The City of Saint John

Consolidated Financial Statements

December 31, 2012

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Deloitte.

Deloitte LLP
Brunswick House
P.O. Box 6549
44 Chipman Hill, 7th Floor
Saint John NB E2L 4R9
Canada

Tel: 506-632-1080
Fax: 506-632-1210
www.deloitte.ca

Independent Auditor's 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, which comprise the consolidated statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the consolidated statements of operations, change in net debt and cash flow for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

In December 2012, the City's defined benefit pension plan was converted to a shared risk model under Part 2 of the Pension Benefits Act (New Brunswick). The City has concluded that the shared risk model is a defined contribution plan. We were unable to obtain sufficient appropriate audit evidence to conclude that accounting for the shared risk model as a defined contribution plan is compliant with public sector accounting standards. Consequently, we were unable to determine whether any retirement benefit liability and related retirement benefit expense should be recorded as at December 31, 2012.

The City has not recorded a retirement benefit liability in the statement of financial position as at December 31, 2011 and January 1, 2011 relating to the defined benefit pension plan that existed prior to the conversion to the shared risk model. Further, the statement of operations does not report the expense for retirement benefits for the year ended December 31, 2011. This constitutes a departure from Canadian public sector accounting standards.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The City of Saint John as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations, changes in net debt, and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Accountants
October 28, 2013

The City of Saint John

Consolidated Statement of Financial Position

As at December 31, 2012

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
	$	$	$
Financial assets			
Cash and cash equivalents (Note 5)	**4,673,020**	7,826,679	6,826,261
Accounts receivable (Note 8)	**26,302,672**	37,191,054	28,855,135
Investment in Energy Services (Note 9)	**57,728,154**	57,858,466	57,641,506
Other investments (Note 10)	**6,797,471**	6,131,250	6,125,043
	95,501,317	109,007,449	99,447,945
Financial liabilities			
Accounts payable and accrued liabilities (Note 11)	**36,325,649**	45,713,972	38,008,918
Deferred revenue	**1,893,969**	1,735,851	1,660,201
Deferred government transfers (Note 12)	**13,849,716**	11,932,523	3,000,270
Accrued pension liability (Note 14)	**5,067,131**	8,730,471	9,703,990
Post employment benefits and compensated absences (Note 14)	**25,050,701**	13,597,200	13,007,601
Bank loan payable (Note 4)	**12,167,000**	10,000,000	20,000,000
Long term debt (Note 13)	**200,935,872**	196,383,110	157,491,464
	295,290,038	288,093,127	242,872,444
Net debt	**(199,788,721)**	(179,085,678)	(143,424,499)
Non-financial assets			
Inventory	**1,293,937**	1,356,248	1,349,901
Prepaids	**1,178,957**	1,186,977	394,703
Deferred expenses	**910,400**	730,700	-
Tangible capital assets (Note 22)	**925,958,230**	899,208,064	844,745,917
	929,341,524	902,481,989	846,490,521
Accumulated surplus	**729,552,803**	723,396,311	703,066,022

Contingencies (Note 15)

Commitments (Note 16)

Approved by:

Mel Norton, Mayor

David Merrithew, Chair of Finance Committee

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

The City of Saint John

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2012

	2012 Budget (Unaudited) (Note 3)	2012	2011 (Note 2)
	$	$	$
Revenues			
Property taxes	114,504,447	**114,504,445**	108,815,058
Unconditional grant	19,203,728	**18,958,731**	19,364,825
Other revenue from own sources	23,057,791	**26,892,750**	28,342,965
Water & sewer revenue (Note 18)	33,667,000	**32,656,592**	32,053,304
Miscellaneous revenue	302,228	**721,875**	2,361,227
Contributions from others	790,000	**23,997,376**	27,613,987
Income from energy services (Note 9)	-	-	216,960
	191,525,194	**217,731,769**	218,768,326
Expenses			
General Government Services	43,560,897	**57,224,560**	39,235,530
Protective services	47,596,029	**46,190,164**	48,542,179
Transportation services	34,736,942	**44,262,482**	46,928,003
Water and sewer services	36,887,556	**31,879,822**	30,356,383
Environmental health services	3,965,640	**3,589,905**	3,984,762
Environmental development services	21,109,081	**19,299,870**	20,021,587
Recreational and cultural services	9,148,414	**8,998,162**	9,369,593
Loss from energy services (Note 9)	-	**130,312**	-
	197,004,559	**211,575,277**	198,438,037
Annual (deficit) surplus	(5,479,365)	**6,156,492**	20,330,289
Accumulated surplus, beginning of year	-	**723,396,311**	703,066,022
Accumulated (deficit) surplus, end of year	(5,479,365)	**729,552,803**	723,396,311

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

The City of Saint John

Consolidated Statement of Changes in Net Debt

For the year ended December 31, 2012

	2012 $	2011 $
Annual surplus	**6,156,492**	20,330,289
Acquisition of tangible capital assets (Note 22)	**(63,096,444)**	(88,334,294)
Disposal of tangible capital assets (Note 22)	**2,002,380**	2,042,998
Amortization of tangible capital assets (Note 22)	**34,343,898**	31,829,149
Decrease (increase) in inventory	**62,311**	(6,347)
Decrease (increase) in prepaids	**8,020**	(792,274)
Increase in deferred expenses	**(179,700)**	(730,700)
Increase in net assets	**(26,859,535)**	(55,991,468)
Net debt, beginning of year	**(179,085,678)**	(143,424,499)
Net debt, end of the year	**(199,788,721)**	(179,085,678)

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

The City of Saint John
Consolidated Statement of Cash Flows
For the year ended December 31, 2012

	2012 $	2011 $
Operating transactions		
Annual surplus (deficit)	**6,156,492**	20,330,289
Items not involving cash		
Amortization of tangible capital assets (Note 22)	**34,343,898**	31,829,149
Loss on disposal of tangible capital assets	**1,762,693**	1,966,903
Change in non-cash assets and liabilities		
Accounts receivable	**10,888,382**	(8,335,919)
Accounts payable and accrued liabilities (Note 11)	**(9,388,323)**	7,705,054
Deferred revenue	**158,118**	75,650
Deferred government transfers (Note 12)	**1,917,193**	8,932,253
Accrued pension liability (Note 14)	**(3,663,340)**	(973,519)
Other post employment liabilities (Note 14)	**11,453,501**	589,599
Inventory	**62,311**	(6,347)
Prepaids	**8,020**	(792,274)
Deferred expenses	**(179,700)**	(730,700)
	53,519,245	60,590,138
Capital transactions		
Acquisitions of tangible capital assets (Note 22)	**(63,096,444)**	(88,334,294)
Proceeds on sale of tangible capital assets	**239,686**	76,098
	(62,856,758)	(88,258,196)
Financing transactions		
Repayment of long term debt (Note 13)	**(20,168,494)**	(17,608,357)
Proceeds from long term debt (Note 13)	**24,721,257**	56,500,000
Proceeds (repayment) from bank loan	**2,167,000**	(10,000,000)
	6,719,763	28,891,643
Investing transactions		
Investments (Note 10)	**(535,909)**	(223,167)
Net increase (decreases) in cash and cash equivalents	**(3,153,659)**	1,000,418
Cash and cash equivalents, beginning of year	**7,826,679**	6,826,261
Cash and cash equivalents, end of year	**4,673,020**	7,826,679

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

1. Purpose of the organization

The City of Saint John (the "City") was incorporated by royal charter in 1785. As a municipality, the City is exempt from income taxes under Section 149(1)(c) of the Canadian Income Tax Act. The City has the following vision statement, "We are energized, engaged people committed to working together to provide services that are responsive to Community needs and delivered in a sustainable, cost effective way."

2. Change in accounting framework

Effective January 1, 2011, the City adopted Public Sector Accounting Standards ("PSAS") of the Canadian Institute of Chartered Accountants ("CICA") Handbook. The City has early adopted the accounting standards constained in PS 1201 - Financial statement presentation, PS 3410 - Government transfers. The City has chosen not to early adopt PS 2601 - Foreign currency translation and PS 3450 - Financial instruments in the preparation of these financial statements. The City previously prepared its financial statements in accordance with the accounting principles prescribed for New Brunswick municipalities by the Department of Local Government.

In accordance with PS 2125 of the CICA Handbook, First-time adoption by government organizations, ("PS 2125"), the date of transition to the new standards is January 1, 2011 and the City has prepared and presented an opening statement of financial position at the date of transition to the new standards. This statement of financial position is the starting point for the City's accounting under the new standards. In its opening statement of financial position, under the recommendations of PS 2125, the City:

a) recognized all assets and liabilities whose recognition is required by the new standards;

b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

c) reclassified items that it recognized previously as one type of asset or liability, but are recognized as a different type of asset or liability under the new standards; and

d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with PS 2125, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively with restatement of prior periods.The City has elected not to adopt any of the exemptions available under PS 2125

PS 3150 has established standards on how to account for and report tangible capital assets. Tangible capital assets are a significant economic resource managed by government and a key component in the delivery of many government programs. The standard requires these assets to be recorded at historical cost on the balance sheet and their costs allocated to future accounting periods through annual amortization expenses based on the tangible capital assets estimated useful lives of the assets. The City was required to record the historical cost of their tangible capital assets and accumulated amortization on a retroactive basis with restatement of prior years.

The City determined historical cost based on historical accounting records, and discounted replacement costs. If historical cost could not be determined, the asset was recorded at a nominal value.

The City calculated and recorded liabilities for its sick leave accrual, defined benefit pension plan and other post employment benefits.

2. Change in accounting framework [Cont'd]

The December 31, 2011 figures, presented for comparative purposes, have been restated from those previously reported. The following adjustments were made to the prior period:

Adjustments to annual surplus (deficit)		
Annual surplus, as previously reported in the Operating Fund		(73,704)
Annual surplus of other funds		52,633,618
Less: second previous year surplus	a	(537,183)
Less: sick leave	b	(237,000)
Less: amortization of tangible capital assets	c	(27,934,573)
Less: post employment expense	d	703,920
Less: pension expense	e	(1,886,139)
Less: Controlled entities eliminations and adjustments	f	(2,338,650)
Annual surplus, as restated	-	20,330,289

Adjustments to net book value of tangible capital assets		
As previously reported, December 31, 2010		941,408,750
Adjustment to historical cost of tangible capital assets, net	g	(10,371,537)
Amortization expense recorded	g	(31,829,149)
As restated at December 31, 2011	-	899,208,064

See Note 23 for the reconciliation of accumulated surplus (deficit).

(a) The Municipality's Act requires that the General Operating Fund surplus (deficit) be absorbed into the operating budget of the second subsequent year and that the Water and Sewerage Operating Fund surplus (deficit) be absorbed into one or more of four operating budgets commencing with the second ensuing year. The prior year surplus (deficit) was reclassified to accumulated surplus to be in compliance with PSAS.

(b) The City calculated and recorded liability for sick leave accrual in accordance with PSAS. The actuarial valuation of the sick leave benefit was conducted as at December 31, 2012.

(c) In accordance with the accounting principles prescribed for New Brunswick municipalities by the Department of Local Government, the City was not required to record amortization for its tangible capital assets. In accordance with PS 3150, the City recorded its tangible capital assets and accumulated amortization on a retroactive basis with restatements of prior years.

(d) Previously, actuarial gains or losses were recorded as revenues or expenses in the year the acturial valuation was completed. Under PSAS, actuarial gain or loss is amortized over the expected average remaining service life (EARSL) for active employees.

(e) Previously, the City received approval from the Province of New Brunswick to defer and amortize special going

2. Change in accounting framework [Cont'd]

concern pension payments. In accordance with PSAS, the payments are expensed rather than deferred. Pension expense was adjusted due to the change in accounting framework.

(f) Revenues and expenses between the City and its controlled entities were eliminated. Costs, previously recorded as fixed assets, which do not qualify as tangible capital assets in accordance with PS 3150 were reclassified to expense.

(g) Previously, the City recorded capital expenditures as fixed assets in the Capital Fund. In accordance with PS 3150, a tangible capital asset inventory was created and valued. If historical costs were not known, the deflated replacement or deflated assessment cost methodology was used. The existing fixed asset balances were eliminated and the new tangible capital asset amounts were recorded. The accumulated amortization and amortization expense was recorded on a retroactive basis.

3. Summary of significant accounting policies

The consolidated financial statements of the City are the representations of the City's management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Significant aspects of the accounting policies adopted by the City are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net debt and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the City and which are owned or controlled by the City.

Interdepartmental and organizational transactions and balances are eliminated.

The focus of PSA financial statements is on the financial position of the City and the changes thereto. The Consolidated Statement of Financial Position includes all of the assets and liabilities of the City.

The entities included in the consolidated financial statements are as follows:

1. The City of Saint John General Operating Fund
2. The City of Saint John Capital and Loan Fund
3. The City of Saint John Water and Sewerage Utility Operating Fund
4. The City of Saint John Water and Sewerage Utility – Capital and Loan Fund
5. Saint John Parking Commission
6. Saint John Transit Commission
7. Saint John Non Profit Housing Inc.
8. Saint John Development Corporation
9. Saint John Industrial Parks Inc.
10. Harbour Station Commission
11. Saint John Aquatic Centre Commission

3. Summary of significant accounting policies [Cont'd]

Reporting entity [Cont'd]

12. Saint John Trade and Convention Centre
13. Saint John Energy
14. Lord Beaverbrook Rink
15. Saint John Police Commission
16. Saint John Free Public Library
17. Saint John Jeux Canada Games Foundation, Inc.

Investment in Energy Services

The City's investment in Saint John Energy is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAS for government business enterprises. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of Saint John Energy in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account.

Budget

The budget figures contained in these financial statements were approved by Council on February 1st, 2012 and the Minister of Local Government on August 9th, 2012. The budget is unaudited and does not include elimination of inter-organizational revenues and expenses with controlled entities.

Revenue recognition

Unrestricted revenue is recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Other revenue is recorded when it is earned.

Property taxes, which are authorized by Council, are recognized as revenues in the period for which the taxes are levied.

Government transfers

The City has early adopted the accounting standards contained in PS 3410 – Government transfers in the preparation of these financial statements. Early adoption of this standard did not result in any changes in the City's accounting policies or financial statements from those previously reported.

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

3. Summary of significant accounting policies [Cont'd]

Expenses

Expenses are recorded on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Measurement uncertainty

The preparation of the consolidated financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Key components of the consolidated financial statements requiring management to make estimates include: the useful life of capital assets, impairment of tangible capital assets, rates for amortization and allowance for doubtful accounts in respect of receivables.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

Financial instruments

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investment in Energy Services, other investments, accounts payable and accrued liabilities, bank loan payable, and long term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The City is subject to credit risk through accounts receivable. The City minimizes credit risk through ongoing credit management.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Tangible capital assets

Effective January 1, 2011, the City of Saint John adopted the provisions of PSAS section 3150 Tangible Capital Assets. Tangible capital assets are non-financial assets having a physical substance that:

- Are held for use by the municipality in the productions or supply of goods and services, for rentals to other, for administrative purposes or for the development, construction, maintenance or repair of other tangible assets;

- Have useful lives extending beyond one year and are intended to be used on a continual basis;

- Have a minimum value of $5,000 for individual assets; or $25,000 for pooled assets

3. Summary of significant accounting policies [Cont'd]

Tangible capital assets [Cont'd]

- Are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Assets that fall below the threshold amounts are expensed for accounting purposes. The cost of the tangible capital asset is amortized on a straight line over the estimated useful life as follows:

Asset Type	Years
Equipment and light machinery	3 - 25
Furniture and office equipment	5 - 15
Information technology equipment and software	1 - 15
Land	N/A
Land improvements	5 - 100
Leasehold improvements	Term of lease
Municipal buildings	10 - 70
Transportation	5 - 50
Motor vehicles and mobile equipment	5 - 20
Water and wastewater networks	5 - 100

In the year of acquisition and the year of disposal, one half of the annual amortization expense is recognized.

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that there is impairment in the value of the assets and the reduction in the value can be objectively estimated and it is expected to be permanent. The net write-downs are accounted for as expenses in the statement of operations.

Donated or contributed assets are recorded at fair market value at the date of construction or donation. In some circumstances, replacement cost may be used.

Segmented information

The City provides a wide range of services to its residents. For management reporting purposes, operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by service areas as follows:

General government services

This segment is responsible for the overall governance and financial administration of the City. This includes

3. Summary of significant accounting policies [Cont'd]

Segmented information [Cont'd]

Council functions, general and financial management, legal matters and compliance with legislation as well as civic relations.

Protective services

This segment is responsible for the provision of policing services, fire protection, emergency measures, animal control and other protective measures.

Transportation services

This segment is responsible for common services, roads and streets maintenance, street lighting, traffic services, parking and other transportation related functions.

Water and sewer services

This segment is responsible for the provision of water and sewer services including the maintenance and operation of the underground networks, treatment plants, reservoirs and lagoons.

Environmental health services

This segment is responsible for the provision of waste collection and disposal.

Environmental development services

This segment is responsible for planning and zoning, community development, tourism and other municipal development and promotion services.

Recreation and cultural services

This segment is responsible for the maintenance and operation of recreational and cultural facilities, including the swimming pool, arenas, parks and playgrounds and other recreational and cultural facilities.

Energy services

This segment comprises a non-generating distribution utility that supplies electricity to municipal, residential, general service and industrial customers through 12 interconnection supply points and substations located in the City of Saint John. It also provides street lighting, area lighting and water heater rental services.

Inventory

Inventory is valued at the lower of cost and net replacement cost with cost being determined on the first in, first out basis.

3. Summary of significant accounting policies [Cont'd]

Post employment benefits

The City recognizes its obligations under post-employment benefit plans and the related costs, as disclosed in Note 14. Where appropriate, the City has undertaken actuarial valuations.

4. Bank loan payable

The City has credit facilities 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 $5.5 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 at December 31, 2012, the balance of the bridge financing credit facility was $10,000,000 (2011 - $10,000,000) and the balance of the operating line of credit was $2,167,000 (2011 - $0).

5. Cash

Cash consists of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Unrestricted cash	**1,148,382**	4,067,663	3,146,589
Restricted cash			
Reserve for capital purchase	**234,500**	210,000	185,500
Airspace 2049 fund	**5,042**	1,139	6,355
Land sub-division fund	**56,696**	55,571	63,946
Saint John Non Profit Housing future development fund	**48,772**	48,187	47,614
Deposits on contracts	**261,602**	492,322	488,418
Saint John Non Profit Housing replacement reserve	**2,834,417**	2,847,566	2,802,888
Saint John Non Profit Housing subsidy surplus reserve	**83,609**	104,231	84,951
	4,673,020	7,826,679	6,826,261

6. Due from the federal government and its agencies

Amounts due from the federal government and its agencies consist of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Canada Revenue Agency HST receivable	**1,624,366**	2,496,770	2,224,670
Harbour Cleanup Fund	**2,946,580**	1,882,600	1,670,600
Gas Tax Fund	**-**	10,575,764	-
Stimulus Grant	**-**	-	4,153,777
Municipal Rural Infrastructure Fund	**351,661**	1,638,446	-
Other	**344,291**	279,955	1,530,279
	5,266,898	16,873,535	9,579,326

7. Due from the Province of New Brunswick

Amounts due from the Province of New Brunswick consists of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Harbour Cleanup Fund	**3,214,000**	3,343,879	1,670,592
Peel Plaza Provincial Contribution	**5,633,454**	4,917,224	-
Municipal Rural Infrastructure Fund	**351,661**	1,638,446	-
Stimulus Grant	**-**	-	4,153,777
Other	**936,219**	991,990	2,534,149
	10,135,334	10,891,539	8,358,518

8. Accounts receivable

Accounts receivable consist of the following:

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
Due from the Province of New Brunswick (Note 7)	**10,135,334**	10,891,539	8,358,518
Due from the Federal Government (Note 6)	**5,266,898**	16,873,535	9,579,326
Water and sewer from ratepayers	**6,668,103**	6,314,583	6,217,265
Other	**5,245,465**	4,069,312	5,323,007
Allowance for doubtful accounts	**(1,013,128)**	(957,915)	(622,981)
	26,302,672	37,191,054	28,855,135

9. Investment in energy services

Change in equity in Saint John Energy:

	2012 $	2011 $
Equity at beginning of year	**57,858,466**	57,641,506
Net (loss) earnings	**(130,312)**	216,960
Equity at end of year	**57,728,154**	57,858,466

10. Other investments

Other investments consist of the following:

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
Canada Games Foundation investments	**5,823,908**	5,502,790	5,525,073
Other investments	**973,563**	628,460	599,970
Total other investments	**6,797,471**	6,131,250	6,125,043

The investments of the Canada Games Foundation are held in the custody of Scotiatrust and CIBC Melon. The Foundation's investment strategy is to hold high quality corporate or Government bonds and liquid equity investments which bear no unusual credit or interest rate risk. Fair values of investments in fixed income securities and equities are determined using year end quoted market prices.

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Trade payables	**30,027,633**	39,313,600	31,041,609
Payroll	**4,354,559**	3,904,133	4,649,983
Deposits	**570,884**	976,817	928,779
Payable to Canada Revenue Agency	**23,625**	57,148	54,987
Conferences and holdings	**399,269**	387,604	479,409
Interest payable	**661,442**	745,253	704,443
Other	**288,237**	329,417	149,708
	36,325,649	45,713,972	38,008,918

12. Deferred government transfers

Deferred government transfers consist of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Gas Tax Funding	**6,082,184**	9,020,144	2,875,496
Parking garage	**7,767,532**	2,890,992	-
Other government transfers	**-**	21,387	124,774
	13,849,716	11,932,523	3,000,270

Funding received as part of the Gas Tax Funding program is recorded as revenue in the year during which related expenditures are incurred. Monies that have not been spent are recorded as deferred government transfers on the consolidated statement of financial position

In February, 2010, the Saint John Parking Commission entered into a capital cost agreement with the Province of New Brunswick ("the Province") for the Carleton Street Parking Garage. Amended capital cost agreements have resulted in the Province contributing $6,966,180 for construction costs and an additional $1,080,000 contribution in lieu of future operating expenses, excluding HST, for the parking garage. The Province is holding back $278,648 for seasonal work not completed at year end. Contributions will be recognized as revenue upon substantial completion of the garage.

13. Long term debt

Debentures consist of the following:

Year of Issue	Interest Rate %	Term (Years)	Annual Payment $	2012 $	2011 $	Jan. 1, 2011 $
New Brunswick Municipal Finance Corporation Debentures						
2001	2.450 to 5.500	10	-	-	-	972,000
2002	3.375 to 5.750	10	1,566,000	-	1,566,000	3,132,000
2003	3.050 to 5.000	10	1,788,000	**1,788,000**	3,576,000	5,364,000
2003	2.750 to 5.125	10	1,862,000	**1,862,000**	3,724,000	5,586,000
2003	3.375 to 5.750	10	44,000	**44,000**	88,000	132,000
2004	2.750 to 4.800	10	1,255,000	**11,130,000**	12,385,000	13,640,000
2004	3.050 to 5.000	10	57,000	**394,000**	451,000	508,000
2005	3.750 to 4.375	10	648,000	**6,064,000**	6,712,000	7,360,000
2005	2.750 to 5.125	10	40,000	**320,000**	360,000	400,000
2006	4.150 to 4.450	10	1,133,000	**12,202,000**	13,335,000	14,468,000
2006	2.750 to 4.800	10	60,000	**540,000**	600,000	660,000
2007	4.450 to 4.850	10	730,000	**9,050,000**	9,780,000	10,510,000
2007	3.750 to 4.375	10	33,000	**335,000**	368,000	401,000
2008	3.300 to 4.850	10	692,000	**8,232,000**	8,924,000	9,616,000
2008	2.100 to 5.550	15	542,000	**6,832,000**	7,374,000	7,916,000
2008	4.150 to 4.450	10	100,000	**1,100,000**	1,200,000	1,300,000
2009	1.000 to 4.500	10	1,008,000	**12,476,000**	13,484,000	9,358,000
2009	0.950 to 5.000	10	817,000	**11,049,000**	11,866,000	17,817,000
2009	4.450 to 4.850	10	100,000	**1,200,000**	1,300,000	1,400,000
2009	3.300 to 4.850	10	333,000	**4,001,000**	4,334,000	4,667,000
2010	1.500 to 4.550	10	1,250,000	**17,500,000**	18,750,000	20,000,000
2011	1.650 to 4.250	10	2,367,000	**38,633,000**	41,000,000	-
2011	1.350 to 3.450	10	650,000	**10,850,000**	11,500,000	-
2011	2.100 to 5.550	15	200,000	**3,800,000**	4,000,000	-
2012	1.350 to 3.550	15	-	**24,500,000**	-	-
			17,275,000	**183,902,000**	176,677,000	135,207,000
OTHER DEBENTURES						
Canada Mortgage and Housing Debentures						
2009	3.97	15	78,183	**1,219,294**	1,297,477	1,372,674
Province of New Brunswick (Pension)						
2007	4.36	5	1,680,000	-	1,680,000	3,360,000
Total debentures			19,033,183	**185,121,294**	179,654,477	139,939,674

13. Long term debt [Cont'd]

Mortgages and other long-term debt consists of the following:

	Date of Maturity	Interest Rate %	Payment $	2012 $	2011 $	Jan. 1, 2011 $
Canada Mortgage and Housing Corporation mortgages						
Bicentennial Court	Apr 1, 2021	1.80	50,069	**454,081**	504,151	548,714
Rotary Admiral Beatty	Apr 1, 2021	1.80	296,984	**2,693,366**	2,990,350	3,254,678
Main and Rodney Projects	Jun 1, 2026	2.26	39,047	**622,868**	661,915	695,689
North End Project	Jan 1, 2024	2.86	40,724	**538,084**	578,808	618,397
West Side Project	Oct 1, 2024	2.65	36,820	**517,936**	554,756	590,623
Harbourside	Aug 1, 2019	2.61	258,156	**1,903,539**	2,161,695	2,413,262
South End Project	Dec 1, 2022	3.16	65,189	**777,794**	842,982	906,168
105 Queen Street	May 1, 2025	2.40	18,961	**277,328**	296,289	314,804
46 St. James Street	Feb 1, 2023	3.90	27,238	**345,840**	373,078	399,288
147 Queen Street	Aug 1, 2028	3.09	8,002	**163,424**	171,426	179,188
28 Taylor Avenue	Nov 1, 2029	2.65	2,565	**218,692**	-	-
Other mortgages						
CIBC - Rotary Court	May 1, 2014	4.16	18,731	**448,640**	467,372	485,352
Bank of Nova Scotia - 40 46 Main Street	Nov 1, 2011	5.60	-	-	-	69,971
Manulife Financial - Leinster Street	Aug 1, 2018	4.70	117,279	**4,164,633**	4,281,913	4,393,868
Bank of Nova Scotia - Broadview Avenue	Oct 1, 2013	4.45	6,056	**96,570**	102,627	108,435
Bank of Nova Scotia - 289 Turnbull	Sep 1, 2013	5.90	9,989	**265,033**	275,021	284,445
Family and Community Services Affordable Rental Housing Program						
Forgivable loan - 40 46 Main Street	May 1, 2026	4.45	7,000	**93,333**	100,333	107,333
Forgivable loan - Leinster Street	Jul 1, 2028	4.45	45,500	**705,250**	750,750	796,250
Forgivable loan - Broadview Avenue	Jul 1, 2027	4.80	5,000	**72,500**	77,500	82,500
Forgivable loan - 183 - 185 Wentworth	Jun 1, 2025	5.30	7,000	**86,917**	93,917	100,917
New Brunswick Housing Corporation						
Promissory note payable - Rotary Admiral Beatty Com	Apr 1, 2031	4.30	75,000	**1,368,750**	1,443,750	1,201,908
			1,135,310	**15,814,578**	16,728,633	17,551,790

13. Long term debt [Cont'd]

In total, long-term debt consists of:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Debentures	**185,121,294**	179,654,477	139,939,674
Mortgages	**15,814,578**	16,728,633	17,551,790
Total long-term debt	**200,935,872**	196,383,110	157,491,464

Mortgages with Canada Mortgage and Housing Corporation are secured by specific rental properties situated in Saint John and in some instances, a general assignment of rental income.

Forgivable loans from the Family and Community Services Affordable Rental Housing Program and the promissory note payable to New Brunswick Housing Corporation are forgiven over a period of twenty years from the first day of the month following project interest adjustment date, provided certain conditions are continuously met. Should a loan become payable as a result of default, the remaining unforgiven balance will bear interest at the rate shown in the table.

The forgivable loans are secured by specific rental properties situated in the City of Saint John. During the year, $64,500 was forgiven from the Family and Community Services Affordable Rental Housing Program (December 31, 2011 - $64,500).

During the year, $75,000 of the promissory note from New Brunswick Housing Corporation was forgiven (December 31, 2011 - $56,250).

The aggregate amount of principal repayments required in each of the next five years to meet provisions of long-term debt, assuming maturity debt is renewed at terms comparable to those currently in effect, is as follows:

2013	**18,449,393**
2014	**23,687,201**
2015	**17,828,038**
2016	**20,823,936**
2017	**17,265,937**
Thereafter	**102,881,367**

14. Post employment benefits and compensated absences

Description of plan benefits

The City provides for the payment of retirement allowances to retiring employees in accordance with the terms of the various collective agreements and Municipal policy. The retirement allowance is based on the member's final annual salary and years of service at retirement. Employees upon retirement from the City are entitled to a retirement 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.

The City also provides for employee sick leave. Unused sick leave accumulates to a maximum number of hours which varies by employment agreement. Under this program, employees are not entitled to a cash payment in lieu of sick leave when they leave the City's employment except as described below with respect to the retirement both outside workers (local 18) and firefighters (local 771).

Upon retirement, members of Local 18 and 771 will be eligible to receive a partial payment for accumulated sick leave credits in excess of 1,760 hours or 2,280 hours respectively. Employees will be paid 10% of their regular rate of pay for each hour in excess of 1,760 or 2,280 hours respectively.

For employees of the City of Saint John Fire department, who are unable to work due to heart disease or permanent injury to the lungs, the City pays certain amounts to disabled firefighters or their survivor spouse as a result of the provisions of an Act of the Legislature, known as the Act respecting the Saint John Firefighters's Association.

As at January 1, 2013, the City's pension plan was converted to a shared risk model. As part of the conversion, the City assumed the obligation for paying existing disability pensions that had been granted under the old plan, until disabled members reach the age of 65. On a go forward basis, disability coverage is now provided for employees through a long term disability insurance carrier.

Finally there are specific agreements that obligate the City to pay top up pensions to certain individuals

Valuation techniques and assumptions

Actuarial valuations of the above benefits are done for accounting purposes using the projected benefit method prorated on services. The last actuarial valuation of the post-employment benefit plans was conducted as at December 31, 2012. Previous to that, an actuarial valuation was performed on December 31, 2011.

The above benefit plans are unfunded and as such, there are no applicable assets. Benefits are paid out of general revenue as they come due.

14. Post employment benefits and compensated absences [Cont'd]

A reconciliation of the accrued benefit obligation for these plans, along with the main assumptions used for disclosure and expense calculations are as follows:

	2012 $	2011 $
Accrued benefit obligation, beginning of year	**13,597,200**	13,007,601
Current period benefit cost	**12,606,301**	627,099
Past service improvement costs	**(500,000)**	-
Benefit payments	**(1,639,500)**	(1,364,700)
Interest cost	**524,700**	567,300
Actuarial gain or loss	**462,000**	759,900
Post employment benefits and compensated absences, end of year	**25,050,701**	13,597,200

	2012 $	2011 $
Main assumptions used for these plans:		
Discount rate	3.74%	4.00%
Salary increase	3.00%	3.00%
EARSL	Range from 14 to 22	Range from 14 to 22

14. Post employment benefits and compensated absences [Cont'd]

These benefit plans require no contributions from employees. The benefit liability as at December 31, 2012 includes the following components:

	2012 $	2011 $	Jan. 1, 2011 $
Accrued benefit obligation (carrying value)			
Retirement allowances	**3,531,000**	3,466,000	3,385,000
Sick leave	**5,117,000**	5,200,000	4,963,000
Heart and lung pension	**2,992,000**	3,634,000	3,439,000
Disability benefits	**11,913,000**	-	-
Contractual top up agreements	**742,600**	572,700	535,700
Sick leave - Saint John Transit	**755,101**	724,500	684,901
	25,050,701	13,597,200	13,007,601
Unamortized actuarial loss	**(910,400)**	(730,700)	-
	24,140,301	12,866,500	13,007,601

The unamortized actuarial losses will be amortized over the expected average remaining service life (EARSL) of the related employee groups starting in the next fiscal year. EARSL is determined separately for each benefit program.

The total expense related to other employee benefits described above includes the following components:

	2012 $	2011 $
Current period benefit cost	**12,606,300**	627,100
Amortization of actuarial loss	**266,000**	-
	12,872,300	627,100
Other employee benefit interest expense	**496,000**	537,000
Total expense related to post-employment benefits and compensated absences	**13,368,300**	1,164,100

14. Post employment benefits and compensated absences [Cont'd]

Pension obligation

The City of Saint John – Pension Plan [the "Plan"] is the accumulation of Plan assets formerly used to fund pensions under the revised City of Saint John Pension Act [the "Act"] as enacted on May 12, 1994, as amended to June 18, 2008, and repealed in 2012. The Act was administered by a Board of Trustees representing Common Council of the City of Saint John ("the City"), management, unionized employees, non-unionized employees and retired employees. The Plan was also subject to the provisions of the New Brunswick Pension Benefits Act which became effective January 1, 1992.

During 2012, the Act was repealed and the New Brunswick Pension Benefits Act was amended to allow for the Plan to be converted to a shared risk model. On December 21st, 2012, a redesigned pension plan was adopted by the Unions and the City by virtue of a memorandum of understanding [the "MOU"]. The conversion date set by the MOU was January 1, 2013.

The assets of the Plan are held by RBC Dexia Investor Services which acts as custodian of the Plan. The assets of the Plan are managed by eight different investment managers who have discretionary investment authority within the investment mandates approved by the Board of Trustees. The performance of the Plan relative to others is measured on a regular basis by API Asset Performance Inc.

Significant features of the Plan are as follows:

Pre-conversion, the Plan provided for pensions on the defined benefit basis at the rate of 2% per year of service times the average of the best three consecutive years of service. The Plan also provided for disability allowances and survivor benefits. Upon conversion to shared risk, the Plan no longer provides disability allowances and the targeted benefit basis for service earned after the conversion date is now 1.8% per year of service times the salary (excluding overtime pay) earned during the relevant year to a maximum salary of $120,000.

Pre-conversion, the Plan provided indexing at the rate of 1% per year on the basis of service between January 1, 1975 and December 31, 1992 and at the rate of 2% after January 1, 1993. The shared risk pension plan extinguishes all accrued rights to automatic future indexing. These automatic adjustments have been replaced by contingent indexing as permitted by the Funding Policy. All pension amounts are subject to possible later reduction, if necessary.

Pre-conversion, the Plan was 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 2011 actuarial valuation, the current service cost of the Plan was 21.4% of payroll. At no time could the overall employer contribution rate be less than 7.5% of aggregate salaries. The employer was obligated to make additional contributions, if necessary, to adequately amortize any unfunded liability. In 2012, required employer contributions to amortize the unfunded liability amounted to $19,098,800. Under the shared risk model, initial required contributions will based on pensionable service and will be 9% for employees in CUPE 18 and 486 and 12% for firefighters and police officers with the employer making initial matching contributions of 11.4% and 15.2% respectively, representing an average contribution rate of 13% of covered payroll. The initial contribution rates for both employee and employer may be subject to change as a result of the triggering mechanism and limitations imposed by the shared risk funding policy. Also, commencing April 1, 2013, the employer shall also be required to make temporary contributions of 17% of pensionable service that will cease in 15 years or when the Plan achieves a minimum funding level of 150% of liabilities using a 15 year open group method.

14. Post employment benefits and compensated absences [Cont'd]

Pension obligation [Cont'd]

Pre-conversion, contributions became vested after two years. Under shared risk, the vesting date is defined as the earlier of five years of continuous employment with the employer or two years of membership in the City of Saint John Shared Risk Plan

During the year, the City made pension contributions of $26,470,886 (2011 - $20,997,103).

15. Contingencies

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 ("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, 2012 amounted to $4,079,000 (2011 – $5,926,000). Based on 2003 population figures, the City is liable for approximately 55% of the Commission's debt.

The City is, from time to time, subject to various investigations, claims, and legal proceedings covering 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 consolidated financial position or operating results of the City. The City is aware of a potential claim(s) related to the Estabrooks matter; however, since no formal claim(s) has been filed, the City is not in a position to estimate the amount of liability, if any, related thereto.

16. Commitments

Greater Saint John Regional Facilities Commission

During 1998, the Greater Saint John Regional Facilities Commission ("Regional Facilities Commission") was created by an Act of the Legislative Assembly of New Brunswick. Under the provisions of the Act, the Regional Facilities Commission has the authority to determine the annual amount of total municipal contribution to be made towards the operation of five regional facilities: the Saint John Aquatic Centre Commission, Harbour Station Commission, 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's contribution is 68.14% in 2014.

Carleton Street Parking Garage

In 2010, the City entered into an agreement in the amount of $16,699,448 plus HST, with PCL Construction Canada Inc. for the construction of the Carleton Street parking garage. As at December 31, 2012, costs of $11,034,228, including holdbacks in the amount of $1,392,190, related to this contract have been incurred. The project is scheduled for completion in 2013.

17. Short-term borrowings compliance

Inter-fund borrowing

The Municipal Financial Reporting Manual requires that short-term inter-fund borrowings be repaid in the next year unless the borrowing is for a capital project. The amounts payable between Funds are in compliance with the requirements.

Operating borrowing

As prescribed in the Municipalities Act, borrowing to finance General Fund operations is limited to 4% of the City's operating budget. Borrowing to finance Utility Fund operations is limited to 50% of the operating budget for the year. In 2012, the City has complied with these restrictions.

18. Water and Sewer fund surplus/deficit

The Municipalities Act requires Water and Sewer Fund surplus/deficit amounts to be absorbed into one or more of four Operating Budgets commencing with the second ensuing year; the balance of the surplus/deficit at the end of the year consists of:

	2012 $	2011 $
2012 surplus	**505,103**	-
2011 surplus	**43,169**	43,169
2010 surplus	**162,834**	217,110
2009 surplus	**75,150**	112,722
2008 deficit	**(29,455)**	(58,914)
2007 deficit	-	(101,834)
	756,801	212,253

19. Water cost transfer

The City's water cost transfer for fire protection is within the maximum allowable by Regulation 81-195 under the Municipalities Act based upon the applicable percentage of water system expenditures for the population.

20. Funds held in trust

Funds administered by the City for the benefit of external parties are not included in the consolidated financial statements. The amount administered as at December 31, 2012 was $466,723 (2011 - $457,777).

21. Funds and reserves

	2012 $	2011 $	Jan. 1, 2011 $
Reserve for capital purchase, beginning of year	**210,000**	185,500	161,000
Additional funds set aside during the year	**24,500**	24,500	24,500
Reserve for capital purchase, end of year	**234,500**	210,000	185,500

The City received funding from the Canada – New Brunswick Municipal Rural Infrastructure Program between 2001 and 2006 to assist with the cost of construction of water and sewerage assets. The agreements require the City to maintain replacement reserve funds, which can only be used to pay for the cost of replacement of specified capital items, unless otherwise approved by the Minister of Environment and Local Government.

22. Tangible capital assets

	Land	Land Improvements	Leasehold Improvements	Buildings	Vehicles	Machinery & Equipment	Transportation	Water and Wastewater Networks	Assets under Construction	2012 Total	2011 Total
	$	$	$	$	$	$	$	$	$	$	$
COST											
Balance, beginning of year	149,056,376	29,619,755	1,508,860	179,890,457	47,833,486	13,930,037	419,653,018	484,691,881	55,564,161	**1,381,748,031**	1,306,295,534
Additions and transfers	1,884,850	5,318,930	-	38,673,104	2,496,910	2,857,797	10,509,523	26,676,208	(25,320,878)	**63,096,444**	88,334,294
Disposals	11,406	44,041	260	118,061	4,054,842	1,893,646	3,253,648	2,517,238	-	**11,893,142**	12,881,797
Balance, end of year	150,929,820	34,894,644	1,508,600	218,445,500	46,275,554	14,894,188	426,908,893	508,850,851	30,243,283	**1,432,951,333**	1,381,748,031
ACCUMULATED AMORTIZATION											
Balance, beginning of year	-	9,664,324	1,501,185	87,365,040	25,241,247	7,988,412	163,880,109	186,899,650	-	**482,539,967**	461,549,617
Amortization during the year	-	946,827	7,415	4,942,673	3,108,593	1,887,852	12,358,549	11,091,989	-	**34,343,898**	31,829,149
Accumulated amortization on disposals	-	39,908	-	90,547	3,791,496	1,891,700	2,277,675	1,799,436	-	**9,890,762**	10,838,799
Balance, end of year	-	10,571,243	1,508,600	92,217,166	24,558,344	7,984,564	173,960,983	196,192,203	-	**506,993,103**	482,539,967
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	150,929,820	24,323,401	-	126,228,334	21,717,210	6,909,624	252,947,910	312,658,648	30,243,283	**925,958,230**	899,208,064
Consists of:											
General Fund assets	150,929,820	24,323,401	-	126,228,334	21,717,210	6,909,624	252,947,910	-	5,344,671	**588,400,970**	581,620,928
Water and wastewater assets	-	-	-	-	-	-	-	312,658,648	24,898,612	**337,557,260**	317,587,136
	150,929,820	24,323,401	-	126,228,334	21,717,210	6,909,624	252,947,910	312,658,648	30,243,283	**925,958,230**	899,208,064

23. Accumulated surplus reconciliation to Public Sector Accounting Board requirements

	General Operating Fund $	General Capital Fund $	Water & Sewer Operating Fund $	Water & Sewer Capital Fund $	Controlled Entities $	Total $
2011 annual fund surplus (deficit)	(73,704)	22,050,449	43,170	30,204,803	335,196	**52,559,914**
Adjustments to 2011 annual surplus (deficit) for PSAB requirements						
Elimination	14,283,530	(13,209,859)	8,951,908	(6,878,523)	(5,485,706)	**(2,338,650)**
Amortization expense	-	(17,875,436)	-	(9,666,907)	(392,230)	**(27,934,573)**
Second previous year's deficit (surplus)	(664,587)	-	127,404	-	-	**(537,183)**
Sick leave expense	(237,000)	-	-	-	-	**(237,000)**
Post employment expense	703,920	-	-	-	-	**703,920**
Pension expense	(1,886,139)	-	-	-	-	**(1,886,139)**
Long-term debt repayment	9,794,767	(8,984,767)	5,384,000	(5,384,000)	(810,000)	**-**
Total adjustments to 2011 annual surplus (deficit)	21,994,491	(40,070,062)	14,463,312	(21,929,430)	(6,687,936)	**(32,229,625)**
2011 annual surplus (deficit) per PSAB requirements	21,920,787	(18,019,613)	14,506,482	8,275,373	(6,352,740)	**20,330,289**
Accumulated surplus (deficit) before PPA, beginning of year	586,815	411,347,330	41,679	261,383,848	135,522,104	**808,881,776**
Accumulated surplus (deficit) before PPA, end of year	22,507,602	393,327,717	14,548,161	269,659,221	129,169,364	**829,212,065**
Prior period adjustments	15,431,652	(69,759,640)	13,267,496	(50,991,884)	(13,763,378)	**(105,815,754)**
Accumulated surplus (deficit) per PSAB requirements, end of year	37,939,254	323,568,077	27,815,657	218,667,337	115,405,986	**723,396,311**

24. Segment disclosure

	General Government Services $	Protective services $	Transportation services $	Water and sewer services $	Environmental health services $	Environmental development services $	Recreational and cultural services $	Energy services $	2012 Consolidated $	2011 Consolidated $
Revenues										
Property taxes	114,504,445	-	-	-	-	-	-	-	**114,504,445**	108,815,058
Unconditional grant	18,918,731	-	-	-	-	40,000	-	-	**18,958,731**	19,364,825
Other revenue from own sources	2,176,324	3,045,020	10,127,626	-	82,722	10,226,245	1,234,813	-	**26,892,750**	28,342,965
Miscellaneous revenue	417,148	-	-	-	-	-	304,727	-	**721,875**	2,361,227
Water & sewer revenue	-	-	-	32,656,592	-	-	-	-	**32,656,592**	32,053,304
Income from energy services	-	-	-	-	-	-	-	-	-	216,960
Contributions from others	58,637	1,072,467	3,335,802	19,008,399	-	334,769	187,302	-	**23,997,376**	27,613,987
	136,075,285	4,117,487	13,463,428	51,664,991	82,722	10,601,014	1,726,842	-	**217,731,769**	218,768,326
Expenses										
Salaries and benefits	35,694,123	40,147,409	16,823,517	9,920,518	851,844	7,393,824	4,324,517	-	**115,155,752**	102,839,879
Goods and services	11,099,339	6,042,755	12,128,918	7,861,904	2,738,061	9,523,453	3,820,579	-	**53,215,009**	55,073,128
Amortization of tangible assets	5,653,140	-	14,854,188	11,091,989	-	1,891,774	852,817	-	**34,343,908**	31,829,147
Interest and bank charges	4,777,958	-	-	3,005,411	-	490,819	249	-	**8,274,437**	8,243,540
Debt repayment	-	-	455,859	-	-	-	-	-	**455,859**	452,343
Loss from Saint John Energy	-	-	-	-	-	-	-	130,312	**130,312**	-
	57,224,560	46,190,164	44,262,482	31,879,822	3,589,905	19,299,870	8,998,162	130,312	**211,575,277**	198,438,037
Surplus (deficit) for the year	78,850,725	(42,072,677)	(30,799,054)	19,785,169	(3,507,183)	(8,698,856)	(7,271,320)	(130,312)	**6,156,492**	20,330,289

25. Reconciliation of annual surplus

	General Operating Fund	General Capital Fund	Water & Sewer Operating Fund	Water & Sewer Capital Fund	Controlled Entities	Total
	$	$	$	$	$	$
2012 annual surplus (deficit)	10,185,052	(14,949,495)	11,868,759	7,916,409	(8,864,233)	**6,156,492**
Adjustments to annual surplus (deficit) for funding requirements						
Eliminations	(11,242,372)	3,402,852	(5,314,212)	7,659,078	9,265,170	**3,770,516**
Amortization expense	-	18,864,498	-	11,091,989	-	**29,956,487**
Revenue from donated assets	-	(1,260,239)	-	-	-	**(1,260,239)**
Second previous year's surplus (deficit)	(77,474)	-	(39,444)	-	-	**(116,918)**
Sick leave expense	(83,000)	-	-	-	-	**(83,000)**
Post employment expense	(709,696)	-	-	-	-	**(709,696)**
Pension expense	(490,000)	-	-	-	-	**(490,000)**
Amortization of actuarial gain/loss	266,000	-	-	-	-	**266,000**
Long-term debt principal repayment	(10,376,183)	10,376,183	(6,010,000)	6,010,000	-	**-**
Disability expense	11,913,000	-	-	-	-	**11,913,000**
Total adjustments to 2012 annual surplus (deficit)	(10,799,725)	31,383,294	(11,363,656)	24,761,067	9,265,170	**43,246,150**
2012 annual fund surplus (deficit)	(614,673)	16,433,799	505,103	32,677,476	400,937	**49,402,642**

26. Controlled entities operations

	Saint John Transit	Parking	Non Profit Housing	Saint John Development Corporation	Saint John Industrial Parks	Harbour Station Commission	Aquatic Centre Commission
	$	$	$	$	$	$	$
Total assets	33,496,194	27,615,430	18,663,108	34,349,958	6,147,009	2,120,955	537,829
Total liabilities	17,690,115	20,148,689	16,391,984	527,875	228,922	1,565,893	341,405
Accumulated surplus (deficit)	15,806,079	7,466,741	2,271,124	33,822,083	5,918,087	555,062	196,424
Total revenues	4,849,213	2,043,120	3,667,019	349,950	44,972	3,476,901	1,846,748
Total operating expenses	12,285,804	1,637,900	2,540,683	1,761,993	259,213	3,764,560	2,229,515
Annual surplus (deficit)	(7,436,591)	405,220	1,126,336	(1,412,043)	(214,241)	(287,659)	(382,767)

	Trade and Convention Centre	Energy services	Lord Beaverbrook	Saint John Free Public Library	Canada Games Foundation	2012 Consolidated	2011 Consolidated
	$	$	$	$	$	$	$
Total assets	227,711	57,728,154	143,650	361,859	5,893,613	**187,285,470**	178,573,488
Total liabilities	227,974	-	56,544	35,430	28,420	**57,243,251**	49,618,300
Accumulated surplus (deficit)	(263)	57,728,154	87,106	326,429	5,865,193	**130,042,219**	128,955,188
Total revenues	499,888	-	189,139	138,107	304,727	**17,409,784**	21,328,813
Total operating expenses	767,675	130,312	355,803	554,699	-	**26,288,157**	27,672,479
Annual surplus (deficit)	(267,787)	(130,312)	(166,664)	(416,592)	304,727	**(8,878,373)**	(6,343,666)

The above noted entities are included in the consolidated financial statements.

27. Reconciliation of funding deficit upon adoption of PSAS

	Deferred Pension Expense	Special Top-up Agreements	Heart and Lung	Retirement Allowances
	$	$	$	$
Liabilities at December 31, 2011 as calculated on adoption of PSA	8,400,000	480,900	3,075,501	2,932,000
Amount of December 31, 2011 liabilities funded in current year	(490,000)	261,700	(83,501)	599,000
Balance to be funded in future years	7,910,000	742,600	2,992,000	3,531,000

28. Revenue and expense support

	2012 Budget (Unaudited)	2012	2011
	$	$	$
REVENUE			
Other revenues from own sources			
General Government Services	**2,496,546**	**2,176,324**	820,384
Protective services	**3,047,648**	**3,045,020**	3,048,716
Transportation services	**6,268,034**	**10,127,626**	10,287,876
Environmental health services	**80,488**	**82,722**	60,441
Environmental development services	**9,528,066**	**10,226,245**	12,993,046
Recreational and cultural services	**1,637,009**	**1,234,813**	1,132,502
	23,057,791	**26,892,750**	28,342,965
Contributions from others			
General Government Services	-	**58,637**	-
Protective services	-	**1,072,467**	2,195,938
Transportation services	**240,000**	**3,335,802**	6,796,676
Water and sewer services	-	**19,008,399**	17,942,280
Environmental development services	**550,000**	**334,769**	399,437
Recreational and cultural services	-	**187,302**	279,656
	790,000	**23,997,376**	27,613,987

28. Revenue and expense support [Cont'd]

	2012 Budget (Unaudited) $	2012 $	2011 $
EXPENDITURES			
General government services			
Legislative			
Mayor's Office	**201,630**	**169,119**	180,864
Common Council	**427,500**	**721,762**	536,030
	629,130	**890,881**	716,894
City Manager			
City Manager	**399,574**	**341,920**	347,727
Corporate Planning	**505,331**	**400,909**	401,562
Intergovernmental Affairs	**143,151**	**132,441**	40,715
Corporate Communications	**521,346**	**408,140**	504,665
	1,569,402	**1,283,410**	1,294,669
Common Services			
City Hall Building	**1,766,204**	**1,681,895**	1,506,789
Property Assessment	**1,244,474**	**1,244,474**	1,182,640
Public Liability Insurance	**633,605**	**596,597**	603,343
	3,644,283	**3,522,966**	3,292,772
Other			
Common Clerk	**813,130**	**763,695**	870,110
Human Resources	**1,289,937**	**1,272,442**	1,305,278
Finance	**1,861,641**	**1,622,342**	1,606,311
City Solicitor	**823,759**	**913,597**	804,567
Materials Management	**1,082,953**	**1,095,244**	1,262,936
Information Systems and Support	**1,946,235**	**1,998,163**	1,985,919
Debt Charges	**29,900,427**	**21,790,529**	17,344,769
Amortization	**-**	**5,653,140**	4,897,983
General Government Services	**-**	**14,674,144**	1,905,544
Trust Funds	**-**	**-**	10,000
Other	**-**	**1,744,007**	1,937,778

28. Revenue and expense support [Cont'd]

	2012 Budget (Unaudited) $	2012 $	2011 $
	37,718,082	51,527,303	33,931,195
Total general government	43,560,897	57,224,560	39,235,530
Protective services			
Police Protection			
Police Operations	11,687,766	11,869,612	12,410,819
Support Services	2,541,207	2,359,485	2,459,339
Administration	1,981,822	2,034,362	2,327,436
Stations and Buildings	1,273,700	1,373,879	1,204,676
Criminal Investigation	4,216,814	4,284,825	4,285,392
Automotive	1,022,756	548,937	521,690
	22,724,065	22,471,100	23,209,352
Fire Protection			
Fire Operations	18,284,264	17,864,379	18,999,116
Emergency Dispatch Centre	2,292,610	2,198,010	2,237,489
Fire Administration	916,187	517,037	680,107
Fire Investigation	20,600	12,209	6,056
Fire Prevention	918,761	717,177	943,417
Fire Training	489,451	403,153	433,972
	22,921,873	21,711,965	23,300,157
Other protective services			
Inspection Services	960,142	932,287	1,037,042
Enforcement Services	168,343	157,933	642,918
Minimum Standards	269,646	263,565	-
Dangerous Buildings	137,341	418,493	-
Animal Control	80,315	67,217	159,367
Emergency Measures	334,304	167,604	193,343
	1,950,091	2,007,099	2,032,670
Total protective services	47,596,029	46,190,164	48,542,179

28. Revenue and expense support [Cont'd]

	2012 Budget (Unaudited) $	2012 $	2011 $
Transportation services			
Public works			
Roads and Sidewalks	**14,478,349**	**10,858,591**	11,963,251
Other Drainage Services	**2,264,138**	**1,843,938**	2,004,941
Street Lighting	**1,070,000**	**1,027,148**	955,849
Municipal Operations	**372,287**	**316,753**	307,776
Amortization-Transportation	**-**	**12,358,549**	12,265,290
	18,184,774	**26,404,979**	27,497,107
Fleet			
Maintenance and Repair	**1,231,969**	**1,417,264**	1,411,653
Fleet Administration	**-**	**306,280**	584,932
	1,231,969	**1,723,544**	1,996,585
General engineering			
Transportation	**459,351**	**189,866**	224,643
Traffic Engineering and Systems	**1,620,138**	**1,539,570**	1,589,190
	2,079,489	**1,729,436**	1,813,833
Parking Administration			
Parking Administration	**530,845**	**480,819**	517,680
	530,845	**480,819**	517,680
External controlled entities			
Saint John Transit	**10,701,519**	**12,285,804**	13,286,864
Parking	**2,008,346**	**1,637,900**	1,815,934
	12,709,865	**13,923,704**	15,102,798
Total transportation services	**34,736,942**	**44,262,482**	46,928,003

28. Revenue and expense support [Cont'd]

	2012 Budget (Unaudited) $	2012 $	2011 $
Water and sewer Services			
Saint John water & wastewater			
Drinking Water	**8,374,000**	**6,797,504**	7,080,024
Industrial Water	**1,402,000**	**1,356,440**	1,320,567
Wastewater	**9,015,000**	**6,270,012**	6,342,700
Infrastructure Management	**1,306,000**	**623,261**	900,834
Internal Charges	**509,000**	**538,360**	663,585
Fiscal Charges	**16,281,556**	**5,202,256**	4,381,766
Amortization	**-**	**11,091,989**	9,666,907
Total water and sewer services	**36,887,556**	**31,879,822**	30,356,383
Environmental health services			
Sanitary Service	**3,965,640**	**3,589,905**	3,984,762
Total environmental health services	**3,965,640**	**3,589,905**	3,984,762
Environmental development services			
Research and planning			
Community Planning	**1,291,462**	**1,059,661**	1,160,906
Plan SJ	**201,820**	**35,108**	315,963
	1,493,282	**1,094,769**	1,476,869
Administration and Geographic Information Systems (GIS)			
GIS	**285,314**	**284,742**	300,633
Carpenter Shop	**466,896**	**333,906**	281,320
	752,210	**618,648**	581,953
Economic development			
Growth Strategy	**10,000**	**-**	25,000
Market Square Common Area	**2,088,939**	**2,042,009**	1,865,447
Regional Economic Development	**332,000**	**332,000**	400,567
Regional Facilities	**1,572,019**	**667,045**	643,863
Saint John Industrial Parks	**300,000**	**-**	-
	4,302,958	**3,041,054**	2,934,877

28. Revenue and expense support [Cont'd]

	2012 Budget (Unaudited) $	2012 $	2011 $
Real estate management			
Property Management	**997,856**	**907,363**	977,352
Real Estate	**397,986**	**323,444**	322,206
	1,395,842	**1,230,807**	1,299,558
Other environmental development services			
City Market	**906,292**	**930,234**	814,688
Tourism	**845,000**	**850,585**	889,476
Community Development	**319,192**	**210,134**	378,580
	2,070,484	**1,990,953**	2,082,744
External controlled entities			
Saint John Development Corporation	**1,062,033**	**1,761,993**	1,486,917
Harbour Station Commission	**3,193,822**	**3,764,560**	3,749,404
Aquatic Centre Commission	**2,387,836**	**2,229,515**	2,174,103
Trade and Convention Centre	**766,094**	**767,675**	731,760
Non Profit Housing	**3,269,920**	**2,540,683**	2,629,955
Saint John Industrial Parks	**414,600**	**259,213**	873,447
	11,094,305	**11,323,639**	11,645,586
Total environmental development services	**21,109,081**	**19,299,870**	20,021,587
Recreational and cultural services			
Cultural grants			
Cherry Brook Zoo	**60,035**	**60,070**	60,035
Other Cultural Grants	**1,569,117**	**874,283**	1,189,220
	1,629,152	**934,353**	1,249,255
Parks			
Rockwood Park	**413,202**	**420,262**	462,547
Parks General Services	**1,671,759**	**1,657,443**	1,684,661
	2,084,961	**2,077,705**	2,147,208

28. Revenue and expense support [Cont'd]

	2012 Budget (Unaudited) $	2012 $	2011 $
Community services			
Parks and playgrounds	331,856	74,212	-
Recreation and parks	314,663	262,097	-
Pro Kids	98,673	86,648	96,708
	745,192	422,957	96,708
Other recreational and culture services			
Sports and Recreation	2,829,691	2,866,765	2,935,147
Community Centres	915,460	838,841	1,217,464
Cultural Affairs	111,048	94,230	87,549
Amortization - Recreation	-	852,809	712,163
	3,856,199	4,652,645	4,952,323
External Controlled Entities			
Lord Beaverbrook	376,680	355,803	353,518
Saint John Free Public Library	456,230	554,699	570,581
	832,910	910,502	924,099
Total recreational and cultural services	9,148,414	8,998,162	9,369,593
Energy services			
Energy services	-	130,312	-
Total energy services	-	130,312	-
TOTAL EXPENDITURES	197,004,559	211,575,277	198,438,037