



# **The City of Saint John General Fund**

**FINANCIAL STATEMENTS**

Year ended December 31, 2011

**The City of Saint John General Fund**  
**Year ended December 31 , 2011**

**CONTENTS**

	<u>Page</u>
<b>Financial Statements</b>	
Independent Auditors' Report	1 - 2
Operating Fund Balance Sheet	3
Operating Fund Statement of Revenue and Expenses	4
Operating Fund Statement of Equity (Deficiency)	5
Capital and Loan Fund Balance Sheet	6
Capital and Loan Fund Statement of Equity	7
Statement of Source and Application of Capital Financing	8
Notes to the Financial Statements	9 - 16
Schedules	17 - 24

## INDEPENDENT AUDITORS' REPORT

**To His Worship The Mayor  
and Members of Common Council of The City of Saint John**

We have audited the accompanying financial statements of **The City of Saint John General Fund**, which comprise the balance sheets of the Operating Fund and the Capital and Loan Fund as at December 31, 2011, the statement of revenue and expenses of the Operating Fund, the statements of equity (deficiency) for the Operating Fund and Capital and Loan Fund and the statement of source and application of capital financing for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of **The City of Saint John General Fund** using the basis of accounting described in note 1.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in note 1; this includes determining that the basis of accounting used is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 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 financial statements present fairly, in all material respects, the financial position of **The City of Saint John General Fund** as at December 31, 2011 and the results of its operations and the source and application of its capital financing for the year then ended in accordance with the basis of accounting described in Note 1 to these financial statements.

**Basis of accounting and restriction on use**

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to comply with the requirements of the Department of Local Government of New Brunswick for municipalities. Our report is intended solely for the information and use of His Worship The Mayor and Members of Common Council of The City of Saint John, and the Minister of Local Government of the Province of New Brunswick, and is not intended to be and should not be used for any other purpose.

*Ernst & Young LLP*

Saint John, Canada,  
January 28, 2013

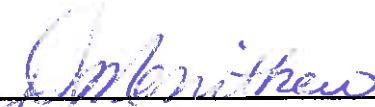
Chartered Accountants

**The City of Saint John General Fund  
Operating Fund Balance Sheet  
As at December 31**

	Page	2011 \$	2010 \$
<b>ASSETS</b>			
Accounts receivable		4,299,042	4,954,102
Due from associated entities			
Water and Sewerage Utility Capital and Loan Fund		8,865,541	21,574,206
Water and Sewerage Utility Operating Fund		2,413,274	3,703,246
General Capital and Loan Fund	6	1,420,614	-
Saint John Parking Commission		4,066,918	-
Inventory of materials and supplies, at the lower of cost and replacement cost		724,590	761,516
Deferred pension expense [note 4]	13	8,400,000	6,513,861
Prepaid expenses		936,874	121,890
Long-term receivable [note 11]	16	391,302	556,887
		<b>31,518,155</b>	<b>38,185,708</b>
<b>LIABILITIES AND EQUITY</b>			
Bank overdraft		2,146,427	267,689
Accounts payable and accrued liabilities		9,084,361	7,733,784
Other payables [note 2]	10	8,044,468	8,377,620
Interest payable on long term debt		497,565	474,996
Due to associated entities			
General Capital and Loan Fund		-	617,372
Saint John Parking Commission		-	4,455,766
Power Commission		12,259	12,259
Harbour Station Commission		130,889	130,889
City of Saint John Pension Fund		7,730,027	8,603,131
Saint John Transit Commission		-	250,658
Deferred revenue		983,424	1,027,243
Computer replacement fund		668,948	565,237
Fleet replacement fund		691,165	1,722,248
Long-term debt [note 3]	10	1,680,000	3,360,000
		<b>31,669,533</b>	<b>37,598,892</b>
Equity (deficiency)		<b>(151,378)</b>	<b>586,816</b>
		<b>31,518,155</b>	<b>38,185,708</b>

  
\_\_\_\_\_  
Mayor

Approved by:

  
\_\_\_\_\_  
Chair of Finance Committee

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Operating Fund Statement of Revenue and Expenses**  
Year ended December 31

		Budget 2011 Unaudited \$	Actual 2011 \$	Actual 2010 \$
<b>REVENUES</b>				
Property taxes		108,815,058	108,815,058	104,621,720
Unconditional grant Province of New Brunswick		19,304,825	19,304,825	19,499,820
Sale of goods and services	17	3,059,545	2,811,201	2,641,084
Other revenue from own sources	18	5,246,430	5,413,620	5,677,253
Conditional grants from other governments	18	300,000	263,108	274,666
Miscellaneous revenue		1,132,613	3,309,352	3,702,627
<b>Total revenues</b>		<b>137,858,471</b>	<b>139,917,164</b>	<b>136,417,170</b>
<b>EXPENSES</b>				
General government services	19	14,239,962	13,199,501	12,640,393
Protective services	20	51,212,189	51,807,848	51,169,154
Transportation services	21	27,896,685	28,795,215	28,504,646
Environmental health services		4,104,942	4,189,348	4,112,265
Environmental development services	22	10,592,735	9,915,570	10,366,725
Recreational and cultural services	23	8,941,020	8,658,644	8,860,842
Fiscal services	24	21,535,525	24,089,232	21,223,107
Excess of expenses (revenues) second previous year		(664,587)	(664,587)	(382,488)
<b>Total expenses and fiscal services</b>		<b>137,858,471</b>	<b>139,990,771</b>	<b>136,494,644</b>
<b>Excess of expenses over revenues for the year</b>		<b>-</b>	<b>(73,607)</b>	<b>(77,474)</b>

The accompanying notes are an integral part of these financial statements.


**The City of Saint John General Fund**  
**Operating Fund Statement of Equity (Deficiency)**  
**Year ended December 31**

	Page	2011 \$	2010 \$
<b>Equity, beginning of year</b>		<b>586,816</b>	<b>1,046,778</b>
<b>Excess of expenses over revenues for the year</b>	<b>4</b>	<b>(73,607)</b>	<b>(77,474)</b>
		<b>513,209</b>	<b>969,304</b>
<b>Excess of revenues second previous year</b>	<b>4</b>	<b>(664,587)</b>	<b>(382,488)</b>
<b>Equity (Deficiency), end of year</b>	<b>3</b>	<b>(151,378)</b>	<b>586,816</b>

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund  
Capital and Loan Fund Balance Sheet  
As at December 31**

	Page	2011 \$	2010 \$
<b>ASSETS</b>			
Accounts receivable		13,353,362	2,581,248
Due from associated entities			
Water and Sewerage Operating Fund		7,664	7,664
Water and Sewerage Capital and Loan Fund		83,557	83,557
General Operating Fund	3	-	617,372
Saint John Parking Commission		19,947	19,947
Saint John Transit Commission		3,861,467	7,001,498
		<b>17,325,997</b>	<b>10,311,286</b>
Investment in shares of wholly-owned company, Saint John Industrial Parks Ltd., at cost		994	994
Land, buildings, plant and equipment and engineering structures [note 3]	12	548,976,684	512,073,356
		<b>566,303,675</b>	<b>522,385,636</b>
<b>LIABILITIES AND EQUITY</b>			
Bank loans [note 9]	15	10,000,000	20,000,000
Accounts payable		8,639,660	6,852,565
Debenture debt [note 3]	10	102,528,000	79,864,000
Other long-term debt [note 3]			
Canada Mortgage and Housing Corporation	11	1,297,477	1,372,674
Saint John Parking Commission	11	-	73,570
Deferred contributions		9,020,144	2,875,496
Due to associated entities			
General Operating Fund	3	1,420,614	-
		<b>132,905,895</b>	<b>111,038,305</b>
Equity	7	433,397,780	411,347,331
		<b>566,303,675</b>	<b>522,385,636</b>

  
\_\_\_\_\_  
Mayor

Approved by:

  
\_\_\_\_\_  
Chair of Finance Committee

The accompanying notes are an integral part of these financial statements.



**The City of Saint John General Fund  
Capital and Loan Fund Statement of Equity  
Year ended December 31**

	Page	2011 \$	2010 \$
<b>Equity, beginning of year</b>		<b>411,347,331</b>	<b>390,882,025</b>
Debt repaid by the General Operating Fund			
Debenture debt		8,836,000	8,500,000
Other debt		148,767	145,896
		<b>8,984,767</b>	<b>8,645,896</b>
Contributions in aid of construction			
Provincial government		4,888,390	2,151,907
Federal government		3,563,086	4,281,766
Other		174,377	962,402
		<b>8,625,853</b>	<b>7,396,075</b>
Proceeds of land sales in excess of estimated cost		-	94,289
Capital projects financed by the General Operating Fund		358,569	1,552,673
Fixed assets purchased by the General Operating Fund		4,081,260	2,776,373
<b>Equity, end of year</b>	<b>6</b>	<b>433,397,780</b>	<b>411,347,331</b>

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Statement of Source and Application of Capital Financing**  
Year ended December 31

	Page	2011 \$	2010 \$
<b>Source</b>			
Bond issue		31,500,000	15,000,000
Bond financing		-	20,000,000
Contributions in aid of construction			
Federal government		3,563,086	4,281,766
Provincial government		4,888,390	2,151,907
Other		174,377	962,402
Fixed assets purchased by the General Operating Fund		4,081,260	2,776,373
Capital projects financed by the General Operating Fund		358,569	1,552,673
Proceeds of land sales in excess of estimated cost		-	94,289
Debt repayment		8,984,767	8,645,896
Increase In Capital Fund trade payables		1,787,096	275,690
Net decrease in amount due from associated entities		5,178,017	-
Deferred contributions		6,144,648	(3,168,598)
		<b>66,660,210</b>	<b>52,572,398</b>
<b>Application</b>			
Capital expenditures		36,903,328	36,853,180
Bank loan repayment		10,000,000	-
Debt repayment		8,984,767	8,645,896
Net decrease in amounts due to associated entities		-	6,819,355
Increase in Capital Fund trade accounts receivable		10,772,115	253,968
		<b>66,660,210</b>	<b>52,572,399</b>

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
**Year ended December 31, 2011**

**1. ACCOUNTING POLICIES**

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed for New Brunswick municipalities by the Department of Local Government.

**Financial statement presentation**

The General Fund financial statements of The City of Saint John (the "City") have been prepared in accordance with the fund basis of accounting. The Operating Fund reflects the City's working capital and results of operations and the Capital and Loan Fund reflects its investment in fixed assets and outstanding long-term debt.

**Fixed assets and depreciation**

Fixed assets are initially recorded at cost. Funds received through capital assistance programs, cost-sharing arrangements or loan forgiveness are treated as additions to equity in capital assets, except where the asset was acquired under the Urban Renewal Program. In these cases, the funds received are netted against the asset cost.

The City does not record depreciation on its fixed assets, but an amount equal to annual debt repayment is charged to operations and credited to equity in capital assets. The City also charges to operations all capital projects that are financed in the current year from operating funds.

**Accrual accounting**

The City follows the accrual method of accounting for revenue and expenses.

**Accounting for second previous year's operating results**

Section 89 of the Municipalities Act of New Brunswick requires that the excess of revenue over expenses for a fiscal year be included in revenue in the second ensuing year and that similarly, the excess of expenses over revenue for a fiscal year be included in expenses in the second ensuing year.

**Accounting estimates**

The preparation of financial statements in conformity with the accounting principles prescribed for New Brunswick municipalities by the Department of Local Government requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial instruments**

The carrying value of the City's financial instruments other than long-term debt approximate fair value because of their short-term maturity and normal credit terms. The City's accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of ratepayers on normal credit terms. As long-term debt is arranged with the Province of New Brunswick and is not renegotiable, the fair value of long-term debt, affected by possible changing interest rates, has not been determined. At year-end, the City did not have any exposure relating to derivative instruments.

**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
Year ended December 31, 2011

**2. OTHER PAYABLES**

	2011	2010
	\$	\$
Heart and Lung	3,075,501	3,082,701
Vacation payable	2,297,967	2,507,919
Retirement Allowance	2,671,000	2,787,000
	<b>8,044,468</b>	<b>8,377,620</b>

The City pays certain amounts to disabled firefighters and their spouses as a result of the provisions of an Act of the Legislature, known as the Heart and Lung Act. An actuarial review of this plan was completed as at December 31, 2011. The estimated actuarial present value of benefits at December 31, 2011 amounts to \$3,075,501. This review only covers current claimants and does not include possible future claims.

The City has provided for vacations earned but not paid.

Employees upon retirement from the City of Saint John are entitled to a retirement pay allowance equal to one month's pay, to a maximum of six months, for every five years of service. The program has been amended to provide certain employees with a payout option prior to retirement. Accepting the early payout option eliminates further accumulation of retirement allowance entitlement for those employees.

Employees of Local 18 hired after June 1, 1998 and Management employees hired after March 23, 2009 are not eligible for retirement allowance, now or in the future. These policies are established in the Local 18 collective bargaining agreement and the Management terms and conditions of employment.

**3. DEBENTURE AND OTHER LONG-TERM DEBT**

Debentures consist of the following:

Year of Issue	Interest Rate %	Term Years	2011 \$	2010 \$
2001	2.450 to 5.500	10	-	505,000
2002	3.375 to 5.750	10	796,000	1,592,000
2003	3.050 to 5.000	10	2,268,000	3,402,000
2003	2.750 to 5.125	10	1,188,000	1,782,000
2004	2.750 to 4.800	10	6,301,000	7,088,000
2005	3.750 to 4.375	10	4,262,000	4,735,000
2006	4.150 to 4.450	10	7,335,000	8,068,000
2007	4.450 to 4.850	10	4,180,000	4,560,000
2008	3.300 to 4.850	10	6,799,000	7,366,000
2008	2.100 to 5.550	15	4,399,000	4,766,000

**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
Year ended December 31, 2011

**3. DEBENTURE AND OTHER LONG-TERM DEBT [Cont'd]**

<b>Year of Issue</b>	<b>Interest Rate %</b>	<b>Term Years</b>	<b>2011 \$</b>	<b>2010 \$</b>
2009	1.000 to 4.500	10	7,366,000	7,933,000
2009	0.950 to 5.000	10	12,134,000	13,067,000
2010	1.500 to 4.550	10	14,000,000	15,000,000
2011	1.650 to 4.250	15	27,000,000	-
2011	1.350 to 3.450	10	4,500,000	-
<b>Debenture debt</b>			<b>102,528,000</b>	<b>79,864,000</b>

Other long-term debt consists of the following:

<b>Year of Issue</b>	<b>Interest Rate %</b>	<b>Term Years</b>	<b>2011 \$</b>	<b>2010 \$</b>
<b>Province of New Brunswick</b> 2007	4.36	5	1,680,000	3,360,000
<b>Saint John Parking Commission</b> 2005	3.20	7	-	73,570
<b>Canada Mortgage and Housing Corporation</b> 2009	3.97	15	1,297,477	1,372,674
			<b>2,977,477</b>	<b>4,806,244</b>

**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
**Year ended December 31, 2011**

**3. DEBENTURE AND OTHER LONG-TERM DEBT [Cont'd]**

The aggregate amount of principal payments required in each of the next five years is as follows:

	\$
2012	10,298,000
2013	9,502,000
2014	11,714,000
2015	9,357,000
2016	10,184,000

Fixed assets include an amount of \$20,926,032 (2010 - \$27,833,354) for which financing has not been arranged at year-end.

**4. PENSION PLAN**

**A. OVERVIEW**

The City provides pension benefits to employees in accordance with the provisions of the revised *City of Saint John Pension Act* as enacted on May 12, 1994 and last amended on June 18, 2008. The plan is administered by a Board of Trustees, representing Common Council, management, unionized employees and retired employees. Prior to May 1994, the plan was governed by *The City of Saint John Pension Act, 1970*. The plan is also subject to the provisions of the *New Brunswick Pension Benefits Act* which became effective January 1, 1992.

The plan is a defined benefit plan which provides for pensions based on length of service and rate of pay. Both the City and the employees make contributions to the plan. The plan is funded by eligible employees contributing 50% of the current service cost to the plan to a maximum of 9% of aggregate salaries and the employer contributing the balance of the current service cost. Based on the 2009 actuarial valuation, the current service cost of the plan was 20.6% of payroll. At no time can the overall employer contribution rate be less than 7.5% of aggregate salaries. The employer is obligated to make additional contributions, if necessary, to adequately amortize any unfunded liability or solvency deficiency. The City charges all of its contributions to expense in the year the contribution is made. The amount contributed for employees, other than those funded by the Water and Sewerage Utility, for 2011 amounted to \$18,582,436 (2010 - \$16,920,452).

**B. ACTUARIAL INFORMATION**

The 2010 actuarial valuation indicated the present value of accumulated plan benefits was \$503,584,000 and the market value of net assets available to provide benefits was \$372,228,000 with an estimated unfunded liability of \$131,356,000 on a going concern basis. As of December 31, 2010, the liabilities on a solvency basis were \$218,007,000 greater than the solvency assets.

The 2010 valuation has been updated by extrapolation to December 31, 2010 and the results indicate that the accumulated plan benefits now exceed the adjusted market value of assets available to provide benefits, resulting in a deficiency of \$153,778,572 on a going concern basis. The 2011 actuarial valuation is now in progress.

**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
**Year ended December 31, 2011**

**4. PENSION PLAN [Cont'd]**

**B. ACTUARIAL INFORMATION [Cont'd]**

This valuation relates to the entire plan, which includes employees funded through both the General Fund and the Water and Sewerage Utility. Current costs and special funding payments are allocated to each fund on the basis of a percentage of payroll.

**C. DUE TO THE PENSION PLAN**

The *New Brunswick Pension Benefits Act* requires that a solvency deficiency be funded over a period of five years unless an exemption is requested to fund over a period of no more than fifteen years, or the period to December 31, 2018, whichever is shorter, or an exemption from making solvency payments is granted. In 2007, the exemption from making solvency special payments to the pension plan was sought and received. As a result of receiving this exemption, there is no longer solvency funding due from the City as at December 31, 2011.

During 2011, the City paid the plan an amount of \$4,609,498, which represented special funding on a going concern basis (2010 - \$3,723,252). Since the required contributions related to the unfunded liability for 2011 amounted to \$13,193,800 (2010 - \$12,271,800), the City owes the Plan an amount of \$8,699,453 (2010 - \$8,701,402), which consists of deficit contributions and interest owing on the contributions not made to the Plan in accordance with the *New Brunswick Pension Benefits Act* and its regulations. The General Fund's share of the amount due to the Plan for 2011 is \$7,699,016 (2010 - \$7,700,741).

In 2010 and 2011, the City received approval to defer and amortize going concern expenses of \$4,900,000 and \$3,500,000 respectively. The 2010 expense is to be amortized over an eight year period beginning in 2012. The 2011 expense is to be amortized over a seven year period beginning in 2013. For 2010, the amortization is to be calculated at 10% per year for the first seven years with the balance being recognized in year eight.

**5. COMMITMENTS**

**Saint John Transit Commission**

During 1979, the Saint John Transit Commission [the "Commission"] was created by an Act of the Legislative Assembly of New Brunswick. Under provisions of the Act, the Commission has the authority to maintain and operate a public transit system within the City of Saint John, with all operating losses and debt charges being funded by the City. The City is also liable for the debentures issued on behalf of the Commission which at December 31, 2011 amounted to \$12,701,000 (2010 - \$9,511,000).

**Greater Saint John Regional Facilities Commission**

During 1998, the Greater Saint John Regional Facilities Commission [the "Commission"] was created by an Act of the Legislative Assembly of New Brunswick. Under the provisions of the Act, the Commission has the authority to determine the annual amount of the total municipal contribution to be made towards the operation of five regional facilities: the Canada Games Aquatic Centre, Harbour Station, the Saint John Trade and Convention Centre, the Imperial Theatre and the Saint John Arts Centre. Under the provisions of the Act, the City's contribution is its pro rata share of the Commission's operating budget based on the tax bases of the participating municipalities. The participating municipalities are the Town of Quispamsis, the Town of Rothesay, the Town of Grand Bay-Westfield and the City of Saint John.

**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
Year ended December 31, 2011

**5. COMMITMENTS [Cont'd]**

**Agreement of Purchase and Sale of Coast Guard Lands**

The City entered into a purchase and sale agreement with the Government of Canada to acquire Coast Guard lands in Uptown Saint John on January 24th, 2011. The purchase price of the property is \$2,800,000 to be paid in two phases. Phase 1 of the property was acquired by the City for \$832,845 plus HST and adjustments, and was paid in 2011. Phase 2 of the transaction is for \$1,967,155 plus HST and is scheduled for close by June 30, 2012.

**Market Square Central Building Complex - Lease Agreements**

The Central Building Complex of the Market Square Project was opened to the public in May 1983. This complex includes the library, trade and convention centre, parking garage and retail and commercial space. Under the terms of three sixty-six year leases, the City is responsible for the proportionate share of the complex's common area operating expenses, including property taxes, related to the library, trade and convention centre and parking garage.

**The Greater Saint John Economic Development Commission, Inc.**

During 1998, the Greater Saint John Economic Development Commission, Inc. was incorporated. The Articles of Incorporation provide a funding formula for costs to be shared by the participating municipalities. The participating municipalities are the Town of Quispamsis, the Town of Rothesay, the Town of Grand Bay-Westfield and the City of Saint John.

**Collective agreements**

There are provisions within a number of collective agreements between the City and bargaining units representing its employees that commit the City to the future expenditure of funds. The Agreement with CUPE Local 18, representing the City's outside workers, commits the City to employ a minimum of 293 employees at an approximate annual expenditure of \$13,600,000. This Agreement expires on June 30th, 2014. The Agreement with CUPE Local 486, representing the City's inside workers, has a no-lay-off provision related to all employees hired prior to August 9, 1985, resulting in an approximate annual expenditure of \$1,800,000. This Agreement expires on December 31, 2011.

In addition, the Collective Agreement between the Saint John Board of Police Commissioners and the Saint John Police Association, representing the City's Police Officers, contains a no-lay-off provision resulting in an approximate annual expenditure of \$10,059,000. This Agreement expires on December 31, 2012.

**University funding**

In June of 2005, the City approved a grant of \$2,000,000 to the University of New Brunswick, Saint John campus [the "University"]. This funding to the University's campaign "Forging Our Futures" is paid in cash and/or in kind over a period of 10 years commencing in 2006. The City has made annual contributions of \$200,000 in the years 2006 to 2010, and \$100,000 in 2011, with \$900,000 of the commitment remaining as at December 31, 2011.



**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
**Year ended December 31, 2011**

**5. COMMITMENTS [Cont'd]**

**Saint John Police Headquarters**

In 2010, the City entered into an agreement with Pomerleau Inc. for the construction of the Saint John Police Headquarters in the amount of \$20,675,000 plus HST. As of December 31, 2011, costs of approximately \$13,095,326 related to this project have been incurred. The project is due for completion in 2012.

**6. CONTINGENCIES**

The City is liable for the debentures and other long-term debt issued on behalf of its self-supporting entities: The Water and Sewerage Utility has outstanding debt as of December 31, 2011 in the amount of \$61,448,000 (2010 - \$45,832,000).

In accordance with the Clean Environment Act, the City is also liable for a pro rata share of the debentures and other long-term debt issued on behalf of the Fundy Solid Waste Commission. The portion attributable to the City is determined on the basis of its percentage of total population within all participating municipalities and unincorporated areas. The total of such debt outstanding at December 31, 2011 amounted to \$5,926,000 (2010 - \$7,681,000). Based on 2003 population figures, the City is liable for approximately 55% of the Commission's debt.

The City may be, from time to time, subject to various investigations, claims and legal proceedings covering various matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial position or operating results of the City.

**7. RESTRICTIONS ON MUNICIPAL BORROWINGS**

Section 89 of the Municipalities Act of the Province of New Brunswick restricts a municipality's borrowings for operating purposes to less than 4% of the operating budget of the municipality, and to less than 2% of the assessed value of real property in the municipality for capital purposes. Borrowings by the General Operating Fund and the General Capital and Loan Fund are within these legislative restrictions.

**8. INTER-FUND ACCOUNTS**

All inter-fund accounts at December 31, 2011 represent current transactions and are in compliance with the policy established by the Department of Local Government.

**9. BANK LOANS**

The City has credit facilities set up with the Bank of Nova Scotia. According to the terms and conditions of the commitment letter signed between the City and the Bank of Nova Scotia, the City can borrow up to \$5 million to fund general operations and \$25 million to assist in financing capital expenditures pending fall-in of long-term financing. The interest rate for the credit facilities is the Bank's Prime lending rate from time to time less 0.5% per annum with interest payable monthly. As of December 31, 2011, the balance of the bridge financing credit facility was \$10 million.

**The City of Saint John General Fund**  
**Notes to the Financial Statements**  
**Year ended December 31, 2011**

**10. TRANSACTIONS WITH THE CITY OF SAINT JOHN WATER AND SEWERAGE UTILITY ("the UTILITY")**

The General Operating Fund reimbursed the Utility Operating Fund an amount of \$2,200,000 (2010 - \$2,200,000) for water supply for fire protection and \$942,655 (2010 - \$910,000) for storm sewerage charges.

The General Operating Fund charged the Utility Operating Fund an amount of \$1,700,000 (2010 - \$1,425,000) for its share of general government operating costs. Charges for the provision of direct services between funds are not reflected in these amounts.

Interest is charged on the balances between the General Fund and the Utility on a monthly basis.

**11. UNRESTRICTED DEPOSIT ACCOUNT**

The City and its employees participate in a group life insurance plan which has a potentially refundable component, the Unrestricted Deposit Account ("UDA"), based on actual plan experience. Annually, a portion of any excess of premiums paid over claims experience is eligible to be refunded to the City and its employees. Both the City and employees pay premiums into this plan.

The UDA has accumulated \$1,875,582 of eligible refundable premiums during the years 2004 to 2011. The City has collected an amount of \$1,484,280. The remaining amount of \$391,302 is recorded as a long-term asset as the City intends to hold this amount to fund future potential premium increases. Of the eligible refundable premiums accumulated, \$127,609 was used to reduce payroll in 2011 and \$1,279,077 was used to reduce payroll in 2010 and 2009. The remaining \$110,725 is recorded as due to employees, for which \$420,000 has been distributed to employees up to December 31, 2011. The City reviews the balances in the UDA annually.

**12. COMPARATIVE FIGURES**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.

**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Revenue Items (1 of 2)**

	Budget 2011 Unaudited	Actual 2011	Actual 2010
Page	\$	\$	\$
<b>Sale of Goods and Services</b>			
<b>Protective services</b>			
Point Lepreau	60,000	40,000	40,000
Training	87,000	82,097	48,043
Regional Hazmat	110,000	70,000	70,000
Mass Decontamination	9,000	4,255	-
Saint John EMO	-	58,042	-
Garbage collection and disposal	5,000	60,441	200
Recreational and Cultural	834,545	816,173	825,369
<b>Administrative service</b>			
Pension Fund	150,000	153,968	133,472
Housing Operations	47,000	47,000	46,000
Industrial Parks	9,000	9,000	8,000
Saint John Water	1,700,000	1,425,000	1,425,000
Saint John Transit Commission	48,000	45,225	45,000
4	3,059,545	2,811,201	2,641,084

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Revenue Items (2 of 2)**

	Page	Budget 2011 Unaudited \$	Actual 2011 \$	Actual 2010 \$
<b>Other Revenue from Own Sources</b>				
<b>Licenses and permits</b>				
Business and other		179,500	158,328	154,672
Building		1,050,000	911,788	1,181,255
Plumbing		96,500	82,666	89,546
Gas pipeline		38,900	28,611	138,995
		<b>1,365,900</b>	<b>1,181,391</b>	<b>1,564,468</b>
<b>Fines and parking</b>				
Parking and traffic violations		835,000	1,094,717	1,030,303
Parking meters		1,085,000	900,285	933,603
Market Square Parking Garage		1,102,000	1,080,085	1,096,478
		<b>3,022,000</b>	<b>3,075,087</b>	<b>3,060,384</b>
<b>Rentals</b>				
Market		500,000	532,565	530,279
Land and buildings		223,530	165,196	176,165
		<b>723,530</b>	<b>697,761</b>	<b>706,444</b>
Short-term interest [note 9]	15	135,000	459,381	345,957
	4	<b>5,246,430</b>	<b>5,413,620</b>	<b>5,677,253</b>
<b>Conditional Grants from Other Governments</b>				
<b>Provincial government and agencies</b>				
Transportation services - highways		300,000	263,108	274,666
	4	<b>300,000</b>	<b>263,108</b>	<b>274,666</b>

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Expense Items (1 of 6)**

	Budget 2011 Unaudited Page	Actual 2011 \$	Actual 2010 \$
<b>General Government Services</b>			
<b>Legislative</b>			
Mayor's Office	201,630	188,159	212,105
Common Council	485,500	545,990	476,736
<b>General Administrative</b>			
City Manager	598,277	349,347	545,824
Intergovernmental Affairs	122,100	40,715	-
Corporate Planning	514,842	404,882	404,902
Common Clerk	969,815	880,430	819,735
City Solicitor	808,450	809,872	826,418
<b>Corporate Services</b>			
Finance	1,827,125	1,627,874	1,436,149
Human Resources	1,460,169	1,322,758	1,364,092
Materials Management	1,237,525	1,288,377	1,253,279
Information Systems and Support	2,031,626	1,940,134	1,940,214
Corporate Communications	527,426	508,191	497,842
<b>Common Services</b>			
City Hall Building	1,669,537	1,506,789	1,043,424
<b>Other General Government Services</b>			
Property Assessment	1,182,640	1,182,640	1,137,065
Public Liability Insurance	603,300	603,343	682,608
<b>4</b>	<b>14,239,962</b>	<b>13,199,501</b>	<b>12,640,393</b>

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Expense Items (2 of 6)**

	Page	Budget 2011 Unaudited \$	Actual 2011 \$	Actual 2010 \$
<b>Protective Services</b>				
Police Protection		22,899,426	23,918,640	23,865,018
Fire Protection				
Fire Operations		21,480,651	21,297,598	20,992,263
Water supply [note 10]	15	2,200,000	2,200,000	2,200,000
Emergency Measures				
Emergency Measures Organization		320,000	243,566	330,298
Emergency Dispatch Centre		2,246,900	2,251,397	1,999,442
Other Protection				
Inspection Services		1,111,424	1,072,910	1,633,559
Enforcement Services		800,755	664,370	-
Animal control		153,033	159,367	148,574
	4	51,212,189	51,807,848	51,169,154

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Expense Items (3 of 6)**

		<b>Budget 2011 Unaudited \$</b>	<b>Actual 2011 \$</b>	<b>Actual 2010 \$</b>
	<b>Page</b>			
<b>Transportation Services</b>				
<b>Common Services</b>				
Mechanical		423,148	1,478,282	1,122,664
Administration		461,500	326,208	213,208
Engineering		449,000	375,762	501,166
<b>Road Transport</b>				
Roads and Sidewalks		14,391,501	14,569,401	13,900,239
Street Lighting		1,070,000	962,560	1,012,109
Traffic Services		1,612,600	1,643,991	1,734,905
Parking		530,845	585,151	563,851
Storm Sewer		3,101,400	3,271,206	3,240,666
<b>Public Transit</b>				
Transit Operating Subsidy [note 5]	13	4,317,060	4,317,060	4,910,666
Transit Debt Charges [note 5]	13	1,539,631	1,265,594	1,305,172
	<b>4</b>	<b>27,896,685</b>	<b>28,795,215</b>	<b>28,504,646</b>

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Expense Items (4 of 6)**

		<b>Budget 2011 Unaudited \$</b>	<b>Actual 2011 \$</b>	<b>Actual 2010 \$</b>
	<b>Page</b>			
<b>Environmental Development Services</b>				
Research and Planning		1,539,400	1,487,885	1,922,638
Administration and GIS		819,457	670,040	605,794
Real Estate Management		1,403,902	1,328,181	1,284,341
Saint John Development Corporation		280,000	280,000	280,000
Environment Committee		4,520	281	17,066
Heritage Development Board		427,085	380,915	202,738
Greater Saint John Economic Development	14	400,567	400,567	432,750
Saint John Industrial Parks		316,000	316,000	322,875
Market Square Common Area	13	2,015,139	1,851,503	1,873,125
Growth Strategy		25,000	25,000	25,000
Regional Facilities Commission	13	1,528,439	1,464,230	1,502,994
Tourism		925,000	894,708	997,963
City Market		908,226	816,260	899,441
	<b>4</b>	<b>10,592,735</b>	<b>9,915,570</b>	<b>10,366,725</b>

The accompanying notes are an integral part of these financial statements.



**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Expense Items (5 of 6)**

	<b>Budget 2011 Unaudited \$</b>	<b>Actual 2011 \$</b>	<b>Actual 2010 \$</b>
<b>Recreational and Cultural Services</b>			
<b>Recreational</b>			
Pro Kids	100,500	98,328	87,039
Community Centres	1,149,951	1,241,353	1,640,216
Sports and Recreation	3,105,035	3,188,865	3,083,824
Parks	2,564,923	2,217,062	2,124,188
<b>Cultural</b>			
Free Public Library	456,230	456,230	433,215
Cultural Affairs	111,459	88,545	88,655
Grants	1,452,922	1,368,261	1,403,705
<b>4</b>	<b>8,941,020</b>	<b>8,658,644</b>	<b>8,860,842</b>

The accompanying notes are an integral part of these financial statements.

**The City of Saint John General Fund**  
**Year ended December 31**

**Operating Fund**  
**Schedule of Expense Items (6 of 6)**

		Budget 2011 Unaudited \$	Actual 2011 \$	Actual 2010 \$
<b>Fiscal Services</b>				
Interest on long-term debt				
Debenture debt		4,288,198	3,943,894	3,460,512
Other long-term debt		203,407	219,045	61,726
Principal installments				
Debenture debt		8,836,000	8,836,000	8,500,000
Other long-term debt		148,768	148,767	145,896
Other				
Capital projects financed by the General Operating Fund		-	-	580,376
Other debt charges		505,041	345,571	184,978
Short-term financing		300,000	200,584	221,043
Funding of Pension Fund [note 4]	12	7,254,111	10,395,371	8,068,383
Other miscellaneous		-	-	193
	<b>4</b>	<b>21,535,525</b>	<b>24,089,232</b>	<b>21,223,107</b>

The accompanying notes are an integral part of these financial statements.