

ROTHESAY
FINANCIAL STATEMENTS
DECEMBER 31, 2011

ROTHESAY

DECEMBER 31, 2011

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**TEED
SAUNDERS
DOYLE & CO.**

Chartered Accountants

Independent member of DFK International

INDEPENDENT AUDITORS' REPORT

To His Worship The Mayor and Members of Council
Rothesay, New Brunswick

We have audited the balance sheets of the general, water and sewer, and reserve funds of Rothesay as at December 31, 2011 and the statements of revenue and expenditure, capital assets, investment in capital assets, capital financing and equity for the year then ended. These financial statements have been prepared to comply with the accounting principles prescribed for New Brunswick municipalities by the Department of Local Government.

Council and Management's Responsibility for the Financial Statements

Council and management are responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles prescribed for New Brunswick municipalities by the Department of Local Government, and for such internal control as council and management determine 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 misstatements 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.

Saint John Partners
Andrew P. Logan Peter L. Logan
Jean-Marc Poirier



Fredericton Partners
Brian J. Saunders David H. Bradley
Jeffrey E. Saunders John H. Landry
T.J. Smith Kenneth H. Kyle

Independent Auditors' Report to His Worship The Mayor and Members of Council of Rothesay (cont'd)

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Rothesay as at December 31, 2011 and the results of its operations and changes in its financial position for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of Rothesay, and the Minister of Local Government of the Province of New Brunswick, and are not intended to be and should not be used for any other purpose.



CHARTERED ACCOUNTANTS

Saint John, NB
April 10, 2012

ROTHESAY

GENERAL CAPITAL FUND BALANCE SHEET

AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CAPITAL		
Capital assets (Note 1), page 4	\$ 51,169,592	\$ 46,836,949
Fire Department assets (Notes 11 and 12)	2,061,185	1,888,381
Library assets (Notes 11 and 13)	<u>242,472</u>	<u>-</u>
	<u>\$ 53,473,249</u>	<u>\$ 48,725,330</u>

LIABILITIES AND INVESTMENT IN CAPITAL ASSETS

CURRENT		
Due to General Operating Fund (Notes 2, 9 and 10)	\$ <u>546,089</u>	\$ <u>221,089</u>
DEFERRED RENTAL REVENUE (Note 3)	<u>-</u>	<u>91,076</u>
LONG-TERM DEBT (Notes 1, 2 and 4)	<u>4,663,000</u>	<u>5,453,000</u>
INVESTMENT IN CAPITAL ASSETS , page 5	<u>48,264,160</u>	<u>42,960,165</u>
	<u>\$ 53,473,249</u>	<u>\$ 48,725,330</u>

GUARANTEE (Note 11)

APPROVED BY:

W. J. Bishop Mayor
Susan Johnson Treasurer

ROTHESAY

GENERAL CAPITAL FUND STATEMENT OF CAPITAL ASSETS

AS AT DECEMBER 31, 2011

	Land and Buildings	Engineering Structures	Machinery and Equipment	Total
GENERAL GOVERNMENT				
Town Hall	\$ 2,623,391	\$ -	\$ 383,184	\$ 3,006,575
TRANSPORTATION				
Streets and sidewalks	3,838,271	30,722,429	4,337,379	38,898,079
Traffic and street lighting	-	385,548	195,759	581,307
RECREATION AND CULTURAL				
Parks and playgrounds	953,966	3,348,617	28,230	4,330,813
Community centre	338,710	-	-	338,710
Boat Club	20,300	-	-	20,300
Wharf and parking	-	1,598,911	-	1,598,911
Arena	2,145,470	-	59,904	2,205,374
OTHER	<u>147,133</u>	<u>-</u>	<u>42,390</u>	<u>189,523</u>
	<u>\$ 10,067,241</u>	<u>\$ 36,055,505</u>	<u>\$ 5,046,846</u>	<u>\$ 51,169,592</u>

ROTHESAY

GENERAL CAPITAL FUND STATEMENT OF INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ <u>42,960,165</u>	\$ <u>38,516,734</u>
Add:		
Transfers from General Operating Fund		
Capital expenditures	3,343,146	2,990,070
Long-term debt repayments	790,000	751,000
Amortization of deferred rental revenue (Note 3)	91,076	167,859
Capital expenditures of Reserve Funds	<u>1,079,773</u>	<u>534,502</u>
	<u>5,303,995</u>	<u>4,443,431</u>
Balance, end of year	\$ <u>48,264,160</u>	\$ <u>42,960,165</u>

ROTHESAY

GENERAL CAPITAL FUND STATEMENT OF CAPITAL FINANCING

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
SOURCE		
Unapplied from previous year		
Due from General Operating Fund	\$ -	\$ 188,911
Transfers from		
Own funds:		
General Operating Fund		
Capital expenditures	3,343,146	2,990,070
Long-term debt repayments	790,000	751,000
Amortization of deferred rental revenue (Note 3)	91,076	167,859
Reserve Funds' capital expenditures	<u>1,079,773</u>	<u>534,502</u>
	<u>5,303,995</u>	<u>4,443,431</u>
Issue of debt debenture (Note 4)	<u>1,020,000</u>	<u>407,000</u>
Temporary financing at end of year		
Debenture to be refinanced	669,000	-
Due to General Operating Fund	<u>546,089</u>	<u>221,089</u>
	<u>1,215,089</u>	<u>221,089</u>
	<u>\$ 7,539,084</u>	<u>\$ 5,260,431</u>
APPLICATION		
Temporary financing, end of previous year		
Due to General Operating Fund	\$ 221,089	\$ -
Capital expenditures	4,747,919	3,934,572
Long-term debt repayments	1,810,000	1,158,000
Amortization of deferred rental revenue (Note 3)	91,076	167,859
Unapplied funds at end of year		
Debenture to be refinanced	<u>669,000</u>	<u>-</u>
	<u>\$ 7,539,084</u>	<u>\$ 5,260,431</u>

ROTHESAY

GENERAL OPERATING FUND BALANCE SHEET

AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT		
Cash (Note 2)	\$ 544,407	\$ 1,088,340
Accounts receivable (Note 2)	843,536	133,682
HST recoverable	373,235	205,661
Due from other funds (Notes 2 and 9)		
General Capital Fund	546,089	221,089
Reserve	-	577,319
Inventories (Note 1)	34,000	-
Prepaid expenses	<u>26,747</u>	<u>122,185</u>
	<u>\$ 2,368,014</u>	<u>\$ 2,348,276</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 2)	\$ 954,216	\$ 1,557,153
Due to other funds (Notes 2 and 9)		
Water and Sewer Operating	538,103	462,405
Reserve	<u>637,264</u>	<u>-</u>
	<u>2,129,583</u>	<u>2,019,558</u>
FUTURE EMPLOYEE BENEFITS PAYABLE (Note 17)	<u>222,910</u>	<u>176,002</u>
SURPLUS		
Surplus, beginning of year	152,716	562
Surplus for the year	8,348	7,159
Deficit (surplus) of second previous year transferred to current year	<u>(145,543)</u>	<u>144,995</u>
Surplus, end of year	<u>15,521</u>	<u>152,716</u>
	<u>\$ 2,368,014</u>	<u>\$ 2,348,276</u>

GUARANTEE (Note 11)

APPROVED BY:

W. J. Bishop Mayor
Susan Johnson Treasurer

ROTHESAY

GENERAL OPERATING FUND STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> <u>Budget</u>	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
REVENUE (Note 1)			
Warrant of assessment	\$ 13,342,297	\$ 13,342,297	\$ 12,995,119
Sale of services, page 9	633,617	538,952	616,139
Services to other governments			
Province of New Brunswick	66,306	79,378	80,795
Other revenue from own sources, page 9	132,177	160,032	203,380
Unconditional grant	413,544	413,544	417,726
Conditional transfers, page 9	26,500	64,173	49,318
Other transfers, page 9	<u>820,559</u>	<u>820,543</u>	<u>578,411</u>
	<u>15,435,000</u>	<u>15,418,919</u>	<u>14,940,888</u>
EXPENDITURE (Note 1)			
General government services, page 10	1,775,349	1,624,771	1,601,202
Protective services, page 11	3,866,831	3,890,843	3,650,610
Transportation services, page 12	3,126,447	2,812,004	2,571,960
Environmental health services, page 12	601,489	484,059	491,762
Environmental development services, page 13	879,632	688,869	636,870
Recreational and cultural services, page 13	1,293,477	1,169,151	1,245,618
Fiscal services, page 13	<u>3,891,775</u>	<u>4,740,874</u>	<u>4,735,707</u>
	<u>15,435,000</u>	<u>15,410,571</u>	<u>14,933,729</u>
SURPLUS FOR THE YEAR	<u>\$ -</u>	<u>\$ 8,348</u>	<u>\$ 7,159</u>

ROTHESAY

GENERAL OPERATING FUND SUPPLEMENTARY SCHEDULE OF REVENUE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 Budget	2011 Actual	2010 Actual
SALE OF SERVICES			
Community Centre	\$ 20,000	\$ 15,755	\$ 18,710
Town Hall rental	241,076	189,436	232,944
Recreational programs (Note 14)	<u>372,541</u>	<u>333,761</u>	<u>364,485</u>
	<u>\$ 633,617</u>	<u>\$ 538,952</u>	<u>\$ 616,139</u>
OTHER REVENUE FROM OWN SOURCES			
Licenses and permits	\$ 60,000	\$ 51,042	\$ 46,392
Ditch improvement program	16,000	11,023	28,920
Provincial fine sharing	48,000	57,694	61,857
Interest and sundry	5,000	10,858	1,974
Rothesay 150 revenue	-	-	37,990
History books sales	1,000	3,093	9,947
Miscellaneous	<u>2,177</u>	<u>26,322</u>	<u>16,300</u>
	<u>\$ 132,177</u>	<u>\$ 160,032</u>	<u>\$ 203,380</u>
CONDITIONAL TRANSFERS			
Canada Day grants	\$ 1,500	\$ 5,000	\$ 5,000
Other	<u>25,000</u>	<u>59,173</u>	<u>44,318</u>
	<u>\$ 26,500</u>	<u>\$ 64,173</u>	<u>\$ 49,318</u>
TRANSFERS FROM			
Water and Sewer Operating Fund	\$ 675,000	\$ 675,000	\$ 575,000
Payment in lieu of taxes	16	-	3,411
Surplus of second previous year	<u>145,543</u>	<u>145,543</u>	<u>-</u>
	<u>\$ 820,559</u>	<u>\$ 820,543</u>	<u>\$ 578,411</u>

ROTHESAY

GENERAL OPERATING FUND SUPPLEMENTARY SCHEDULE OF EXPENDITURE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> Budget	<u>2011</u> Actual	<u>2010</u> Actual
GENERAL GOVERNMENT SERVICES			
Legislative			
Mayor	\$ 33,500	\$ 32,811	\$ 33,919
Councillors	95,782	93,485	90,971
Other	<u>13,500</u>	<u>12,688</u>	<u>7,433</u>
	<u>142,782</u>	<u>138,984</u>	<u>132,323</u>
Administrative and financial management			
Administration	829,700	779,147	762,712
Office building	75,000	56,535	80,158
Solicitor	30,000	54,551	51,250
Supplies	105,085	84,863	60,590
External audit	30,000	28,367	10,525
Professional fees	40,800	-	12,952
Other	<u>97,534</u>	<u>83,566</u>	<u>65,026</u>
	<u>1,208,119</u>	<u>1,087,029</u>	<u>1,043,213</u>
Other general government services			
Civic relations	8,000	4,114	5,905
Community communications	10,000	2,391	2,642
Insurance	135,000	123,009	173,227
Property tax - land for public purposes	9,935	17,626	9,646
Grants to organizations	10,000	8,105	11,395
Cultural support	34,000	26,000	14,500
Cost of assessment	<u>217,513</u>	<u>217,513</u>	<u>208,351</u>
	<u>424,448</u>	<u>398,758</u>	<u>425,666</u>
	<u>\$ 1,775,349</u>	<u>\$ 1,624,771</u>	<u>\$ 1,601,202</u>

ROTHESAY

GENERAL OPERATING FUND SUPPLEMENTARY SCHEDULE OF EXPENDITURE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> Budget	<u>2011</u> Actual	<u>2010</u> Actual
PROTECTIVE SERVICES			
Police			
Police protection contributions to Rothesay Regional Joint Board of Police Commissioners (Note 11)	\$ 1,917,743	\$ 1,917,744	\$ 1,816,548
Crimestoppers	<u>2,000</u>	<u>2,800</u>	<u>-</u>
	<u>1,919,743</u>	<u>1,920,544</u>	<u>1,816,548</u>
Fire			
Fire protection contributions to Kennebecasis Valley Fire Department Inc. (Note 11)	1,520,826	1,563,355	1,484,552
Water cost allocated from Water and Sewer to Operating Fund for fire protection (Note 16)	<u>250,000</u>	<u>250,000</u>	<u>200,000</u>
	<u>1,770,826</u>	<u>1,813,355</u>	<u>1,684,552</u>
Emergency measures			
911 Communications contributions to Rothesay Regional Joint Board of Police Commissioners (Note 11)	<u>141,962</u>	<u>141,962</u>	<u>131,058</u>
Other			
Animal and pest control	14,000	9,934	10,352
Other	<u>20,300</u>	<u>5,048</u>	<u>8,100</u>
	<u>34,300</u>	<u>14,982</u>	<u>18,452</u>
	<u>\$ 3,866,831</u>	<u>\$ 3,890,843</u>	<u>\$ 3,650,610</u>

ROTHESAY

GENERAL OPERATING FUND SUPPLEMENTARY SCHEDULE OF EXPENDITURE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> Budget	<u>2011</u> Actual	<u>2010</u> Actual
TRANSPORTATION SERVICES			
Common services			
Wages and benefits	\$ 1,604,243	\$ 1,403,433	\$ 1,299,429
Workshop, yard and equipment maintenance	490,600	525,509	413,327
Engineering	<u>13,294</u>	<u>839</u>	<u>11,087</u>
	<u>2,108,137</u>	<u>1,929,781</u>	<u>1,723,843</u>
Roads and Streets			
Roadway surfaces	110,500	78,655	102,857
Crosswalks and sidewalks	66,225	48,925	30,318
Culverts and drainage ditches	68,500	34,487	13,118
Storm sewers	62,000	55,559	110,280
Street cleaning	6,100	12,120	5,951
Snow and ice removal	<u>457,120</u>	<u>411,996</u>	<u>347,163</u>
	<u>770,445</u>	<u>641,742</u>	<u>609,687</u>
Street lighting	<u>135,365</u>	<u>136,532</u>	<u>135,258</u>
Public transit - Comex Service	<u>48,000</u>	<u>49,448</u>	<u>45,584</u>
Traffic services			
Street signs	15,250	9,834	11,818
Traffic lane marking	22,500	13,119	21,090
Traffic signals and signs	11,000	9,401	8,513
Railway crossing signals	<u>15,750</u>	<u>22,147</u>	<u>16,167</u>
	<u>64,500</u>	<u>54,501</u>	<u>57,588</u>
	<u>\$ 3,126,447</u>	<u>\$ 2,812,004</u>	<u>\$ 2,571,960</u>
ENVIRONMENTAL HEALTH SERVICES			
Solid waste disposal	\$ 221,400	\$ 219,954	\$ 217,954
Solid waste compost	30,100	30,053	30,864
Solid waste collection	208,373	298,066	203,494
Less: recovery of letter of credit	-	(86,650)	-
Curb side recycling	104,000	-	-
Clean up campaign	<u>37,616</u>	<u>22,636</u>	<u>39,450</u>
	<u>\$ 601,489</u>	<u>\$ 484,059</u>	<u>\$ 491,762</u>

ROTHESAY

GENERAL OPERATING FUND SUPPLEMENTARY SCHEDULE OF EXPENDITURE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 Budget	2011 Actual	2010 Actual
ENVIRONMENTAL DEVELOPMENT SERVICES			
Environmental planning and zoning	\$ 342,100	\$ 266,653	\$ 237,536
Beautification	453,754	338,245	315,538
Greater Saint John Economic Development Agency, Inc. (Note 11)	81,278	81,356	81,296
Tourism	<u>2,500</u>	<u>2,615</u>	<u>2,500</u>
	<u>\$ 879,632</u>	<u>\$ 688,869</u>	<u>\$ 636,870</u>
RECREATIONAL AND CULTURAL SERVICES			
Administration	\$ 189,600	\$ 185,492	\$ 166,929
Beaches	50,774	44,242	38,504
Rothesay Arena (Note 14)	358,668	338,511	362,836
Memorial Centre	56,600	49,568	45,642
Summer programs	278,400	188,173	176,101
Regional Facilities Commission (Note 11)	280,080	280,080	272,043
Kennebecasis Public Library Inc. (Note 11)	40,555	40,625	39,598
Special events	34,800	41,213	38,884
Rothesay 150	-	-	73,012
Living museum	<u>4,000</u>	<u>1,247</u>	<u>32,069</u>
	<u>\$ 1,293,477</u>	<u>\$ 1,169,151</u>	<u>\$ 1,245,618</u>
FISCAL SERVICES			
Debt charges			
Interest	\$ 255,974	\$ 223,927	\$ 273,058
Long-term debt repayments	<u>790,000</u>	<u>790,000</u>	<u>751,000</u>
	<u>1,045,974</u>	<u>1,013,927</u>	<u>1,024,058</u>
Transfers to			
General Capital Fund for capital expenditures	2,462,000	3,343,146	2,990,070
Reserve Funds	292,725	292,725	408,725
Amortization of deferred rental revenue (Note 3)	91,076	91,076	167,859
Deficit of second previous year	<u>-</u>	<u>-</u>	<u>144,995</u>
	<u>2,845,801</u>	<u>3,726,947</u>	<u>3,711,649</u>
	<u>\$ 3,891,775</u>	<u>\$ 4,740,874</u>	<u>\$ 4,735,707</u>

ROTHESAY

**WATER AND SEWER CAPITAL FUND
BALANCE SHEET**

AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT		
Due from Water and Sewer Operating Fund (Notes 2 and 9)	\$ -	\$ 945,000
CAPITAL ASSETS (Note 1), page 15	<u>34,201,258</u>	<u>29,747,420</u>
	<u>\$ 34,201,258</u>	<u>\$ 30,692,420</u>
LIABILITIES AND INVESTMENT IN CAPITAL ASSETS		
CURRENT		
Due to other funds (Notes 2, 9 and 10)		
Water and Sewer Operating	\$ <u>500,000</u>	\$ <u>-</u>
LONG-TERM DEBT (Notes 1, 2 and 4)	<u>7,162,759</u>	<u>7,575,000</u>
INVESTMENT IN CAPITAL ASSETS , page 16	<u>26,538,499</u>	<u>23,117,420</u>
	<u>\$ 34,201,258</u>	<u>\$ 30,692,420</u>

GUARANTEE (Note 11)

APPROVED BY:

W.S. Bishop Mayor
Susan Johnson Treasurer

ROTHESAY

WATER AND SEWER CAPITAL FUND STATEMENT OF CAPITAL ASSETS

AS AT DECEMBER 31, 2011

	Land and Engineering Structures	Machinery and Equipment	Total
WATER SYSTEM	\$ 21,141,883	\$ 2,004,044	\$ 23,145,927
SEWER SYSTEM	<u>9,145,624</u>	<u>1,909,707</u>	<u>11,055,331</u>
	<u>\$ 30,287,507</u>	<u>\$ 3,913,751</u>	<u>\$ 34,201,258</u>

ROTHESAY

WATER AND SEWER CAPITAL FUND STATEMENT OF INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ <u>23,117,420</u>	\$ <u>19,138,932</u>
Add:		
Transfers from Water and Sewer Operating Fund		
Capital expenditures	530,821	302,074
Long-term debt repayments	412,241	383,000
Transfers from Capital Reserve	210,000	-
Transfers from		
New Brunswick Environmental Trust Fund	21,433	-
Canada/New Brunswick Infrastructure Stimulus Fund	-	2,540,000
Canada/New Brunswick Building Canada Fund	<u>2,246,584</u>	<u>753,414</u>
	<u>3,421,079</u>	<u>3,978,488</u>
Balance, end of year	\$ <u>26,538,499</u>	\$ <u>23,117,420</u>

ROTHESAY

WATER AND SEWER CAPITAL FUND STATEMENT OF CAPITAL FINANCING

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
SOURCE		
Unapplied from previous year		
Due from Water and Sewer Operating Fund	\$ <u>945,000</u>	\$ <u>-</u>
Transfers from		
New Brunswick Environmental Trust Fund	21,433	-
Canada/New Brunswick Infrastructure Stimulus Fund	-	2,540,000
Canada/New Brunswick Building Canada Fund	2,246,584	753,414
Own funds		
Water and Sewer Operating Fund		
Capital expenditures	530,821	302,074
Long-term debt repayment	412,241	383,000
General Capital Reserve - Gas Tax		
Capital expenditures	<u>210,000</u>	<u>-</u>
	<u>3,421,079</u>	<u>3,978,488</u>
Issue of debt (Note 4)	<u>1,723,000</u>	<u>3,500,000</u>
Temporary financing at end of year		
Due to Water and Sewer Operating Fund	<u>500,000</u>	<u>-</u>
	<u>\$ 6,589,079</u>	<u>\$ 7,478,488</u>
APPLICATION		
Capital expenditures	\$ 4,453,838	\$ 6,150,488
Long-term debt repayments	2,135,241	383,000
Unapplied funds end of year		
Due from Water and Sewer Operating Fund	<u>-</u>	<u>945,000</u>
	<u>\$ 6,589,079</u>	<u>\$ 7,478,488</u>

ROTHESAY


WATER AND SEWER OPERATING FUND BALANCE SHEET

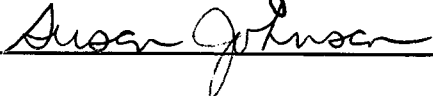
AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT		
Cash (Note 2)	\$ 82,847	\$ 680,675
Accounts receivable (Note 2)	705,924	3,206,442
HST recoverable	149,190	377,758
Due from other funds (Notes 2 and 9)		
Water and Sewer Capital	500,000	-
General Operating	<u>538,103</u>	<u>462,405</u>
	<u>\$ 1,976,064</u>	<u>\$ 4,727,280</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 2)	\$ 624,172	\$ 2,471,752
Due to other funds (Notes 2 and 9)		
Water and Sewer Capital	-	945,000
Reserve	<u>1,314,935</u>	<u>1,210,302</u>
	<u>1,939,107</u>	<u>4,627,054</u>
DEFERRED REVENUE (Note 15)	<u>26,292</u>	<u>27,727</u>
SURPLUS		
Surplus, beginning of year	72,499	110,509
Surplus for the year	2,738	7,927
Surplus of previous years transferred to current year	<u>(64,572)</u>	<u>(45,937)</u>
Surplus, end of year (Note 5)	<u>10,665</u>	<u>72,499</u>
	<u>\$ 1,976,064</u>	<u>\$ 4,727,280</u>

GUARANTEE (Note 11)

APPROVED BY:


 _____ Mayor


 _____ Treasurer

ROTHESAY

WATER AND SEWER OPERATING FUND STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 Budget	2011 Actual	2010 Actual
REVENUE (Note 1)			
Sales of services, page 20	\$ 2,116,495	\$ 2,125,075	\$ 1,834,842
Other own sources, page 20	282,000	287,309	231,405
Other transfers, page 20	<u>64,572</u>	<u>64,572</u>	<u>45,937</u>
	<u>2,463,067</u>	<u>2,476,956</u>	<u>2,112,184</u>
EXPENDITURE (Note 1)			
Environmental health services:			
Water supply, page 21	553,319	485,059	502,823
Sewer collection and disposal, page 21	757,899	656,095	579,879
Fiscal services, page 21	<u>1,151,849</u>	<u>1,333,064</u>	<u>1,021,555</u>
	<u>2,463,067</u>	<u>2,474,218</u>	<u>2,104,257</u>
SURPLUS FOR THE YEAR (Note 5)	\$ <u>-</u>	\$ <u>2,738</u>	\$ <u>7,927</u>

ROTHESAY

WATER AND SEWER OPERATING FUND SUPPLEMENTARY SCHEDULE OF REVENUE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> Budget	<u>2011</u> Actual	<u>2010</u> Actual
SALES OF SERVICES			
Water			
Residential	\$ 569,205	\$ 551,522	\$ 462,759
Commercial	127,505	137,930	99,371
Institutional	68,107	73,675	54,444
Kennebecasis Valley Fire Department Inc. (Note 11)	20,268	20,268	19,678
Local Improvement Levy	60,704	60,704	60,704
Miscellaneous	<u>1,000</u>	<u>5,501</u>	<u>3,725</u>
	<u>846,789</u>	<u>849,600</u>	<u>700,681</u>
Sewer			
Residential	965,513	965,814	905,905
Commercial	73,868	73,405	69,688
Institutional	<u>80,825</u>	<u>80,560</u>	<u>76,250</u>
	<u>1,120,206</u>	<u>1,119,779</u>	<u>1,051,843</u>
Connections			
Water	111,000	105,708	60,041
Sewer	<u>38,500</u>	<u>49,988</u>	<u>22,277</u>
	<u>149,500</u>	<u>155,696</u>	<u>82,318</u>
	<u>\$ 2,116,495</u>	<u>\$ 2,125,075</u>	<u>\$ 1,834,842</u>
OTHER OWN SOURCES			
Interest and sundry	\$ 4,000	\$ 5,720	\$ 3,958
Surcharges and interest	28,000	31,589	27,447
Water cost allocated to General Operating Fund for fire protection (Note 16)	<u>250,000</u>	<u>250,000</u>	<u>200,000</u>
	<u>\$ 282,000</u>	<u>\$ 287,309</u>	<u>\$ 231,405</u>
OTHER TRANSFERS			
Surplus of second previous year	<u>\$ 64,572</u>	<u>\$ 64,572</u>	<u>\$ 45,937</u>

ROTHESAY

WATER AND SEWER OPERATING FUND SUPPLEMENTARY SCHEDULE OF EXPENDITURE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> Budget	<u>2011</u> Actual	<u>2010</u> Actual
ENVIRONMENTAL HEALTH SERVICES			
Water Supply			
Administration			
Transfer to General Operating Fund	\$ 203,775	\$ 203,776	\$ 173,680
Other	31,944	27,457	24,212
Purification maintenance and treatment	147,000	158,373	135,908
Source of supply	45,000	12,516	77,408
Transmission and distribution	64,000	33,538	36,780
Power and pumping	58,600	48,047	53,382
Billing and collecting	<u>3,000</u>	<u>1,352</u>	<u>1,453</u>
	<u>\$ 553,319</u>	<u>\$ 485,059</u>	<u>\$ 502,823</u>
Sewer Collection and Disposal			
Administration			
Transfer to General Operating Fund	\$ 471,225	\$ 471,224	\$ 401,320
Other	27,759	14,388	16,921
Sewer collection system	143,200	76,649	77,153
Sewer lift stations	35,600	23,106	21,905
Treatment and disposal	<u>80,115</u>	<u>70,728</u>	<u>62,580</u>
	<u>\$ 757,899</u>	<u>\$ 656,095</u>	<u>\$ 579,879</u>
FISCAL SERVICES			
Water system debt charges			
Short-term interest	\$ 55,000	\$ -	\$ -
Long-term interest	257,648	206,470	178,434
Long-term debt repayments	<u>353,171</u>	<u>354,332</u>	<u>326,622</u>
	<u>665,819</u>	<u>560,802</u>	<u>505,056</u>
Sewer system debt charges			
Short-term interest	-	4,493	-
Long-term interest	95,369	95,369	104,397
Long-term debt repayments	<u>59,170</u>	<u>57,909</u>	<u>56,378</u>
	<u>154,539</u>	<u>157,771</u>	<u>160,775</u>
Capital expenditures			
Water system	116,000	385,739	298,256
Sewer system	<u>57,000</u>	<u>145,082</u>	<u>3,818</u>
	<u>173,000</u>	<u>530,821</u>	<u>302,074</u>
Transfers to:			
Reserve Funds	<u>158,491</u>	<u>83,670</u>	<u>53,650</u>
	<u>\$ 1,151,849</u>	<u>\$ 1,333,064</u>	<u>\$ 1,021,555</u>

ROTHESAY

RESERVE FUNDS BALANCE SHEET

AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash (Note 2)	\$ 2,809,322	\$ 3,162,651
Due from other funds (Notes 2 and 9)		
General Operating	637,264	-
Water and Sewer Operating	<u>1,314,935</u>	<u>1,210,302</u>
	<u>\$ 4,761,521</u>	<u>\$ 4,372,953</u>
LIABILITIES		
Due to other funds (Notes 2 and 9)		
General Operating	\$ -	\$ 577,319
RESERVE FUND BALANCES		
General Capital (Note 8)	2,457,290	1,610,322
Land for Public Purposes (Note 6)	37,654	37,316
General Operating	547,914	539,797
Water and Sewer Capital (Note 7)	1,622,341	1,512,831
Water and Sewer Operating	<u>96,322</u>	<u>95,368</u>
	<u>4,761,521</u>	<u>3,795,634</u>
	<u>\$ 4,761,521</u>	<u>\$ 4,372,953</u>

GUARANTEE (Note 11)

APPROVED BY:

W. V. Bishop Mayor
Susan Johnson Treasurer

ROTHESAY

RESERVE FUNDS STATEMENT OF EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	General Capital	Land for Public Purposes	General Operating	Water and Sewer Capital	Water and Sewer Operating	Total
Balance, beginning of year	\$1,610,322	\$ 37,316	\$ 539,797	\$1,512,831	\$ 95,368	\$3,795,634
Revenue						
Interest	28,029	338	8,117	16,024	954	53,462
External contributions	7,275	-	-	9,816	-	17,091
Contribution from unused gas tax rebate	1,808,712	-	-	-	-	1,808,712
Transfers from other funds						
Water and Sewer Operating	-	-	-	83,670	-	83,670
General Operating	<u>292,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,725</u>
	<u>2,136,741</u>	<u>338</u>	<u>\$ 8,117</u>	<u>109,510</u>	<u>954</u>	<u>2,255,660</u>
Expenditure						
Transfers to other funds						
General Capital	1,079,773	-	-	-	-	1,079,773
Water and Sewer Capital	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,000</u>
	<u>1,289,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,289,773</u>
Balance, end of year	<u>\$2,457,290</u>	<u>\$ 37,654</u>	<u>\$ 547,914</u>	<u>\$1,622,341</u>	<u>\$ 96,322</u>	<u>\$4,761,521</u>

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as follows:

- Depreciation is not recorded on capital assets;
- principal repayments on debentures are recorded as an expenditure when paid;
- the surplus (deficit) of the second previous year is recorded as a revenue (expenditure) of the current year;
- purchase of capital assets budgeted for in the operating funds are recorded as a current expenditure;
- transfers to reserve funds for the purchase of future capital assets or for future operating expenditures are recorded as current expenditures;
- funds received through capital assistance programs for the purchase of capital assets are treated as additions to investment in capital assets;
- changes in accounting policies are not to be applied retroactively; and
- pension plan accounting for going concern liabilities and disclosures.

Inventories

Inventories are value at the lower of average cost and net realizable value.

Capital Assets

Capital assets are stated at cost in the Capital Funds. Funds received from capital assistance programs and cost-sharing arrangements related to capital expenditures are treated as additions to equity. Capital expenditures financed through the Operating Funds are recorded as capital expenditures out of revenue in the Operating Funds and as an addition to equity in the Capital Funds.

Costs of assets disposed of are treated as a reduction of equity in the Capital Funds. Proceeds from assets disposed of are recorded as miscellaneous revenue in the Operating Funds.

The Town does not record depreciation on its capital assets. Debt retirement costs, including both principal and interest for expenditures which have been financed through long-term borrowing, are expensed in the operating funds in the period incurred. The principal reduction is added to equity in the Capital Funds.

Capital Reserves

The use of the Capital Reserve Funds is restricted to capital expenditures. The intention is to use these funds for future expenditures and reduce future borrowing requirements.

Operating Reserves

The use of these funds is restricted to payment of operating expenses.

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Expenditure Recognition

Expenditures are recorded on an accrual basis.

Principal payments on long-term debt are recorded as an expense of the Operating Funds and as an increase in equity in the Capital Funds when paid. Interest on long-term debt is recorded on the accrual basis.

Use of Estimates

The preparation of these financial statements in accordance with accounting principles prescribed for New Brunswick municipalities by the Department of Local Government requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Example of significant estimates include:

- allowance for doubtful accounts; and
- the future employee benefits payable.

2. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivable, due from other funds, accounts payable and accrued liabilities, due to other funds and long-term debt. Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

3. DEFERRED RENTAL REVENUE

School District 6 occupies a significant portion of the Rothesay Town Hall. The terms of occupancy are documented in a lease agreement which expired June 30, 2011. A new three year lease was signed whereby District 6 pays a monthly base rent amount plus a proportionate share of operating expenses and a 10% administration fee.

Deferred rental revenue arose as a result of a lump sum payment received from the Province of New Brunswick representing advance payment of rent for the twenty year term of the lease. This deferred rental revenue was being amortized over the twenty year term of the lease on the sinking fund method. Rental revenue recognized in the General Operating Fund in 2011 was \$91,076 (2010 - \$167,859). Deferred rental revenue carried in the General Capital Fund is amortized by the same amount. The deferred rental revenue was fully amortized in 2011.

4. LONG-TERM DEBT

(a) General Capital Fund

	Balance January 1, 2011	Issued during year	Redeemed during year	Balance December 31, 2011
New Brunswick Municipal Financing Corporation				
Debentures:				
AK14 4.45 - 6.2%, due 2011, OIC # 99-22, 00-18, 00-55	\$ 493,000	\$ -	\$ 493,000	\$ -
AL24 2.45 - 5.5%, due 2011, OIC # 99-77	722,000	-	722,000	-
AM14 3.375 - 5.75% due 2012, OIC # 01-66, 01-41, 98-54, 99-22	289,000	-	96,000	193,000
AO14 3.05 - 5%, due 2013, OIC # 02-25	155,000	-	49,000	106,000
AQ10 2.75 - 5.50%, due 2014, OIC # 03-52, 99-22	325,000	-	75,000	250,000
AR24 2.75 - 4.80%, due 2014, OIC # 3-88	738,000	-	39,000	699,000
AV31 4.15 - 4.30%, due 2014, OIC # 4-40	218,000	-	51,000	167,000
BA17 0.95 - 5.00%, due 2019, OIC # 08-03, 08-63	899,000	-	88,000	811,000
BB26 1.00 - 4.50%, due 2019, OIC # 08-63, 08-82	1,207,000	-	119,000	1,088,000
BD24 1.05 - 2.50%, due 2015, OIC # 99-22	407,000	-	78,000	329,000
BF22 1.35 - 2.2%, due 2016, OIC # 00-18	-	351,000	-	351,000
Debenture to be refinanced, 2012	-	669,000	-	669,000
	<u>\$ 5,453,000</u>	<u>\$ 1,020,000</u>	<u>\$ 1,810,000</u>	<u>\$ 4,663,000</u>

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

4. LONG-TERM DEBT (cont'd)

Approval of the Municipal Capital Borrowing Board has been obtained for the long-term debt.

(a) General Capital Fund (cont'd)

Principal payments required during the next five years for the General Capital Fund are as follows:

2012 - \$845,000; 2013 - \$670,000; 2014 - \$1,210,000; 2015 - \$459,000; 2016 - \$389,000

In 2011, debentures AK14-2001 and AL24-2001 matured with final amounts due of \$493,000 and \$772,000 respectively. Of these matured debentures, \$351,000 was refinanced in 2011, and \$669,000 will be received in 2012. In 2014, debenture AR24-2004 will mature with a final amount due of \$617,000, however it is expected that \$573,000 of this payment will be refinanced during that year for an additional ten years.

(b) Water and Sewer Capital Fund

	Balance January 1, 2011	Issued during year	Redeemed during year	Balance December 31, 2011
New Brunswick Municipal Financing Corporation				
Debentures:				
AK15 4.45 - 6.2%, due 2011, OIC # 99-59, 00-18	\$ 1,800,000	\$ -	\$ 1,800,000	\$ -
AM15 3.375 - 5.75%, due 2012, OIC # 00-18	750,000	-	18,000	732,000
AN18 3.1 - 5.6%, due 2012, OIC # 02-06	16,000	-	8,000	8,000
AO15 3.05 - 5.0%, due 2013, OIC # 02-62	95,000	-	30,000	65,000
AQ11 2.75 - 5.5%, due 2014, OIC # 03-92	195,000	-	45,000	150,000
AY18 3.30 - 4.85%, due 2018, OIC # 96-60, 96-72	286,000	-	11,000	275,000
AZ29 2.10 - 4.95%, due 2018, OIC # 03-0092	933,000	-	102,000	831,000
BF23 1.35 - 3.45%, due 2021, OIC # 00-18	-	<u>1,723,000</u>	-	<u>1,723,000</u>
	4,075,000	1,723,000	2,014,000	3,784,000
Canada Mortgage and Housing Corporation				
CMHC 3.70%, due 2030, OIC # 09-119, 09-139, 10-012	<u>3,500,000</u>	-	<u>121,241</u>	<u>3,378,759</u>
	<u>\$ 7,575,000</u>	<u>\$ 1,723,000</u>	<u>\$ 2,135,241</u>	<u>\$ 7,162,759</u>

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

4. LONG-TERM DEBT (cont'd)

(b) Water and Sewer Capital Fund (cont'd)

Approval of the Municipal Capital Borrowing Board has been obtained for the long-term debt.

The Water and Sewer Capital Fund contains long term debt of \$702,347 (2010 - \$721,117) issued to fund local improvement projects. The debt will be repaid over a period of time through the collection of local improvement levies.

The CHMC loan is for infrastructure projects. Under the terms of the loan, the project must be completed by March 31, 2012.

Principal payments required during the next five years for the Water and Sewer Capital Fund are as follows:

2012 - \$1,130,727; 2013 - \$405,379; 2014 - \$385,204; 2015 - \$344,205; 2016 - \$356,393

In 2012, debenture AM15-2002 will mature with a final amount due of \$732,000, however \$713,000 of this payment is expected to be refinanced during that year for an additional ten years.

5. WATER AND SEWER OPERATING FUND SURPLUS

The Municipalities Act requires that the Water and Sewer Operating Fund surplus or deficit amounts be absorbed into one or more of three operating budgets commencing with the second following year. The balance of the surplus at the end of the year consists of:

Surplus 2010	\$	7,927
Surplus 2011		<u>2,738</u>
	\$	<u>10,665</u>

6. LAND FOR PUBLIC PURPOSES

In accordance with the Community Planning Act, the Town has the authority to set aside up to 10% of any land subdivided, or up to 8% of the monetary value of such land, as a reserve. As well, any proceeds on the sale of public lands must be reserved. These funds can only be used for the purchase or development of public lands.

7. SEWER OUTFALL RESERVE

In accordance with an agreement with the Municipality of Quispamsis, Rothesay and the Municipality of Quispamsis are required to fund, on an annual basis, an amount to cover the operating and maintenance costs associated with the shared sewer effluent line and outfall pipe. The contributions are made on a per unit basis, with Rothesay contributing \$1 per unit and the Municipality of Quispamsis contributing \$2 per unit. Any accumulated amounts are transferred to the Water and Sewer Capital Reserve Fund for future capital expenditures.

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

8. TOWN HALL RESERVE

In accordance with a lease agreement between the Town and the Province of New Brunswick as described in Note 3, the Town and the School District are required to fund, on an annual basis, a minimum reserve of \$7,500 in aggregate. The contributions by the Town and the School District are in proportion to their occupancy. The accumulated funds are intended to cover long-term maintenance and capital costs associated with the Town Hall building. These funds are included in the General Capital Reserve Fund.

9. INTERFUND BORROWING

The Municipalities Act of New Brunswick requires that short-term interfund borrowings be repaid within the year. The amounts payable between Funds are in compliance with the Act.

Amounts outstanding at year end are inter fund regular payables or in some cases, a short term loan may exist from the reserve account. Where a loan is in place, interest is paid to the reserve account at a rate that equates what the account would have earned had it been in the bank. These loan amounts are paid off within the following year and council is given a summary at year end to be fully informed of these transactions.

10. SHORT-TERM BORROWING

Operating Funds

As prescribed in the Municipalities Act, borrowing to finance General Operating Fund activities is limited to 4% of the Municipality's budget. Borrowing to finance Water and Sewer Operating Fund activities is limited to 50% of the operating budget for the year.

At December 31, 2011, both the General Operating Fund and the Water and Sewer Operating Fund were in compliance with the Act.

Capital Funds

At December 31, 2011, there were short-term funds totaling \$546,089 (2010 - 221,089) borrowed from other funds and no short-term funds (2010 - nil) borrowed from a financial institution to provide interim funding for capital projects in the General Capital Fund.

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

10. SHORT-TERM BORROWING (cont'd)

Capital Funds (cont'd)

At December 31, 2011, there were short-term funds totaling \$500,000 (2010 - nil) borrowed from other funds and no short-term funds (2010 - nil) borrowed from a financial institution to provide interim funding for capital projects in the Water and Sewer Capital Fund.

The Town has remaining outstanding authority for the short-term borrowing as follows:

General Capital Fund, OIC #08-063	\$ 100,000
General Capital Fund, OIC #09-015	900,000
General Capital Fund, OIC #09-059	3,000,000
General Capital Fund, OIC #10-012	3,600,000
General Capital Fund, OIC #11-071	<u>2,600,000</u>
	<u>\$ 10,200,000</u>
Water and Sewer Capital Fund, OIC #09-119	\$ 5,284,000
Water and Sewer Capital Fund, OIC #10-012	77,000
Water and Sewer Capital Fund, OIC #11-045	<u>1,500,000</u>
	<u>\$ 6,861,000</u>

Water and Sewer Capital Fund, OIC # 09-119 remaining authority is interim financing for a term not to exceed three years.

11. RELATED PARTY TRANSACTIONS

The Town funds certain community organizations of which it has influence over their budgets and limited influence over their operations. The organizations and the amounts paid to and/or received from these organizations include:

	Paid to		Received from	
	2011	2010	2011	2010
Rothesay Regional Joint Board of Police Commissioners:				
Police Protection	\$ 1,917,744	\$ 1,816,548	\$ -	\$ -
911 Communications	<u>141,962</u>	<u>131,058</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,059,706</u>	<u>\$ 1,947,606</u>	<u>\$ -</u>	<u>\$ -</u>
Kennebecasis Valley Fire Department Inc.				
Contribution for:				
Fire Protection	\$ 1,563,355	\$ 1,484,552	\$ 20,268	\$ 19,678
Fire Department assets	<u>172,804</u>	<u>113,669</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,736,159</u>	<u>\$ 1,598,221</u>	<u>\$ 20,268</u>	<u>\$ 19,678</u>

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

11. RELATED PARTY TRANSACTIONS (cont'd)

The Town has agreed to pay its proportionate share of any operating deficit and to guarantee its proportionate share of any liabilities of the above organizations subject to Council approval. In addition, the Town has guaranteed its proportionate share of any debt incurred for capital projects for the Rothesay Regional Joint Board of Police Commissioners.

At December 31, 2011, the Town has guaranteed its proportional share (45.019%) of the \$1,743,000 outstanding debt incurred by the Rothesay Regional Joint Board of Police Commissioners on the construction of their police station.

Employees of the Kennebecasis Valley Fire Department Inc. and the Rothesay Regional Joint Board of Police Commissioners are members of the New Brunswick Municipal Employees Pension Plan, a multiple-employer pension plan. An actuarial valuation prepared as at December 31, 2010 indicated both of these employers had going concern liabilities in excess of allocated assets as follows:

Kennebecasis Valley Fire Department Inc.	\$ 918,900
Rothesay Regional Joint Board of Police Commissioners	993,900

The Town contributes a proportionate share of funds to certain organizations and commissions of which it has limited influence over their operations. The organizations and commissions include:

	Paid to	
	2011	2010
Regional Facilities Commission	\$ 280,080	\$ 272,043
Kennebecasis Public Library Inc.	40,625	39,598
Greater Saint John Economic Development Agency, Inc.	<u>81,356</u>	<u>81,296</u>
	\$ <u>402,061</u>	\$ <u>392,937</u>

The contribution to the Regional Facilities Commission is governed by Provincial legislation.

The Town has agreed to fund its proportionate share of any debts, to a maximum of \$6,000,000 relating to the expansion project of the Kennebecasis Public Library Inc.

12. INVESTMENT IN FIRE DEPARTMENT ASSETS

The Town and the Municipality of Quispamsis have invested in the assets of the Kennebecasis Valley Fire Department Inc., each investing in proportion to a combination of 50% population and 50% of the value of the assessment. The investment is being treated as a capital asset in the General Capital Fund. During the year, \$172,804 (2010 - \$113,669) was contributed towards the purchase of a new vehicle.

13. INVESTMENT IN LIBRARY ASSETS

The Town and the Municipality of Quispamsis have invested in the assets of the Kennebecasis Public Library Inc., each investing in proportion to their population. The investment is being treated as a capital asset in the General Capital Fund. During the year, \$242,472 was contributed towards the expansion project.

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

14. ROTHESAY ARENA

Details of the gross sale of services and expenditures reported in the financial statements and related to the arena are as follows:

	<u>2011</u> Budget	<u>2011</u> Actual	<u>2010</u> Actual
Sale of services	\$ <u>278,937</u>	\$ <u>262,347</u>	\$ <u>275,706</u>
Expenditure			
Operating	358,668	338,511	362,836
Fiscal services			
Long-term debt repayments	25,686	25,686	24,239
Interest	<u>5,529</u>	<u>5,529</u>	<u>7,020</u>
	<u>389,883</u>	<u>369,726</u>	<u>394,095</u>
Deficiency of revenue over expenditure	\$ <u>(110,946)</u>	\$ <u>(107,379)</u>	\$ <u>(118,389)</u>

15. DEFERRED REVENUE

In 2002, the Town issued a special warrant of assessment to the residents of Kennebecasis Park for local improvements made to the area. The assessment will be invoiced annually over a period of 30 years. A number of residents paid the entire levy amount in the first year, and as a result, the prepayment has been recorded as deferred revenue to be amortized over 29 years.

16. WATER COST TRANSFER

The Town's water cost transfer is within the maximum allowable by regulation based on applicable percentage of water system expenditures for the population.

17. FUTURE EMPLOYEE BENEFITS PAYABLE

In 2006, the Town implemented an employee retirement allowance policy whereby eligible employees will be entitled to receive a cash payment upon their retirement from the Town. Town employees are entitled to the allowance if they are eligible for pension benefits under the New Brunswick Municipal Employees Pension Plan and have a minimum of ten years of service with the Town. Eligible employees will be paid for each five years of service, pro-rated for any part thereof, an equivalent of 4 weeks salary or wage at their regular rate at the time of retirement to a maximum of twenty six weeks. During the year, the Town recorded an expenditure of \$46,908 (2010 - \$42,810) in the General Operating Fund pertaining to these future liabilities.

ROTHESAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

18. EMPLOYEE PENSION PLAN

The Town and its employees participate in a multiple-employer defined benefit pension plan administered by a board elected by the members under the provisions of the Municipalities Act of New Brunswick. Pensions are provided based on length of service and best average earnings.

An actuarial valuation prepared as at December 31, 2010 indicated that the accrued benefits were not fully funded on a solvency valuation basis, however the plan was granted a solvency deficiency exemption by the Province of New Brunswick. On a going concern valuation basis, the actuarial valuation indicated a plan deficit of \$9,703,300, a decrease of \$901,400 from the 2009 deficit of \$10,604,700. Of this plan deficit, an estimated \$401,300 relates directly to the Town of Rothesay. The main reason for the decrease in the plan deficit is the favourable investment returns experienced in 2010. Based on the assumptions as at December 31, 2010, the actuary expected the level of employer and employee contributions to be sufficient to fund the deficit in less than fifteen years, as permitted by the Pension Benefit Act.

19. CONTINGENT LIABILITY

In the normal course of operations, the Town becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 2011 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect as the Town maintains insurance coverage in amounts considered appropriate.

20. CHANGE IN ACCOUNTING POLICY

The Town currently prepares its financial statements to comply with the accounting principles prescribed for New Brunswick municipalities by the Department of Local Government. The Department has indicated that municipalities will be required to adopt recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board's ("PSAB") new reporting model PS 1000, 1100, 1200 and 3150.

One of the more significant provisions of the new standards requires municipalities to capitalize tangible capital assets at historical costs and amortize these assets over their estimated useful lives. The Town is in the process of compiling a listing of all its roads, vehicles, sewer and water infrastructure, land, buildings, furniture and equipment, and determining specific accounting policies and capitalization thresholds.

Other key elements of the PSAB requirements include reporting entities, full accruals, employment benefits and financial reporting.

The Department has established an implementation date for these new standards for year ends commencing after January 1, 2012. The Town will prepare a retroactive re-statement of 2011 financial statements as required by the implementation of the standards.