

AUDITORS' REPORT

To His Worship The Mayor and Members of City Council of the City of Fredericton:

We have audited the consolidated financial statements of the **City of Fredericton** as at December 31, 2008 consisting of the following:

- Current Fund
 - Balance Sheet
 - Statement of Revenue and Expenditure
- General Capital Fund
 - Balance Sheet
 - Statement of Equity in Capital Assets
 - Statement of Source and Application of Capital Financing
- Water and Sewerage Department
 - Current Fund Balance Sheet
 - Current Fund Statement of Revenue and Expenditure
 - Capital Fund Balance Sheet
 - Capital Fund Statement of Source and Application of Capital Financing
- Reserve Funds
 - Balance Sheet
- Trust Funds
 - Balance Sheets
 - Statements of Equity

These financial statements have been prepared to comply with Section 8 of the Control of Municipalities Act of New Brunswick. These financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the City of Fredericton as at December 31, 2008 and the results of its operations and the source and application of its capital financing for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements.

AUDITORS' REPORT (continued)

These financial statements have been prepared to, and do comply with Section 8 of the Control of Municipalities Act of New Brunswick. 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 His Worship The Mayor and Members of City Council of the City of Fredericton 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.

We have also audited the accompanying Schedule 4-Schedule of Net Operating Loss-Arena Complexes for the year ended December 31, 2008 which are presented for purpose of additional analysis and are not a required part of the basic financial statements. In our opinion, this schedule presents fairly the information contained therein in all respects material to the financial statements.

Saint John, Canada,
March 18, 2009.

Ernst & Young LLP

Chartered Accountants

CITY OF FREDERICTON

Consolidated Financial Statements

Year Ended December 31, 2008

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CITY OF FREDERICTON

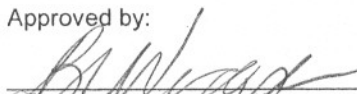
Current Fund
Consolidated Balance Sheet

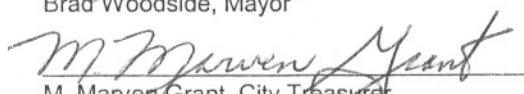
December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash and short-term deposits	\$ 8,465,181	\$ 3,780,934
Accounts receivable	3,802,481	2,250,450
Due from General Capital Fund	4,089,711	6,207,558
Due from Land Sales Fund	67,148	219,073
Due from Subdivision Land Fund	579	2,708
	<u>\$ 16,425,100</u>	<u>\$ 12,460,723</u>
Liabilities and Surplus		
Liabilities:		
Accounts payable and accrued liabilities	\$ 7,889,964	\$ 6,530,754
Deferred revenue	1,123,203	879,340
Deposits	516,203	368,359
Due to General Capital Fund	4,699,882	3,782,613
Due to Water and Sewerage Current Fund	1,666,888	279,635
Due to Superannuation Fund	1,775	7,035
Accrued bond interest	92,031	59,317
	<u>15,989,946</u>	<u>11,907,053</u>
Surplus:		
Balance, beginning of year	553,670	506,828
Surplus for the year	128,108	307,046
Second previous year's surplus included in current revenue	(246,624)	(260,204)
Balance, end of year (note 9)	435,154	553,670
	<u>\$ 16,425,100</u>	<u>\$ 12,460,723</u>

See accompanying notes to financial statements.

Approved by:


Brad Woodside, Mayor


M. Marven Grant, City Treasurer

CITY OF FREDERICTON

Current Fund Consolidated Statement of Revenue and Expenditure

Year ended December 31, 2008, with comparative figures for 2007

	(Unaudited) Budget	2008 Actual	2007 Actual
Revenue:			
Province of New Brunswick:			
Warrant for property taxes	\$ 68,427,947	\$ 68,427,947	\$ 63,824,275
Unconditional grant	5,816,360	5,816,360	5,702,314
	<u>74,244,307</u>	<u>74,244,307</u>	<u>69,526,589</u>
Fines and fees	365,000	443,211	393,909
Sundry revenue (schedule 1)	6,575,245	8,282,575	7,044,774
Services provided to other governments (schedule 1)	984,473	992,538	868,473
Federal grant in lieu of taxes	29,917	29,917	19,045
Transfer from General Capital Reserve Fund	-	4,210,815	4,654,260
Transfer from Current Reserve Fund	-	1,470,540	1,161,750
e-Novations ComNet Inc. services	-	194,973	147,775
Second previous year's surplus	246,624	246,624	260,204
	<u>82,445,566</u>	<u>90,115,500</u>	<u>84,076,779</u>
Expenditure:			
Debt retirement	1,599,735	1,325,782	1,194,340
Interest (schedule 2)	3,158,846	1,138,393	893,846
General Government Services (schedule 2)	17,167,920	16,816,356	15,066,510
Protective Services (schedule 2)	22,854,736	23,272,294	20,990,175
Transportation Services (schedule 2)	14,578,617	14,961,118	13,944,804
Funding current year's capital projects	11,769,043	16,998,598	15,017,440
Environmental Health Services (schedule 2)	2,142,490	2,154,661	2,023,875
Public Health Services (schedule 2)	12,000	12,002	5,656
Environmental Development Services (schedule 2)	4,495,542	4,365,217	4,130,758
Recreation and Cultural Services (schedule 2)	4,032,592	4,326,142	4,104,454
Contribution to Fredericton Playhouse Inc.	634,045	642,211	605,029
e-Novations ComNet Inc.	-	137,279	111,491
	<u>82,445,566</u>	<u>86,150,053</u>	<u>78,088,378</u>
Transfer to Current Reserve Fund	-	771,136	1,470,540
Transfer to General Capital Reserve Fund	-	3,066,203	4,210,815
	-	<u>3,837,339</u>	<u>5,681,355</u>
Total expenditure and transfers	82,445,566	89,987,392	83,769,733
Surplus for the year	\$ -	\$ 128,108	\$ 307,046

See accompanying notes to financial statements.

CITY OF FREDERICTON

General Capital Fund Consolidated Balance Sheet

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Due from Current Fund	\$ 4,699,882	\$ 3,782,613
Property, plant and equipment (schedule 3):		
General Government Services	21,444,054	19,746,099
Protective Services	22,934,914	16,900,612
Transportation Services	195,110,065	184,226,672
Environmental Health and Development Services	1,290,223	1,249,521
Recreation and Cultural Services	48,439,232	47,279,050
Other	28,737,270	18,882,228
	317,955,758	288,284,182
	\$ 322,655,640	\$ 292,066,795
Liabilities and Equity in Capital Assets		
Current liabilities:		
Due to Current Fund	\$ 4,089,711	\$ 6,207,558
Current portion of long-term debt (note 2)	1,633,235	1,116,696
	5,722,946	7,324,254
Long-term debt (note 2)	28,798,932	16,259,660
Equity in capital assets	288,133,762	268,482,881
	\$ 322,655,640	\$ 292,066,795

See accompanying notes to financial statements.

CITY OF FREDERICTON

General Capital Fund Consolidated Statement of Equity in Capital Assets

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Balance, beginning of year	\$ 268,482,881	\$ 247,986,905
Contributions:		
Federal and Provincial Governments	-	1,822,516
Developers	1,025,852	878,494
Federal Government	1,388,607	2,902,711
Provincial Government	881,892	502,225
Other	205,600	563,674
Capital assets purchased through Current Fund	168,673	120,125
Funding current year's capital projects from Current Fund	15,180,674	12,976,057
Debt retirement from Current Fund	1,325,782	1,194,340
Capital purchase through Land Sales Fund	675,018	611,152
Capital purchase through Subdivision Land Fund	-	57,802
Capital purchase through Parking-Land Bank Fund	-	81,500
	289,334,979	269,697,501
Cost of property sold	(80,045)	(294,321)
Cost of capital assets sold	(1,121,172)	(920,299)
Balance, end of year	\$ 288,133,762	\$ 268,482,881

See accompanying notes to financial statements.

CITY OF FREDERICTON

General Capital Fund Consolidated Statement of Source and Application of Capital Financing

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Source:		
Unapplied from the previous year:		
Due from Current Fund	\$ 3,782,613	\$ 4,483,018
Transfers:		
Capital expenditures from Current Fund	15,349,347	13,096,182
Debt retirement from Current Fund	1,325,782	1,194,340
Federal and Provincial Governments	-	1,822,516
Land Sales Fund	675,018	611,152
Subdivision Land Fund	-	57,802
Parking Land Bank Fund	-	81,500
	17,350,147	16,863,492
Other financing:		
Contributions		
Federal Government	1,388,607	2,902,711
Provincial Government	881,892	502,225
Developers	1,025,852	878,494
Other	205,600	563,674
Due to Current Fund	4,089,711	6,207,558
Debentures	13,500,000	-
Capital lease obligation	881,591	416,515
	21,973,253	11,471,177
	\$ 43,106,013	\$ 32,817,687
Application:		
Capital expenditures	\$ 30,872,791	\$ 27,840,734
Due to Current Fund	6,207,558	-
Debt retirement	1,325,782	1,194,340
	38,406,131	29,035,074
Unapplied, end of year:		
Due from Current Fund	4,699,882	3,782,613
	\$ 43,106,013	\$ 32,817,687

See accompanying notes to financial statements.

CITY OF FREDERICTON

Water and Sewerage
Current Fund
Consolidated Balance Sheet

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash	\$ 200,972	\$ 1,373,046
Accounts receivable	950,541	614,318
Inventories	82,991	44,156
Due from Current Fund	1,666,888	279,635
Due from Water and Sewerage Capital Fund	27,773	-
	\$ 2,929,165	\$ 2,311,155
Liabilities and Surplus (Deficit)		
Liabilities:		
Bank indebtedness	\$ 3,879,154	\$ -
Accounts payable and accrued liabilities	2,054,922	1,456,980
Due to Water and Sewerage Capital Fund	-	32,214
	5,934,076	1,489,194
Surplus (deficit):		
Balance, beginning of year	821,961	2,194,431
Deficit for the year	(1,301,666)	(1,703,245)
Second previous year's (surplus) deficit included in current revenue	(2,525,206)	330,775
Balance, end of year (note 9)	(3,004,911)	821,961
	\$ 2,929,165	\$ 2,311,155

See accompanying notes to financial statements.

CITY OF FREDERICTON

Water and Sewerage
 Current Fund
 Consolidated Statement of Revenue and Expenditure

Year ended December 31, 2008, with comparative figures for 2007

	(Unaudited) Budget	2008 Actual	2007 Actual
Revenue:			
Water and sewerage rates	\$ 10,475,625	\$ 10,455,093	\$ 10,277,982
Water supply for fire protection	1,000,612	1,000,612	1,000,612
Rental of equipment	385,000	353,314	408,130
Interest	25,000	3,964	73,851
Transfer from Water and Sewerage Capital Reserve Fund	-	195,000	-
Second previous year's surplus (deficit)	2,525,206	2,525,206	(330,775)
	<u>14,411,443</u>	<u>14,533,189</u>	<u>11,429,800</u>
Expenditure:			
Water:			
Purification and treatment	480,220	459,334	467,478
Source of supply	341,433	335,084	316,092
Transmission and distribution	1,567,634	1,371,075	1,557,676
Billing and collecting	124,259	127,187	125,121
Plant and equipment maintenance	29,048	26,918	29,404
Water meters	502,830	500,341	515,911
	<u>3,045,424</u>	<u>2,819,939</u>	<u>3,011,682</u>
Sewerage:			
Lift stations	37,996	37,752	34,664
Sewerage treatment and disposal	2,478,607	2,434,767	2,470,059
	<u>2,516,603</u>	<u>2,472,519</u>	<u>2,504,723</u>
Common services	2,614,833	2,302,931	2,235,089
Fiscal services:			
Debt retirement	168,952	168,952	174,925
Interest	12,094	12,094	17,846
Funding current year's capital projects	6,053,537	7,808,420	4,993,780
	<u>6,234,583</u>	<u>7,989,466</u>	<u>5,186,551</u>
Transfer:			
Transfer to Water and Sewerage Capital Reserve Fund	-	250,000	195,000
Total expenditure and transfers	14,411,443	15,834,855	13,133,045
Deficit for the year	\$ -	\$ (1,301,666)	\$ (1,703,245)

See accompanying notes to financial statements.

CITY OF FREDERICTON

Water and Sewerage
Capital Fund
Consolidated Balance Sheet

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 59,987	\$ -
Due from Water and Sewerage Current Fund	-	32,214
	59,987	32,214
Property, plant and equipment (schedule 3):		
Water system	78,749,669	70,868,224
Sewerage plant	54,645,769	53,857,442
Bond discount	388	1,380
	133,395,826	124,727,046
	\$ 133,455,813	\$ 124,759,260
Liabilities and Equity in Capital Assets		
Current liabilities:		
Current portion of capital lease payable (note 3)	\$ -	\$ 11,657
Current portion of long-term debt (note 4)	30,000	159,000
Due to Water and Sewerage Current Fund	27,773	-
	57,773	170,657
Long-term debt:		
Long-term debt (note 4)	63,000	93,000
Equity in capital assets:		
Balance, beginning of year	124,495,603	119,541,459
Capital project funding	1,755	263,870
Appropriation from Water and Sewerage Current Fund for capital expenditures	7,152,084	4,615,671
Appropriation from Land Sales Fund for capital expenditures	65	-
Debt retirement from Current Fund	168,952	174,925
Cost of assets sold	(109,180)	(253,587)
Contribution from Federal Government	1,565,458	-
Other contributions	61,345	155,119
Amortization of bond discount	(1,042)	(1,854)
Balance, end of year	133,335,040	124,495,603
	\$ 133,455,813	\$ 124,759,260

See accompanying notes to financial statements.

CITY OF FREDERICTON

Water and Sewerage

Capital Fund

Consolidated Statement of Source and Application of Capital Financing

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Source:		
Transfers:		
Capital expenditure from Current Fund	\$ 7,163,741	\$ 4,637,596
Capital expenditure from Land Sales Fund	65	-
Capital project	33,561	62,300
Trust deposit receipt	97,666	157,119
	<u>7,295,033</u>	<u>4,857,015</u>
Other financing:		
Contributions:		
Contribution from Federal Government	1,565,458	-
Other contributions	55,000	89,959
Auction proceeds	6,345	65,160
	<u>1,626,803</u>	<u>155,119</u>
	<u>\$ 8,921,836</u>	<u>\$ 5,012,134</u>
Application:		
Capital expenditures	\$ 8,778,952	\$ 4,804,995
Debt retirement	170,657	174,925
Transfer from (to) Water and Sewerage Current Fund to (from) Capital Fund	(27,773)	32,214
	<u>\$ 8,921,836</u>	<u>\$ 5,012,134</u>

See accompanying notes to financial statements.

CITY OF FREDERICTON

Reserve Funds Consolidated Balance Sheet

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current:		
Cash	\$ 798,136	\$ 1,491,753
General Capital:		
Cash	3,164,621	4,291,754
Water and Sewerage Capital:		
Cash	273,805	217,435
	\$ 4,236,562	\$ 6,000,942
Liabilities and Equity		
Equity		
Current:		
Balance, beginning of year	\$ 1,491,753	\$ 1,167,609
Transfer to Current Fund	(1,470,540)	(1,161,750)
Transfer from Current Fund	771,136	1,470,540
Interest	5,787	15,354
Balance, end of year	798,136	1,491,753
General Capital:		
Balance, beginning of year	4,291,754	4,675,374
Transfer to Current Fund	(4,210,815)	(4,654,260)
Transfer from Current Fund	2,965,923	4,160,675
Capital Replacement Fund - Willie O'Ree Place	100,280	50,140
Capital Replacement Fund - interest	5,471	2,202
Interest	12,008	57,623
Balance, end of year	3,164,621	4,291,754
Water and Sewerage Capital:		
Balance, beginning of year	217,435	21,331
Transfer to Water and Sewerage Current Fund	(195,000)	-
Transfer from Water and Sewerage Current Fund	250,000	195,000
Interest	1,370	1,104
Balance, end of year	273,805	217,435
	\$ 4,236,562	\$ 6,000,942

See accompanying notes to financial statements.

CITY OF FREDERICTON

Trust Funds
Consolidated Balance Sheets

December 31, 2008, with comparative figures for 2007

	2008	2007
Parking-Land Bank Fund		
Assets		
Cash	\$ 434,696	\$ 423,048
	<u>\$ 434,696</u>	<u>\$ 423,048</u>
Liabilities and Equity		
Equity	\$ 434,696	\$ 423,048
	<u>\$ 434,696</u>	<u>\$ 423,048</u>
Land Sales Fund		
Assets		
Cash	\$ 440,605	\$ 849,141
Accounts receivable	17,651	63,919
	<u>\$ 458,256</u>	<u>\$ 913,060</u>
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 13,597	\$ 32,737
Security deposits	3,600	3,600
Sale of property advances	236,173	7,018
Due to Current Fund	67,148	219,073
	<u>320,518</u>	<u>262,428</u>
Equity	137,738	650,632
	<u>\$ 458,256</u>	<u>\$ 913,060</u>

See accompanying notes to financial statements.

CITY OF FREDERICTON

Trust Funds
Consolidated Balance Sheets, continued

December 31, 2008, with comparative figures for 2007

	2008	2007
Subdivision Land Fund		
Assets		
Cash	\$ 198,292	\$ 131,645
Accounts receivable	347	9
	<u>\$ 198,639</u>	<u>\$ 131,654</u>
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,164	\$ -
Due to Current Fund	579	2,708
	<u>6,743</u>	<u>2,708</u>
Equity	191,896	128,946
	<u>\$ 198,639</u>	<u>\$ 131,654</u>
Other Trust Funds		
Assets		
Cash	\$ 123,907	\$ 120,587
Property held in trust	2,500	2,500
	<u>\$ 126,407</u>	<u>\$ 123,087</u>
Liabilities and Equity		
Equity	\$ 126,407	\$ 123,087
	<u>\$ 126,407</u>	<u>\$ 123,087</u>

See accompanying notes to financial statements.

CITY OF FREDERICTON

Trust Funds Consolidated Statements of Equity

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Parking-Land Bank Fund		
Balance, beginning of year	\$ 423,048	\$ 483,889
Add:		
Interest	11,648	20,659
Deduct:		
Parking equipment	-	81,500
Balance, end of year	\$ 434,696	\$ 423,048
Land Sales Fund		
Balance, beginning of year	\$ 650,632	\$ 590,898
Add:		
Interest	30,289	34,057
Land sales	35,773	486,820
Rent	130,782	83,255
Funding current year's capital projects from Current Fund	250,000	500,000
	446,844	1,104,132
Deduct:		
Land, building and engineering structure purchases		
General Capital Fund	675,018	611,152
Water and Sewerage Capital Fund	65	-
Right of way land expenses	95,681	347,210
Professional services	36,278	12,657
Property taxes	79,936	44,260
Light, heat and water	11,577	9,230
Repairs and maintenance	61,183	19,889
	959,738	1,044,398
Balance, end of year	\$ 137,738	\$ 650,632

See accompanying notes to financial statements.

CITY OF FREDERICTON

Trust Funds
Consolidated Statements of Equity, continued

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Subdivision Land Fund		
Balance, beginning of year	\$ 128,946	\$ 91,575
Add:		
Interest	5,321	6,129
Land sales	-	244
Subdivision contributions	138,340	91,167
	143,661	97,540
Deduct:		
Landscaping and park development	-	57,802
Park maintenance	68,738	-
Professional services	11,973	2,367
	80,711	60,169
Balance, end of year	\$ 191,896	\$ 128,946
Other Trust Funds		
Balance, beginning of year	\$ 123,087	\$ 118,102
Add:		
Interest	3,320	4,985
Balance, end of year	\$ 126,407	\$ 123,087

See accompanying notes to financial statements.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2008

1. Significant accounting policies:

(i) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances of all funds of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to Council and owned or controlled by the City of Fredericton ("City"). Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

Owned/Controlled Corporations

e-Novations ComNet Inc.
Fredericton Area Pollution Control Commission

(ii) Basis of accounting:

The financial statements have been prepared in accordance with the accounting principles outlined in the Province of New Brunswick Municipal Financial Reporting Manual.

(iii) Expenditure recognition:

Expenditures are recorded on an accrual basis.

(iv) Property, plant and equipment:

Property, plant and equipment 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 Current Funds are recorded as capital expenditures out of revenue in the Current Funds and as an addition to equity in the Capital Funds.

Costs of assets disposed are treated as a reduction of equity in the Capital Funds. Proceeds from sale are credited to the appropriate fund.

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

(v) Reserves for future expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as an adjustment to the respective fund.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2008

2. General Capital Fund; long-term debt:

	2008	2007
Debenture, maturing 2016, 20 year amortization period, bearing interest at 4.15% to 4.45%	\$ 15,393,000	\$ 15,958,000
Debenture, maturing 2018, 20 year amortization period, bearing interest at 3.30% to 4.85%	3,750,000	-
Debenture, maturing 2018, 20 year amortization period, bearing interest at 2.10% to 5.55%	9,750,000	-
	<u>28,893,000</u>	<u>15,958,000</u>
Capital lease obligation, implicit interest 4.95%	-	102,285
Capital lease obligation, implicit interest 5.05%	59,117	137,945
Capital lease obligation, implicit interest 4.85%	-	15,054
Capital lease obligation, implicit interest 5.10%	134,191	210,871
Capital lease obligation, implicit interest 5.70%	123,449	175,493
Capital lease obligation, implicit interest 5.85%	155,173	227,009
Capital lease obligation, implicit interest 6.15%	69,707	101,482
Capital lease obligation, implicit interest 6.10%	57,482	83,703
Capital lease obligation, implicit interest 5.75%	55,378	80,775
Capital lease obligation, implicit interest 5.85%	52,781	76,949
Capital lease obligation, implicit interest 6.15%	159,384	206,790
Capital lease obligation, implicit interest 5.80%	167,470	-
Capital lease obligation, implicit interest 6.05%	505,035	-
Total capital lease obligations	<u>1,539,167</u>	<u>1,418,356</u>
Total debt	30,432,167	17,376,356
Less: Current portion of long-term debt	(1,633,235)	(1,116,696)
Total long-term debt	<u>\$ 28,798,932</u>	<u>\$ 16,259,660</u>

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

Principal due within the next five (5) years on certificates of indebtedness are approximately as follows:

2009	\$ 1,033,000
2010	1,072,000
2011	1,117,000
2012	1,163,000
2013	1,213,000
	<u>\$ 5,598,000</u>

CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2008

2. General Capital Fund; long-term debt (continued):

Capital lease obligation	
2009	\$ 696,302
2010	607,660
2011	279,328
2012	146,484
Total minimum lease payments	1,729,774
Less amount representing interest	190,607
	\$ 1,539,167

Interest of \$90,021 (2007 - \$90,401) relating to the capital lease obligations is included in interest expense.

3. Water and Sewerage; capital lease obligation

	2008	2007
Capital lease obligation, implicit interest 8.44% (Fredericton Area Pollution Control Commission)	\$ -	\$ 11,657
Less: Current portion of long-term debt	-	(11,657)
Total long-term debt	\$ -	\$ -

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

4. Water and Sewerage; long-term debt

	2008	2007
Debentures, maturing in 2008 and 2011, bearing interest at 3.75% to 3.875% and 4.1% to 4.3% (Fredericton Area Pollution Control Commission)	\$ 93,000	\$ 252,000

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

Principal due within the next three (3) years on the certificate of indebtedness is as follows:

2009	30,000
2010	31,000
2011	32,000
	\$ 93,000

CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2008

5. Inter-fund accounts:

All inter-fund accounts at December 31, 2008 represent current transactions except as noted below, and are in compliance with the policy established by the Department of Local Government.

Inter-fund accounts related to government funding under the Federal Gas Tax and Federal Transit agreements may not represent current transactions whereas not all funding received in 2007 was expended in the current year.

6. Restrictions on municipal borrowings:

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

7. Water cost transfer:

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

8. Capital borrowing:

Requested and Approved Capital Borrowing

The municipality obtained approval under Order in Council (OIC) and Ministerial order to borrow \$53,710,000 of which \$13,500,000 was financed in 2008, nothing was financed in 2007 and \$16,500,000 was financed by the New Brunswick Municipal Finance Corporation in 2006:

Recreation and Cultural	OIC 06-02	\$ 15,850,000
Recreation and Cultural	OIC 06-23	5,900,000
Recreation and Cultural	OIC 06-43	20,620,000
Recreation and Cultural	OIC 07-17	500,000
Protective Services	OIC 06-43	5,400,000
Protective Services	OIC 07-17	1,400,000
General Government	OIC 07-55	3,040,000
General Government	OIC 07-66	1,000,000
Total authorizations to December 31, 2008		<u>\$ 53,710,000</u>

CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2008

9. Surplus:

The Municipalities Act requires that the Current Fund surplus (deficit) be absorbed into the operating budget of the second subsequent year and the Water and Sewerage Current Fund surplus (deficit) be absorbed into one or more of the three operating budgets commencing with the second following year. The balance of the surplus (deficit) accounts at December 31, 2008 consists of:

Current Fund				
		City of Fredericton	e-Novations ComNet Inc.	
2008 Surplus (deficit)	\$	(17,985)	\$ 146,093	\$ 128,108
2007 Surplus		73,053	233,993	307,046
	\$	55,068	\$ 380,086	\$ 435,154

Water and Sewerage Current Fund				
		City of Fredericton	Fredericton Area Pollution Control Commission	
2008 Surplus (deficit)	\$	(1,379,664)	\$ 77,998	\$ (1,301,666)
2007 Surplus (deficit)		(1,797,317)	94,072	(1,703,245)
	\$	(3,176,981)	\$ 172,070	\$ (3,004,911)

CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2008

10. Pension Plan

The City provides pension benefits to employees of the City, including employees of the Fredericton Region Solid Waste Commission and Fredericton Area Pollution Control Commission in accordance with the New Brunswick Pension Benefits Act and City By-Law A-5. The Plan is administered by a Board of Administrators representing City Council, management, unionized employees and retired employees. The Plan is a contributory defined benefit pension plan covering all eligible employees. Under the Plan, contributions are made by the Plan members and the City. The City charges its contributions to expense in the year the contribution is made. The amount contributed for 2008 is \$4,123,253 (2007 - \$3,857,659).

As at December 31, 2008, based on an actuarial valuation of the Plan dated June 30, 2006 and updated by extrapolation, the actuarial value of net assets is \$168,780,400 (2007 - \$169,350,400) and the present value of accrued benefits is \$180,218,500 (2007 - \$169,445,000), which leaves an unfunded deficit of \$11,438,100 (2007 - unfunded deficit \$94,600).

The Superannuation Plan for the Employees of the City is exempted from funding on a solvency basis. The exemption was approved by the New Brunswick Superintendent of Pensions on March 19, 2007.

11. Fair value of financial assets and financial liabilities

The fair value of the City's financial instruments approximate their carrying amounts.

12. Contingencies:

(i) The City provided a letter of guarantee in 2005 in support of a loan by The Rotary Club of Fredericton North Inc. ("Rotary") up to an amount of \$500,000 with Scotiabank for a term not to exceed twenty (20) years. The Rotary constructed a lodge for community use within the pre-existing municipally owned Killarney Lake Park with this loan, which is being repaid through the Rotary's fundraising efforts. The City is the sole owner of the lodge. The outstanding loan balance at December 31, 2008 is \$236,290.

(ii) The City is subject to claims and lawsuits arising in the normal course of operations. Many of these claims, especially related to property expropriation, may take several years to resolve. Management is of the opinion that the ultimate resolution of any legal proceedings will not have a significant effect on the City's financial position.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2008

13. Recreational Service Agreement

The City entered into Recreational Service Agreements ("Agreements") with a number of surrounding Local Service Districts ("LSDs") and the Village of New Maryland ("Village"). The agreements are in effect from January 1, 2008 to December 31, 2027 with an option to extend beyond this period.

Under the Agreement, the City is required to provide access to constituents of the areas to the City's recreational facilities as if they were residents of the City. In addition, the City is required to provide an audited schedule of Net Operating Loss of the City's arena complexes (Schedule 4). A capital replacement fund is in place to plan for future capital expenditures relating to the arenas. To date, no amounts have been paid from this fund. This capital replacement fund is included in the General Capital Reserve Fund on the balance sheet as Capital Replacement Fund - Willie O'Ree Place.

In return, the LSDs and the Village have agreed to have a portion of their property taxes paid to the City to help fund a proportional amount of the capital and operating expenses of the facilities. The LSD contributions are collected by the Province of New Brunswick, then distributed to the City by the Minister of Local Government. The Village's contribution comes directly from the Village. Contributions for the year under this agreement were \$319,625 from the LSDs and \$109,474 from the Village.

14. Public Sector Accounting Board

Effective January 1, 2009, municipalities are required to account for and report on tangible capital assets in their financial statements as per Public Sector guideline PS 3150 - Tangible Capital Assets. In addition, the City intends to comply with Public Sector Accounting Board requirements and management is currently working on this change and the effect on the financial statements for 2009.

15. Comparative Figures

Certain of the prior year amounts have been reclassified to conform to the current year's presentation.

CITY OF FREDERICTON

Schedule 1 - Details of Current Fund Revenue

Year ended December 31, 2008, with comparative figures for 2007

	(Unaudited) Budget	2008 Actual	2007 Actual
Sundry Revenue:			
Licenses	\$ 35,000	\$ 33,100	\$ 32,515
Dog licenses	17,700	16,566	15,267
Building permits	944,300	1,218,343	1,101,684
Rentals	934,745	1,140,417	1,026,276
Parking meters	535,000	593,499	602,313
Parking lots and garages	927,000	1,055,571	1,066,528
Public transit	1,258,000	1,554,104	1,382,015
General interest	301,000	916,149	518,826
Arenas	1,085,000	1,107,965	773,591
Community centres	114,500	129,017	108,376
Indoor pool	268,000	277,297	238,677
Ball diamond and outside user fees	55,000	113,184	73,695
Sale of unclaimed goods	3,900	6,641	8,376
Other (false alarms, fingerprinting, security checks)	95,800	101,498	95,912
Miscellaneous	300	19,224	723
	\$ 6,575,245	\$ 8,282,575	\$ 7,044,774
Services Provided to Other Governments:			
Fire	\$ 375,550	\$ 375,551	\$ 259,550
Transportation Services - provincial routes	427,808	435,293	427,807
Federal transfer St. Mary's Reserve	181,115	181,694	181,116
	\$ 984,473	\$ 992,538	\$ 868,473

CITY OF FREDERICTON

Schedule 2 – Details of Certain Current Fund Expenditure

Year ended December 31, 2008, with comparative figures for 2007

	(Unaudited) Budget	2008 Actual	2007 Actual
Interest:			
Capital debt	\$ 3,057,206	\$ 1,037,607	\$ 836,215
General	101,640	100,786	57,631
	\$ 3,158,846	\$ 1,138,393	\$ 893,846
General Government Services:			
Legislative	\$ 852,592	\$ 1,071,390	\$ 804,624
City Administrator	1,022,932	1,053,677	1,010,550
City Clerk	557,044	492,039	460,181
Corporate Services administration	2,299,407	1,970,720	2,096,366
Bilingualism expenditures	170,640	281,860	236,705
Corporate Services operations	10,433,305	10,202,092	9,403,629
Finance	858,651	771,229	147,143
Service New Brunswick costs	973,349	973,349	907,312
	\$ 17,167,920	\$ 16,816,356	\$ 15,066,510
Protective Services:			
Police	\$ 12,381,379	\$ 12,348,400	\$ 11,160,188
Native policing expenditures	160,712	409,172	359,496
Contribution from Federal Government	(164,161)	(166,765)	(160,741)
Contribution from Provincial Government	(151,531)	(153,937)	(148,376)
Fire (water costs 2008-\$1,000,612; 2007-\$1,000,612)	10,282,879	10,531,357	9,446,120
Animal control	93,511	91,318	110,065
By-law enforcement	251,947	212,749	223,423
	\$ 22,854,736	\$ 23,272,294	\$ 20,990,175
Transportation Services:			
Common services	\$ 2,620,573	\$ 2,593,892	\$ 2,367,654
Road transport	3,489,471	3,706,659	3,714,724
Street lighting	1,007,957	906,453	957,543
Traffic control	524,491	516,728	505,044
Paint department	115,919	114,261	99,828
Parking meters	513,357	519,668	483,009
Parking lots	172,599	148,477	154,954
Parking garages	501,624	404,838	426,750
Public transit	3,050,849	3,509,556	2,877,205
Parks and trees	2,581,777	2,540,586	2,358,093
	\$ 14,578,617	\$ 14,961,118	\$ 13,944,804

CITY OF FREDERICTON

Schedule 2 – Details of Certain Current Fund Expenditure, continued

Year ended December 31, 2008, with comparative figures for 2007

	(Unaudited) Budget	2008 Actual	2007 Actual
Environmental Health Services:			
Garbage, waste collection, and recycling	\$ 1,286,590	\$ 1,281,522	\$ 1,217,546
Garbage and waste disposal	850,000	872,013	806,261
Hazardous waste	5,900	1,126	68
	\$ 2,142,490	\$ 2,154,661	\$ 2,023,875
Public Health Services:			
Old Burial Ground	\$ 12,000	\$ 12,002	\$ 5,656
Environmental Development Services:			
Administration	\$ 1,699,458	\$ 1,559,653	\$ 1,535,118
Economic development	594,911	612,984	538,468
Tourist promotion	1,857,763	1,860,367	1,735,085
Heritage and Cultural Affairs	343,410	332,213	322,087
	\$ 4,495,542	\$ 4,365,217	\$ 4,130,758
Recreation and Cultural Services:			
Administration	\$ 1,000,811	\$ 1,094,910	\$ 954,031
Program	248,897	219,695	216,787
Swimming pools and Killarney Lake Park	202,719	197,292	221,951
Fredericton Indoor Pool	625,150	625,358	601,765
Arenas	1,162,758	1,470,146	1,326,456
Recreation centres	316,841	299,203	311,919
Recreation projects	120,000	61,616	118,704
Fredericton Public Library	355,416	357,922	352,841
	\$ 4,032,592	\$ 4,326,142	\$ 4,104,454

CITY OF FREDERICTON

General Capital Fund Schedule 3 – Details of Property, Plant and Equipment

Year ended December 31, 2008

	Land	Buildings	Engineering Structures	Machinery and Equipment	Total
General Government Services	\$ 798,351	\$ 5,999,588	\$ 400,811	\$ 14,245,304	\$ 21,444,054
Protective Services:					
Fire	292,032	8,681,732	449,630	5,576,161	14,999,555
Police	63,206	5,250,042	-	2,622,111	7,935,359
	355,238	13,931,774	449,630	8,198,272	22,934,914
Transportation Services:					
Roads and streets	4,607,643	3,651,253	130,580,177	10,357,718	149,196,791
Storm sewers	77,528	-	17,303,024	-	17,380,552
Street lighting	-	-	164,997	564,226	729,223
Traffic services	10,238	-	6,224,351	315,096	6,549,685
Parking	217,266	6,363,236	1,962,297	465,825	9,008,624
Public transit	-	1,619,641	54,015	10,571,534	12,245,190
	4,912,675	11,634,130	156,288,861	22,274,399	195,110,065
Environmental Health and Development Services:					
Garbage waste disposal	931,431	-	-	358,792	1,290,223
Recreation and Cultural Services:					
Recreation	5,150,243	30,178,379	5,138,427	2,500,318	42,967,367
Cultural	283,520	3,232,184	111,917	-	3,627,621
Bicentennial project	-	-	16,536	-	16,536
Middle school complex	1,367,906	293,373	166,429	-	1,827,708
	6,801,669	33,703,936	5,433,309	2,500,318	48,439,232
Other:					
Real estate	3,609,902	287,166	515,586	-	4,412,654
Conference centre	3,500,680	4,512,168	1,343,239	-	9,356,087
East end office complex	-	2,585,434	-	-	2,585,434
Other	1,520,709	205,629	1,241,100	1,257,624	4,225,062
Industrial parks	772,263	-	1,017,032	-	1,789,295
Tourism	-	1,014,463	222,534	134,294	1,371,291
Federal, Provincial, Municipal infrastructure program	146,923	-	4,850,524	-	4,997,447
	9,550,477	8,604,860	9,190,015	1,391,918	28,737,270
	\$ 23,349,841	\$ 73,874,288	\$ 171,762,626	\$ 48,969,003	\$ 317,955,758

CITY OF FREDERICTON

Water and Sewerage
Capital Fund
Schedule 3 – Details of Property, Plant and Equipment, continued

Year ended December 31, 2008

		Land		Buildings		Engineering Structures		Machinery and Equipment		Total
Water System	\$	540,942	\$	11,771,504	\$	60,530,705	\$	5,906,518	\$	78,749,669
Sewerage Plant		758,961		1,726,508		49,978,305		2,181,995		54,645,769
	\$	1,299,903	\$	13,498,012	\$	110,509,010	\$	8,088,513	\$	133,395,438

CITY OF FREDERICTON

Schedule 4 - Schedule of Net Operating Loss - Arena Complexes

Year ended December 31, 2008

2008

Revenue: (Note 13)

Ice rental	\$	583,986
Canteen rental		2,677
Building rental		9,968
Public skating		5,298
Community room rental		2,995
Other		948
YMCA lease agreement		(11,035)

594,837

Expenditure: (Note 13)

Salaries and wages		866,708
Supplies		20,115
Repairs and maintenance		125,688
Utilities		644,721
Service contracts		34,993
Other		8,677

1,700,902

Net operating loss \$ (1,106,065)

Capital Replacement Fund - Willie O'Ree Place (Note 13)

Balance, beginning of year	\$	52,342
2008 contribution		50,140
2008 interest		3,269
Balance, end of year	\$	105,751