

# CITY OF FREDERICTON

Consolidated Statement of Financial Position  
December 31, 2009

	2009	2008
		(restated - note 10)
<b>Financial Assets</b>		
Cash and cash equivalents (note 2)	\$ 17,722,184	\$ 8,258,223
Accounts receivable	4,497,883	4,771,061
Due from Subdivision Land Fund	32,759	579
Accrued pension asset (note 11)	-	557,272
	<b>\$ 22,252,826</b>	<b>\$ 13,587,135</b>
<b>Liabilities</b>		
Accounts payable and accruals	\$ 9,867,442	\$ 8,065,663
Deferred revenue	1,523,016	1,123,203
Deferred government transfers (note 5)	8,191,277	4,699,882
Deposits (note 3)	572,813	755,976
Long-term debt (note 7)	50,661,933	30,525,167
Accrued pension liability (note 11)	21,647	-
Retirement allowance liability (note 12)	4,560,584	4,280,474
	<b>\$ 75,398,712</b>	<b>\$ 49,450,365</b>
<b>Net Debt</b>	<b>\$ (53,145,886)</b>	<b>\$ (35,863,230)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (schedule 2)	\$ 441,306,276	\$ 411,144,045
Supplies inventory	74,780	82,991
	<b>\$ 441,381,056</b>	<b>\$ 411,227,036</b>
<b>Accumulated Surplus</b>	<b>\$ 388,235,170</b>	<b>\$ 375,363,806</b>

See accompanying notes to the consolidated financial statements

Approved by:

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Brad Woodside, Mayor

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M. Marven Grant, City Treasurer

**CITY OF FREDERICTON**  
 Consolidated Statement of Operations  
 For the year ended December 31, 2009

	<b>2009</b>	2008
	<b>Actual</b>	Actual
		(restated - note 10)
<b>Revenue</b>		
Property taxes	\$ 73,881,735	\$ 68,427,947
Unconditional grant	5,816,360	5,816,360
Federal grant in lieu of taxes	77,300	29,917
Services to other governments	1,053,289	992,538
Sales, fines and other fees	19,649,164	18,865,802
Interest and return on investments	51,192	986,686
Third party contributions	11,511,797	9,211,967
	<b>\$ 112,040,837</b>	<b>\$ 104,331,217</b>
<b>Expenses</b>		
General Government services	15,960,055	19,332,346
Contributions to Fredericton Playhouse Inc.	635,634	642,211
Protective services (note 18)	26,330,669	23,231,625
Transportation services (including Transit)	29,385,478	26,183,720
Environmental Health services	2,135,795	2,172,629
Public Health services	10,717	12,002
Environmental Development services	4,788,299	4,487,844
Recreation and Cultural services	7,156,687	6,540,214
Utility Operations	12,659,937	12,080,988
Flood expenses	106,202	-
	<b>\$ 99,169,473</b>	<b>\$ 94,683,579</b>
Annual surplus	\$ 12,871,364	\$ 9,647,638
Accumulated surplus, beginning of year, as restated (note 10)	375,363,806	365,716,168
Accumulated surplus, end of year	<b>\$ 388,235,170</b>	<b>\$ 375,363,806</b>

See accompanying notes to the consolidated financial statements

# CITY OF FREDERICTON

## Consolidated Statement of Changes in Net Debt For the year ended December 31, 2009

	<b>2009</b>	2008
	<b>Actual</b>	Actual
		(restated - note 10)
<b>Annual surplus</b>	<b>\$ 12,871,364</b>	\$ 9,647,638
Acquisition of tangible capital assets	<b>(48,174,325)</b>	(43,351,159)
Disposition of tangible capital assets	<b>1,891,556</b>	1,672,846
Amortization of capital assets	<b>16,120,538</b>	15,674,928
Decrease (increase) in supplies inventory	<b>8,211</b>	(38,835)
	<b>(30,154,020)</b>	(26,042,220)
Increase in net debt	<b>(17,282,656)</b>	(16,394,582)
Net debt at beginning of year	<b>(35,863,230)</b>	(19,468,648)
<b>Net debt at end of year</b>	<b>\$ (53,145,886)</b>	\$ (35,863,230)

See accompanying notes to the consolidated financial statements

# CITY OF FREDERICTON

## Consolidated Statement of Cash Flows For the year ended December 31, 2009

	<b>2009</b>	2008
		(restated - note 10)
<b>Operating transactions</b>		
Annual surplus	\$ 12,871,364	\$ 9,647,638
Non-cash items included in annual surplus	1,859,613	470,608
Amortization expense	16,120,538	15,674,928
Proceeds on sale of tangible capital assets	955,810	295,718
Change in accrued pension (asset) liability	578,919	(905,872)
Change in retirement allowance liability	280,110	91,477
Change in deferred government transfers	3,491,396	917,269
Change in deferred revenue	399,813	243,863
Change in supplies inventory	8,211	(38,835)
Loss on sale of tangible capital assets	935,746	1,377,128
<b>Cash provided by operating transactions</b>	<b>37,501,520</b>	<b>27,773,922</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(48,174,325)	(43,351,159)
<b>Cash applied to capital transactions</b>	<b>(48,174,325)</b>	<b>(43,351,159)</b>
<b>Financing transactions</b>		
Long-term debt issues	21,800,000	13,500,000
Long-term debt retirement	(1,063,000)	(724,000)
Capital leases	-	881,591
Capital lease principal repayments	(600,234)	(772,439)
<b>Cash provided by financing transactions</b>	<b>20,136,766</b>	<b>12,885,152</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>9,463,961</b>	<b>(2,692,085)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>8,258,223</b>	<b>10,950,308</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 17,722,184</b>	<b>\$ 8,258,223</b>

See accompanying notes to the consolidated financial statements

# CITY OF FREDERICTON

## Notes to Consolidated Financial Statements

Year ended December 31, 2009

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### 1. Significant Accounting Policies:

(i) Reporting entity:

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

Owned/Controlled Corporations

e-Novations ComNet Inc.  
Fredericton Area Pollution Control Commission

(ii) Basis of accounting:

The consolidated financial statements have been prepared by management in accordance with the Canadian generally accepted accounting principles for government outlined in the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (PSAB) Handbook.

During the year, the City has adopted PSAB standards, mainly *Section 1200 - Financial Statement Presentation and Section 3150 - Tangible Capital Assets*. The current financial statements are presented on the new basis. Prior year information has been updated and restated where appropriate. See note 10 for the effect of these accounting changes.

The most significant changes relate to consolidation of funds, capitalization and amortization of tangible capital assets, and the inclusion of actuarially calculated assets or liabilities for the pension fund and retirement benefits.

(iii) Revenue recognition

Revenues are recognized on the accrual basis and measurable as they are earned. Revenue received prior to being earned is recorded as deferred revenue until such time as the revenue is earned.

(iv) Expense recognition:

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

(v) Supplies inventory

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

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

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## 1. Significant Accounting Policies (continued):

### (vi) Tangible capital assets

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide city services, are used for city administration purposes or are used for the construction and/or maintenance of other TCAs owned by the City, will be useful for a period greater than one (1) year, will be used by the city on a regular basis, and are not surplus properties held for resale or disposal. Studies and master plans are not considered TCAs.

Prior to PSAB implementing *PS 3150 - Tangible Capital Assets*, the City had no formal listing of TCAs. Throughout 2007, staff and consultants collected information to complete a listing of City TCAs at December 31, 2007. There are a number of assets that have been owned for a significant number of years, therefore some assumptions and amortization calculations were required to determine age and historical cost (See Note 10). A summary listing of assets is found in Schedule 2.

TCAs are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on a straight-line basis over their estimated useful lives. Amortization begins in the year after the asset has been put into use. Assets under construction are not amortized until they are put into use. Descriptions and useful lives are as follows:

	Useful Lives
<b>Land</b> - all land owned by the City, including land under buildings.	N/A
<b>Land improvements</b> - includes major landscaping projects, sports fields/courts, trail culverts, paved trails, parking lots, playgrounds, etc.	15 - 80 years
<b>Buildings</b> - all City owned buildings, with the exception of treatment plants, as single assets or broken into components: structural, interior, exterior, mechanical, electrical, specialty items and equipment, and site works.	20 - 60 years
<b>Machinery and equipment</b> - includes information technology assets, large signage, transit fare boxes, motorized fleet equipment, parking meters, etc.	3 - 40 years
<b>Vehicles</b> - all City vehicles including cars, trucks, buses, etc.	6 - 20 years
<b>Linear assets</b> - all Public Works infrastructure including roads, sidewalks, street lights, traffic signals, storm sewers, water and sewer mains.	15 - 80 years
<b>Water and wastewater facilities</b> - includes water and wastewater treatment plants broken into components: process piping/equipment, electrical and instrumentation, structural, architectural, mechanical, and site works.	10 - 60 years

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

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## 1. Significant Accounting Policies (continued):

### (vi) Tangible capital assets (continued)

The City has a capitalization threshold of \$25,000. Any item purchased under this threshold is recorded as an expense in the year the item is acquired. An exception is pooled assets. Pooled assets include computers, street lights, parking meters, etc.

All grants, donations from subdivision developers and other third party contributions are recorded as income in the year the expenditure for the capital asset is incurred. The full cost of the asset is capitalized during the year the asset is substantially complete and put into use.

### (vii) Employee Future Benefits

The City accrues its obligations under employee future benefit plans and the related costs, net of plan assets. The City has adopted the following policies:

The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment.

Current service costs are expensed during the year.

The excess of net actuarial gain (or loss) is amortized over the average remaining service period of active employees which is estimated to be 16 years.

The City accrues in its accounts, annually, the estimated liabilities for retirement allowances and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

The City entered into a Supplemental Executive Retirement Plan (SERP) during 2007 for eligible employees. (See Note 12).

### (ix) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions based on information available at the date of the financial statements. Actual results may differ from those estimates.

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## 2. Cash and cash equivalents

Cash and cash equivalents are recorded at cost, which approximates their quoted market value and are redeemable upon demand. Included in this amount are funds internally restricted by City Council for predetermined projects in the amount of \$8,789,710 (2008 - \$4,236,562).

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

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### 3. Deposits

Deposits consist of monies being held by the City that will be refunded provided certain requirements are met. They consist of the following types of deposits:

	<u>2009</u>	<u>2008</u>
Land sales	\$ 11,118	\$ 239,773
Foundation locations	279,000	237,000
Tenders	150,597	143,135
Performance bonds	79,000	83,000
Subdivision development	35,000	35,000
Infrastructure fees	17,918	17,918
Animal control	180	150
	<u>\$ 572,813</u>	<u>\$ 755,976</u>

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### 4. Funds held in trust

Trust fund assets administered by the City for the benefit of external parties of \$274,666 (2008 - \$325,046) are not included in the consolidated financial statements.

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### 5. Deferred government transfers

Funding received as part of the Gas Tax Funding program and the Federal Transit funding are recorded as revenue in the year in which related expenditures are incurred. Monies that have not been spent are recorded as deferred government transfers on the Consolidated Statement of Financial Position. This amount consists of:

	<u>2009</u>	<u>2008</u>
Gas Tax Funding	\$ 4,443,330	\$ 849,021
Federal Transit Funding	3,747,947	3,850,861
	<u>\$ 8,191,277</u>	<u>\$ 4,699,882</u>

These amounts are restricted to fund pre-approved projects that relate to the program objectives and cannot be used for other projects.

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### 6. Infrastructure Deficit

There are a number of TCAs owned by the City that have reached the end of their intended useful lives. This results in an infrastructure deficit in the amount of \$186,551,581 (2008 - \$181,087,750) at December 31, 2009. This amount is based on the estimated current replacement cost of the assets that are at the end of their useful lives. This deficit is not included in the annual or accumulated surplus numbers in the consolidated financial statements.

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

## 7. Long-term Debt:

	2009	2008
General		
Debenture, maturing 2016, 20 year amortization period, bearing interest at 4.15% to 4.45%	\$ 14,804,000	\$ 15,393,000
Debenture, maturing 2018, 20 year amortization period, bearing interest at 3.30% to 4.85%	3,625,000	3,750,000
Debenture, maturing 2018, 20 year amortization period, bearing interest at 2.10% to 5.55%	9,431,000	9,750,000
Debenture, maturing 2019, 20 year amortization period, bearing interest at 0.95% to 5.00%	6,300,000	-
Debenture, maturing 2019, 20 year amortization period, bearing interest at 1.00% to 4.50%	15,500,000	-
	<b>49,660,000</b>	28,893,000
Water and Sewer		
Debenture, maturing 2011, bearing interest at 4.1% to 4.3%	63,000	93,000
	<b>49,723,000</b>	28,986,000
Capital lease obligations with implicit interest rates ranging from 5.05% to 6.15%		
	<b>938,933</b>	1,539,167
Total debt	<b>\$ 50,661,933</b>	\$ 30,525,167

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

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

2009	\$ 1,912,000
2010	1,967,000
2011	2,004,000
2012	2,080,000
2013	2,158,000
2014 and thereafter	39,602,000
	<b>\$ 49,723,000</b>

Interest of \$1,763,324 (2008 - \$904,867) relating to the debentures is included in interest expense.

Capital lease obligations due within the next three (3) years:

2010	\$ 607,657
2011	279,328
2012	146,484
Total minimum lease payments	<b>1,033,469</b>
Less amount representing interest	<b>94,536</b>
	<b>\$ 938,933</b>

Interest of \$96,066 (2008 - \$90,021) relating to the capital lease obligations is included in interest expense.

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

## 8. Capital Borrowing:

### Requested and Approved Capital Borrowing

The municipality obtained approval under Order in Council (OIC) and Ministerial order to borrow \$119,160,000 of which \$21,800,000 was financed in 2009, \$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:

		<u>Approved</u>	<u>Borrowed</u>
Recreation and Cultural	OIC 06-02	\$ 15,850,000	\$ 14,350,000
Recreation and Cultural	OIC 06-23	5,900,000	5,900,000
Recreation and Cultural	OIC 06-43	20,620,000	410,000
Recreation and Cultural	OIC 07-17	500,000	-
Protective Services	OIC 06-43	5,400,000	5,400,000
Protective Services	OIC 07-17	1,400,000	1,400,000
General Government	OIC 07-55	3,040,000	3,040,000
General Government	OIC 07-66	1,000,000	1,000,000
General Government	OIC 09-08	65,450,000	20,300,000
Total authorizations to December 31, 2009		<u>\$ 119,160,000</u>	<u>\$ 51,800,000</u>

## 9. Capital Commitments

Total capital expenditures relating to capital commitments for the year were \$27,879,498 (2008 - \$13,222,574). Remaining capital commitments, including actual and estimated authorized at year end, are comprised of:

Project	Committed	Accumulated Spend	Remaining
Grant•Harvey Centre	29,348,520	912,994	28,435,526
Northside Fire Station	9,435,963	9,435,963	-
Convention Centre	34,560,000	14,401,466	20,158,534
Parking Structure	10,440,000	7,210,128	3,229,872
Office Complex	42,000,000	11,884,780	30,115,220
	<u>125,784,483</u>	<u>43,845,331</u>	<u>81,939,152</u>

Accumulated spend for projects not completed at year end are included in Assets Under Construction (Schedule 2).

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

## 10. Change in Accounting Policies

During 2009, the City adopted PSAB accounting standards. Previously, the City complied with the Municipal Financial Reporting Manual (MFRM) prescribed by the Province of New Brunswick. Differences in accounting policies include the methodology for accounting for TCAs, government transfers, and liability accruals for the pension fund and other retirement benefits. PSAB also requires full consolidation of funds.

These changes were applied retroactively resulting in the restatement of certain 2008 comparative figures. Below is a summary of changes to the opening accumulated surplus.

	Unrestricted Surplus (Deficit)	Reserves	Equity in Tangible Capital Assets	Accumulated Surplus (Deficit)
<b>Accumulated Surplus/Equity - Beginning of 2008 per Province of New Brunswick, as previously reported</b>	\$ 2,449,311	\$ 6,000,942	\$ 392,978,484	\$ 401,428,737
<b>Adjustments relating to PSAB</b>				
Retirement allowance liability	(3,965,174)	-	-	(3,965,174)
Pension fund asset	(94,600)	-	-	(94,600)
Difference due to government transfers	-	-	(3,782,613)	(3,782,613)
Net book value of TCA recorded	-	-	(27,870,182)	(27,870,182)
<b>Accumulated Surplus (Deficit), beginning of 2008, as restated</b>	<b>\$ (1,610,463)</b>	<b>\$ 6,000,942</b>	<b>\$ 361,325,689</b>	<b>\$ 365,716,168</b>

Schedule 3 provides a further reconciliation between fund reporting required by the Province of New Brunswick and current year PSAB.

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

## 11. Pension Asset/Liability

### a - Superannuation 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.

An actuarial valuation of the Plan was completed for June 30, 2006 and has been updated by extrapolation to December 31, 2009. A full actuarial valuation for the plan for June 30, 2009 is in progress.

	2009	2008
<b>Plan Assets, at market related value, January 1</b>	<b>\$ 168,780,400</b>	\$ 169,350,400
Contributions - City	4,258,600	4,123,300
Contributions - employee required	4,258,600	4,123,300
Contributions - employee voluntary	58,200	32,300
Benefit payments	(7,498,800)	(8,009,900)
Expected earnings on market-related value	11,429,000	11,440,200
Actuarial loss	(2,670,400)	(12,279,200)
Assets related to Fredericton Region Solid Waste Commission	(8,647)	(26,428)
<b>Plan Assets, at market related value, December 31</b>	<b>178,606,953</b>	168,753,972
<b>Accrued Benefit Obligation, January 1</b>	<b>180,218,500</b>	169,445,000
Current service cost	7,634,000	7,367,500
Benefit payments	(7,498,800)	(8,009,900)
Interest on accrued benefit obligation	12,169,300	11,415,900
<b>Accrued Benefit Obligation, December 31</b>	<b>192,523,000</b>	180,218,500
<b>Unamortized actuarial losses, January 1</b>	<b>(12,279,200)</b>	-
<b>Actuarial losses due to pension fund assets</b>	<b>(2,670,400)</b>	(12,279,200)
<b>Amortization of actuarial losses</b>	<b>767,000</b>	
<b>Unamortized actuarial losses, December 31</b>	<b>(14,182,600)</b>	(12,279,200)
<b>Net Pension Fund asset comprised of:</b>		
Accrued benefit obligation	192,523,000	\$ 180,218,500
Less: Plan assets	(178,606,953)	(168,753,972)
Less: Unamortized losses	(14,182,600)	(12,279,200)
<b>Net pension fund (asset) liability</b>	<b>(266,553)</b>	\$ (814,672)
<b>City portion of Plan expenses</b>		
Current period benefit cost	7,634,000	\$ 7,367,500
Less: employee contributions	(4,316,800)	(4,155,600)
Add: amortization of actuarial losses	767,000	-
	4,084,200	3,211,900
Interest during the period on average pension liability (asset)	740,300	(24,300)
<b>Pension related expenditures/expenses</b>	<b>4,824,500</b>	\$ 3,187,600

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

## 11. Pension Asset/Liability (continued)

### b - Supplemental Executive Retirement Plan

	2009	2008
<b>Accrued Actuarial Obligation</b>	<b>\$ 288,200</b>	<b>\$ 257,400</b>

### c - Net Pension (Asset) Liability

Superannuation Pension Plan	\$ (266,553)	\$ (814,672)
Supplemental Executive Retirement Plan	288,200	257,400
	<b>\$ 21,647</b>	<b>\$ (557,272)</b>

Significant management assumptions used in the actuarial valuation are:

Discount rate:	6.75% per annum
Inflation rate:	2.50% per annum
Salary growth rate:	3.25% per annum
Retirement age:	60% at the age first eligible for an unreduced pension, remainder at age 65

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.

## 12. Retirement allowance liability

The City provides a retirement allowance to employees of the City who have continuous service of five (5) years or more and retire due to disability, death or age, or are laid off by the City. The City shall pay such employees or their beneficiary an allowance equal to one (1) month's pay for each five (5) years of service or fraction thereof, but not exceeding six (6) months, at the employee's regular rate of salary plus their benefit spending allowance at retirement.

Based on an actuarial valuation of the liability, at December 31, 2009, the results are:

	2009	2008
<b>Accrued benefit liability at January 1</b>	<b>\$ 5,981,100</b>	<b>\$ 5,665,800</b>
Current service cost	439,500	418,500
Interest on obligation	299,900	284,100
Benefit payments	(403,800)	(387,300)
<b>Accrued benefit liability at December 31</b>	<b>6,316,700</b>	<b>\$ 5,981,100</b>
<b>Restricted cash for retirement allowance obligation</b>	<b>1,756,116</b>	<b>\$ 1,700,626</b>
<b>Net accrued benefit obligation</b>	<b>4,560,584</b>	<b>\$ 4,280,474</b>
<b>City portion of benefit expenses</b>		
Current period benefit cost	439,500	\$ 418,500
Interest cost	299,900	284,100
<b>Retirement Allowance expense</b>	<b>739,400</b>	<b>\$ 702,600</b>

Significant economic and demographic assumptions used in the actuarial valuation are:

Discount rate:	5.00% per annum
Salary growth rate:	3.25% per annum
Retirement age:	60% at the age first eligible for an unreduced pension, remainder at age 65

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

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## 13. Expenses by object

	<b>2009</b>	2008
Salaries and benefits	<b>\$ 52,442,449</b>	\$ 48,331,459
Goods and services	<b>24,796,889</b>	26,665,196
Amortization	<b>16,120,538</b>	15,674,928
Interest	<b>2,397,901</b>	1,150,488
Other	<b>3,411,696</b>	2,861,508
	<b>\$ 99,169,473</b>	\$ 94,683,579

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## 14. 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, 2009 is \$208,870.

(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.

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## 15. 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 Agreements, 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.

In return, the LSDs and the Village have agreed to have a portion of their property taxes paid to the City in order to help fund a proportional amount of the capital and operating expenses of the facilities. The contributions are collected by the Province of New Brunswick, then distributed to the City by the Minister of Local Government. Contributions under this agreement for the current year are \$456,941 (2008 - \$429,099).

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

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## 16. Segmented Information

The City is a diversified municipal government that provides a wide range of services to citizens. For management reporting purposes, these operations are broken into segments (Schedule 1). The segments are as follows:

### General Government Services

General Government Services are responsible for the internal services provided by and for the other City departments. They consist of Legislation; City Administrator - including Strategic Initiatives, Legal, City Clerk; Corporate Services - including Communications, Human Resources, Asset Management, Fleet, Information Technology, Property Services, Telecommunications; and Finance - including City Service Centre.

### Protective Services

Protective Services include Police, Fire and By-Law services within the City and aiding surrounding areas as required.

### Transportation Services

Transportation Services consist of common services, road and linear maintenance, street lighting, traffic services, Parking Services, Parks and Trees Services and Public Transit.

### Environmental Health Services

Environmental Health Services consists of garbage and waste collection and disposal.

### Public Health Services

Public Health Services consists of cemetery maintenance.

### Environmental Development Services

Environmental Development Services consist of administration, Economic and Sustainable Development, Heritage and Cultural Affairs, Building Inspection, Planning and Development and Tourism.

### Recreation and Cultural Services

Recreation and Cultural Services consist of administration, programs, community liaison, indoor and outdoor pools, arenas, community facilities, and the Fredericton Public Library.

### Water and Wastewater Services

Water and Wastewater Services consist of supply, purification and treatment, transportation, storage, distribution and collection.

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2009

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## 17. Province of New Brunswick Compliance Requirements

The City is in compliance with the following requirements under the Municipalities Act and/or the MFRM:

(i) Inter-fund accounts

All inter-fund accounts at December 31, 2009 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 2009 was expended in the current year.

(ii) 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, as defined by the Province of New Brunswick, and to less than two percent of the assessed value of real property in the municipality for capital purposes. Borrowings by the City are within these legislative restrictions.

(iii) Water cost transfer

The municipality's water cost transfer is within the maximum allowable by regulation 81-195 under the Municipalities Act based on the applicable percentage of water system expenditures for the population.

(iv) Second previous years surplus

The Municipalities Act requires that the General Operating Fund surplus (deficit) be absorbed into the operating budget of the second subsequent year and the Water and Sewerage Operating Fund surplus (deficit) be absorbed into one or more of the three operating budgets commencing with the second following year. (See Schedule 3).

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## 18. Protective Services

Included in Protective Services expenses are amounts related to a contribution agreement between the Government of Canada, the Province of New Brunswick, the City of Fredericton and the Saint Mary's First Nation for Native policing services. Amounts included relating to expenses and recoveries are as follows:

	2009		2008
Federal Contribution	\$ 172,717	\$	166,765
Provincial Contribution	110,908		153,937
Less: Native policing expenses	403,541		409,172
City Contribution	\$ 119,916	\$	88,470

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# CITY OF FREDERICTON

Schedule 1 - Consolidated Schedule of Segment Disclosure

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Year Ended December 31, 2009

	<u>General*</u>	<u>Protective</u>	<u>Transportation</u>	<u>Transit</u>	<u>Environmental Health</u>	<u>Public Health</u>	<u>Environmental Development</u>	<u>Recreation and Culture</u>	<u>Water and Wastewater</u>	<u>Consolidated</u>
<b>Revenues</b>										
Warrant/Unconditional Grant	\$ 18,956,371	\$ 25,933,465	\$ 19,041,490	\$ 3,312,252	\$ 2,250,398	\$ 17,224	\$ 3,604,805	\$ 6,659,390	\$ -	\$ 79,775,395
Services to other Governments	-	606,919	446,370	-	-	-	-	-	-	1,053,289
Sales and other fees	1,313,283	268,720	1,957,698	1,675,560	-	-	1,159,931	1,852,744	11,421,228	19,649,164
Interest and return on investments	45,367	-	3,520	-	-	-	562	-	1,743	51,192
Government transfers	5,234,994	5,000	673,777	162,988	-	-	350,498	50,802	-	6,478,059
Other	215,629	-	3,453,560	-	-	-	-	25,000	1,339,549	5,033,738
	<b>\$ 25,765,644</b>	<b>\$ 26,814,104</b>	<b>\$ 25,576,415</b>	<b>\$ 5,150,800</b>	<b>\$ 2,250,398</b>	<b>\$ 17,224</b>	<b>\$ 5,115,796</b>	<b>\$ 8,587,936</b>	<b>\$ 12,762,520</b>	<b>\$ 112,040,837</b>
<b>Expenses</b>										
Salaries and benefits	\$ 10,533,322	\$ 22,106,120	\$ 7,593,081	\$ 2,531,473	\$ -	\$ -	\$ 2,833,958	\$ 2,878,764	\$ 3,965,731	\$ 52,442,449
Goods and services	3,618,952	2,826,161	6,417,474	1,730,850	2,095,319	10,493	1,313,006	2,264,847	4,519,787	24,796,889
Amortization	905,642	614,935	8,781,722	583,707	11,228	-	100,906	1,052,352	4,070,046	16,120,538
Interest	1,055,325	341,463	19,574	26,922	-	-	-	877,877	76,740	2,397,901
Other	588,650	441,990	1,651,306	49,369	29,248	224	540,429	82,847	27,633	3,411,696
	<b>\$ 16,701,891</b>	<b>\$ 26,330,669</b>	<b>\$ 24,463,157</b>	<b>\$ 4,922,321</b>	<b>\$ 2,135,795</b>	<b>\$ 10,717</b>	<b>\$ 4,788,299</b>	<b>\$ 7,156,687</b>	<b>\$ 12,659,937</b>	<b>\$ 99,169,473</b>
<b>Surplus for the year</b>	<b>\$ 9,063,753</b>	<b>\$ 483,435</b>	<b>\$ 1,113,258</b>	<b>\$ 228,479</b>	<b>\$ 114,603</b>	<b>\$ 6,507</b>	<b>\$ 327,497</b>	<b>\$ 1,431,249</b>	<b>\$ 102,583</b>	<b>\$ 12,871,364</b>

\*Note: General includes General Government services, Contributions to Fredericton Playhouse Inc. and Flood expenses as per the Consolidated Statement of Operations

# CITY OF FREDERICTON

Schedule 2 - Schedule of Tangible Capital Assets

18

Year ended December 31, 2009

	Land	Land Improve- ments	Buildings	Vehicles	Machinery & Equipment	Treatment Facilities	Linear Assets	Assets Under Construction	Total
<b>COST</b>									
Balance, beginning of year	\$ 15,249,561	\$ 5,827,911	\$ 54,409,649	\$ 23,799,574	\$ 17,588,094	\$ 37,807,405	\$ 405,618,357	\$ 28,412,897	\$ 588,713,448
Add:									
Net additions during the year	526,456	368,715	10,271,157	1,487,618	1,597,955	8,154,054	16,067,666	9,700,704	48,174,325
Less:									
Disposals during the year	273,017	212,552	362,980	1,165,325	834,230	9,667	4,363,157	-	7,220,928
<b>BALANCE, END OF YEAR</b>	<b>15,503,000</b>	<b>5,984,074</b>	<b>64,317,826</b>	<b>24,121,867</b>	<b>18,351,819</b>	<b>45,951,792</b>	<b>417,322,866</b>	<b>38,113,601</b>	<b>629,666,845</b>
<b>ACCUMULATED AMORTIZATION</b>									
Balance, beginning of year	-	1,929,655	17,997,259	11,015,408	8,592,905	21,373,673	116,660,503	-	177,569,403
Add:									
Amortization during the year	-	182,563	1,677,852	1,661,942	1,540,877	928,081	10,129,223	-	16,120,538
Less:									
Accumulated amortization on disposals	-	99,124	305,372	1,107,335	769,765	9,667	3,038,109	-	5,329,372
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>2,013,094</b>	<b>19,369,739</b>	<b>11,570,015</b>	<b>9,364,017</b>	<b>22,292,087</b>	<b>123,751,617</b>	<b>-</b>	<b>188,360,569</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>									
	\$ 15,503,000	\$ 3,970,980	\$ 44,948,087	\$ 12,551,852	\$ 8,987,802	\$ 23,659,705	\$ 293,571,249	\$ 38,113,601	\$ 441,306,276
<b>Consists of:</b>									
General Fund Assets	\$ 14,560,649	\$ 3,970,980	\$ 44,762,750	\$ 11,765,893	\$ 8,094,845	\$ -	\$ 174,567,492	\$ 38,037,172	\$ 295,759,781
Water & Sewer Fund Assets	942,351	-	185,337	785,959	892,957	23,659,705	119,003,757	76,429	145,546,495
	\$ 15,503,000	\$ 3,970,980	\$ 44,948,087	\$ 12,551,852	\$ 8,987,802	\$ 23,659,705	\$ 293,571,249	\$ 38,113,601	\$ 441,306,276

The City has tangible capital assets under capital leases as follows, included in the amounts listed above:

	Historical Cost	Accumulated Amortization	Net Book Value
Vehicles	\$ 2,021,744	\$ 262,329	\$ 1,759,415
Machinery and equipment	611,065	63,478	547,587
<b>Total assets under capital leases</b>	<b>\$ 2,632,809</b>	<b>\$ 325,807</b>	<b>\$ 2,307,001</b>

# CITY OF FREDERICTON

Schedule 3 - Schedule of Accumulated Surplus Reconciliation to Province of New Brunswick Requirements

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Year Ended December 31, 2009

	General Operating Fund	Water & Sewerage Operating Fund	Land Sales Fund	Parking Land Bank Fund	Reserve Fund	General Capital Fund	Water & Sewerage Capital Fund	Total
<b>2009 annual surplus (deficit)</b>	<b>\$ (336,678)</b>	<b>\$ (1,140,980)</b>	<b>\$ 474,422</b>	<b>\$ 2,503</b>	<b>\$ 4,553,148</b>	<b>\$ 9,194,984</b>	<b>\$ 123,965</b>	<b>\$ 12,871,364</b>
<b>Adjustments to 2009 annual surplus for PNB requirements</b>								
Second previous years surplus	307,046	(1,703,245)	-	-	-	-	-	(1,396,199)
Assets capitalized but previously expensed	(426,922)	10,044	(65,429)	-	-	(2,298,028)	(1,546,591)	(4,326,926)
Amortization expense	-	-	-	-	-	12,050,492	4,070,046	16,120,538
Change in Pension Asset	502,975	42,544	-	-	-	-	-	545,519
Change in Retirement Allowance	298,196	(18,086)	-	-	-	-	-	280,110
Difference due to Government transfers	-	-	-	-	-	3,491,395	-	3,491,395
<b>Total adjustments to 2009 annual surplus</b>	<b>681,295</b>	<b>(1,668,743)</b>	<b>(65,429)</b>	<b>-</b>	<b>-</b>	<b>13,243,859</b>	<b>2,523,455</b>	<b>14,714,437</b>
<b>2009 annual surplus per PNB requirements</b>	<b>344,617</b>	<b>(2,809,723)</b>	<b>408,993</b>	<b>2,503</b>	<b>4,553,148</b>	<b>22,438,843</b>	<b>2,647,420</b>	<b>27,585,801</b>
Accumulated surplus per PNB requirements, beginning of year	435,154	(3,004,911)	137,738	434,696	4,236,562	288,133,762	133,335,040	423,708,041
Second previous years surplus	(307,046)	1,703,245	-	-	-	-	-	1,396,199
<b>Accumulated surplus per PNB requirements, end of year</b>	<b>\$ 472,725</b>	<b>\$ (4,111,389)</b>	<b>\$ 546,731</b>	<b>\$ 437,199</b>	<b>\$ 8,789,710</b>	<b>\$ 310,572,605</b>	<b>\$ 135,982,460</b>	<b>\$ 452,690,041</b>

# CITY OF FREDERICTON

## Schedule 4 - Schedule of Net Operating Loss - Arena Complexes

Year ended December 31, 2009

	<b>2009</b>	<b>2008</b>
<b>Revenue: (Note 15)</b>		
Ice rental	\$ 722,592	\$ 583,986
Canteen rental	7,038	2,677
Building rental	8,396	9,968
Public skating	4,042	5,298
Community room rental	2,985	2,995
Other	1,602	948
YMCA lease agreement	29,705	(11,035)
	<b>776,360</b>	<b>594,837</b>
<b>Expenditure: (Note 15)</b>		
Salaries and wages	896,543	866,708
Supplies	21,438	20,115
Repairs and maintenance	93,739	125,688
Utilities	583,141	644,721
Service contracts	55,783	34,993
Other	8,923	8,677
	<b>1,659,567</b>	<b>1,700,902</b>
Net operating loss	\$ (883,207)	\$ (1,106,065)

### Capital Replacement Fund - Willie O'Ree Place (Note 15)

Balance, beginning of year	\$ 105,751	\$ 52,342
Contribution	50,140	50,140
Interest	986	3,269
Balance, end of year	\$ 156,877	\$ 105,751

Total payments made during the year to the Municipal Capital Borrowing Board for the debt at Willie O'Ree Place were \$1,067,499 (2008 - \$902,519). The amount representing interest for the year was \$580,069 (2008 - \$529,277).

# CITY OF FREDERICTON

Consolidated Financial Statements

Year Ended December 31, 2009

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