportation services		
Parking meters	2,058,515	1,675,669
Parking permits	240,081	265,503
Other	62,832	37,980
Third party charges	439,120	440,095
Sale of land	110,986	189,028
Gain on disposal of equipment	7,519	-
Recreation, parks and tourism	1,414,363	1,458,890
St. John's Sports & Entertainment Ltd.	8,440,517	7,713,889
Railway Coastal Museum	118,176	156,784
Other general services	1,041,592	942,935
	<b>50,779,298</b>	<b>45,605,380</b>
<b>Other revenue from own sources</b>		
Interest on tax arrears	2,388,912	2,076,310
Interest earned on portfolio investments	4,664,570	4,014,506
Interest savings, Green Municipal Infrastructure Fund	120,160	180,240
Fines	2,005,820	2,024,819
Construction and other permits	6,347,378	4,301,179
Interest earned	728,807	486,604
Business and amusement licenses	446,873	180,240
Rents, concessions and franchises	66,132	76,090
Apartment rentals	3,009,815	2,969,716
St. John's Transportation Commission		
Passenger fares	5,534,961	5,575,388
Charters	66,248	88,420
Transit advertising	220,426	228,994
Sundry	108,412	83,880
Civic assessments	218,290	276,844
Sub - division assessments	47,125	394,570
	<b>25,973,929</b>	<b>22,957,800</b>
<b>Total revenue</b>	<b>341,436,413</b>	<b>300,864,631</b>

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Expenditures**  
Year ended December 31, 2014

**Schedule 6**

	2014	2013
	\$	\$
<b>General government services</b>		
Legislative	884,778	849,702
General government	22,948,149	20,825,962
Engineering services	7,553,727	5,626,622
Pensions and employee benefits	8,089,476	11,322,044
Employee future benefits	10,723,057	9,960,473
Other general government	509,253	839,316
	<b>50,708,440</b>	<b>49,424,119</b>
<b>Fiscal services</b>		
Debenture debt charges		
Interest	17,815,834	15,602,010
Amortization	1,250	2,847
Long-term debt interest	261,038	946,008
Non-Profit Housing mortgage interest	241,107	283,865
St. John's Transportation Commission interest	196,746	172,050
Interest on temporary bank loans	25,338	9,433
Other debt charges	76,935	265,341
	<b>18,618,248</b>	<b>17,281,554</b>
<b>Transportation services</b>		
Road transport		
Administration	3,314,360	3,225,719
Fleet services	1,542,993	1,103,761
Snow clearing	14,663,553	14,050,617
Streets, roads and sidewalks	9,331,810	7,342,357
Maintenance depot	1,609,588	1,866,546
Traffic services	1,112,547	1,885,094
Street cleaning	209,800	138,071
Street lighting	4,243,758	4,109,905
St. John's Transportation Commission	17,343,968	17,930,481
St. John's Para-Transit System	2,702,349	2,367,374
Parking meters	154,827	46,965
	<b>56,229,553</b>	<b>54,066,890</b>

**CITY OF ST. JOHN'S**  
**Consolidated Schedule of Expenditures**  
Year ended December 31, 2014

Schedule 6 (continued)

	2014	2013
	\$	\$
<b>Protective services</b>		
Fire protection	25,811,321	23,385,096
Protective inspections	3,841,657	4,025,165
Traffic enforcement	2,837,693	2,478,433
Animal and pest control	1,337,794	1,169,101
	<b>33,828,465</b>	<b>31,057,795</b>
<b>Environmental health services</b>		
Water supply and distribution	15,233,989	14,167,021
Regional Water system	7,010,399	5,930,708
Regional Waste Water system	3,241,754	3,061,335
Regional Robin Hood Bay landfill	13,760,723	12,528,288
Garbage, waste collection and disposal	4,647,020	4,479,965
Sewage collection and disposal	652,565	605,274
	<b>44,546,450</b>	<b>40,772,591</b>
<b>Recreation and cultural services</b>		
Parks and open spaces	8,320,382	7,942,820
Recreation	7,865,472	8,187,331
St. John's Sports & Entertainment Ltd.	9,312,471	8,732,591
Railway Coastal Museum	431,869	464,611
Destination St. John's	1,275,167	1,501,098
Other recreation and cultural services	2,447,277	2,729,964
	<b>29,652,638</b>	<b>29,558,415</b>
<b>Environmental development services</b>		
Environmental planning and zoning	1,291,491	1,239,642
Housing and real estate	2,515,129	2,374,568
Other environmental development services	2,668,315	2,116,384
	<b>6,474,935</b>	<b>5,730,594</b>
<b>Amortization and allowances</b>		
Allowance for uncollectible accounts	2,831,682	744,961
Allowance for obsolete inventory	25,045	120,528
Loss on disposal fixed assets	-	241,072
Amortization	40,076,826	53,410,240
	<b>42,933,553</b>	<b>54,516,801</b>
<b>Total expenditures</b>	<b>282,992,282</b>	<b>282,408,759</b>

**CITY OF ST. JOHN'S**

**Consolidated Schedule of Segmented Information**

Year ended December 31, 2014

Schedule 7

	City	Non Profit Housing	St. John's Transportation Commission	St. John's Sports & Entertainment Ltd.	Non Profit Housing eliminations	St. John's Transportation Commission eliminations	St. John's Sports & Entertainment Ltd. eliminations	Consolidated 2014	2013
								\$	\$
<b>Revenue (Schedule 5)</b>									
Taxation	182,878,060				(620,389)			182,257,671	179,826,270
Grants in lieu of taxes	9,304,382							9,304,382	7,578,918
Grants and transfers	70,701,192	1,424,018	14,781,141	1,300,000	(126,636)	(13,658,582)	(1,300,000)	73,121,133	44,896,263
Sales of goods and services	42,897,501			8,440,517	(558,720)			50,779,298	45,605,380
Other revenue from own sources	16,968,796	3,076,838	5,944,123		(15,828)			25,973,929	22,957,800
	322,749,931	4,500,856	20,725,264	9,740,517	(1,321,573)	(13,658,582)	(1,300,000)	341,436,413	300,864,631
<b>Expenditure (Schedule 6)</b>									
General government services	50,708,440							50,708,440	49,424,119
Fiscal services	18,180,395	367,743	196,746		(126,636)			18,618,248	17,281,554
Transportation services	52,549,560		17,338,575			(13,658,582)		56,229,553	54,066,890
Protective services	33,828,465							33,828,465	31,057,795
Environmental health services	44,546,450							44,546,450	40,772,591
Recreation and cultural services	21,640,167			9,312,471			(1,300,000)	29,652,638	29,558,415
Environmental development services	5,233,505	2,436,367			(1,194,937)			6,474,935	5,730,594
Amortization and allowances	37,972,641	1,123,620	2,649,661	1,187,631				42,933,553	54,516,801
	264,659,623	3,927,730	20,184,982	10,500,102	(1,321,573)	(13,658,582)	(1,300,000)	282,992,282	282,408,759
Excess of revenues over expenditures	58,090,308	573,126	540,282	(759,585)				58,444,131	18,455,872
Accumulated surplus, beginning of year								773,330,125	754,874,253
Accumulated surplus, end of year (Note 12)								831,774,256	773,330,125



**CITY OF ST. JOHN'S**  
**Consolidated PSAB Budget**  
Year ended December 31, 2014

Schedule 8

	City	St. John's Transportation Commission	St. John's Sports & Entertainment Ltd.	Adopted Budget	Consolidating Entries and PSAB Adjustments	Consolidated Budget
	\$	\$	\$	\$	\$	\$
<b>Revenues</b>					(Page 35)	
Taxation	205,724,601	-	-	205,724,601	(20,802,011)	184,922,590
Grants in lieu of taxes	5,735,000	-	-	5,735,000	-	5,735,000
Grants and transfers	26,794,275	13,531,340	1,000,000	41,325,615	32,350,925	73,676,540
Sales of goods and services	19,366,516	-	7,030,071	26,396,587	17,888,101	44,284,688
Other revenue from own sources	14,666,286	7,198,610	-	21,864,896	4,369,792	26,234,688
	272,286,678	20,729,950	8,030,071	301,046,699	33,806,807	334,853,506
<b>Expenditures</b>						
General government services	40,923,215	-	-	40,923,215	11,182,873	52,106,088
Fiscal services	31,127,282	240,620	-	31,367,902	(12,213,303)	19,154,599
Transportation services	51,487,272	20,489,330	-	71,976,602	(13,624,551)	58,352,051
Protective services	29,679,819	-	-	29,679,819	2,772,184	32,452,003
Environmental health services	71,094,353	-	-	71,094,353	(24,429,396)	46,664,957
Recreation and cultural services	19,886,206	-	8,030,071	27,916,277	486,646	28,402,923
Environmental development services	11,123,579	-	-	11,123,579	(4,815,570)	6,308,009
Amortization and allowances	16,964,952	-	-	16,964,952	24,661,874	41,626,826
	272,286,678	20,729,950	8,030,071	301,046,699	(15,979,243)	285,067,456
<b>Excess of revenues over expenditures</b>	-	-	-	-	49,786,050	49,786,050

Council approved the City's 2014 budget on December 9, 2013

**CITY OF ST. JOHN'S**  
**Consolidating Entries and PSAB Adjustments**  
Year ended December 31, 2014

**Schedule 8 (continued)**

	\$
<b>Revenues</b>	
1. Eliminate transfers from reserves	(294,778)
2. Eliminate grants to SJSE	(1,000,000)
3. Eliminate grants to SJTC	(14,122,906)
4. Eliminate property taxes paid by City entities	(677,410)
5. Eliminate water revenue paid by City entities	(4,986,902)
6. Eliminate tipping fees paid by City entities	(2,282,049)
7. Eliminate general government charges	(819,070)
8. Eliminate debt charges recoverable	(18,478,206)
9. Record provincial capital grants	25,183,632
10. Record federal capital grants	8,244,527
11. Record other capital grants	473,323
12. Record capital contribution from developers	32,050,555
13. Record recovery of fire protection services	5,733,016
14. Record interest earned on sinking funds	4,664,570
15. Record gain on sale of capital assets	118,505
	<hr/> 33,806,807 <hr/>
<b>Expenses</b>	
1. Eliminate transfers from reserves	(3,327,664)
2. Eliminate grants to SJSE	(1,300,000)
3. Eliminate grants to SJTC	(14,122,906)
4. Eliminate property taxes paid by City entities	(677,410)
5. Eliminate water revenue paid by City entities	(4,986,902)
6. Eliminate tipping fees paid by City entities	(2,282,049)
7. Eliminate general government charges	(819,070)
8. Eliminate debt charges recoverable	(16,344,823)
9. Eliminate capital expenditures	(14,239,546)
10. Eliminate sinking fund payments	(11,051,612)
11. Eliminate principal payments on LTD	(1,689,709)
12. Eliminate recovery of fire protection services	5,733,016
13. Record amortization of capital assets	40,076,826
14. Record employee post retirement benefits	9,052,606
	<hr/> (15,979,243) <hr/>