

Financial Statements

Year Ended December 31, 2021

Fredericton

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Governance and Strategic Management

Fredericton City Council is a council composed of a mayor and twelve councillors. They are elected by ward to govern the City of Fredericton. The Council is responsible for setting policy that is administered for residents by professional management and staff.

In 2021, due to a delay in the 2020 elections resulting from the COVID-19 pandemic, a new City Council was formed in May of 2021. The election resulted in a new mayor and 5 new councillors. For the first time in Fredericton's history, a female was elected as mayor and Council had the most female representation on Council with four female councillors elected.

Beginning in 2016, the City began a process to create a new municipal plan to guide the City of Fredericton into the future. The culmination of this plan was its adoption on January 27, 2020. It is based on many public consultations and will be the basis for how decisions are made today to impact the City going forward. It takes into consideration all of the things that make the City what it is and has recommendations on how to maintain and enhance the quality of life for citizens of Fredericton.

A 20 Year Long-Term Financial Plan was adopted by City Council on September 13, 2010. The Long-Term Financial Plan is the City's road map to long-term financial affordability, flexibility, sustainability and resiliency. With the adoption of the new municipal plan, the long-term financial plan will be updated to reflect the new guiding document. It will also reflect new factors including growth as a result of local governance reform and a heightened focus on environmental issues surrounding adaptation and mitigation.

Long-term planning considers the full life-cycle cost of assets, weighs the costs and benefits of development opportunities, and adheres to sound funding, debt affordability and capital investment policies.

The General Fund long-term financial plan includes a recommended debt servicing limit of 8% of total revenue. The 8% debt servicing ceiling along with the 12-17% Pay-As-You-Go (PAYG) capital budget allocation provides 20-25% of the total General Fund budget allocated to capital assets and infrastructure, which is the amount required to maintain service levels and address stable growth.

Capital investment priorities are set based on the need for renewal, extension or addition of capital assets within the City's eight Program Result Areas. The City maintains a complete inventory and knows the replacement cost of its capital assets. The PAYG capital budget is used to (a) replace existing assets, (b) expand and enhance assets to accommodate new services and growth, and (c) repair and maintain existing assets.

The City of Fredericton develops an annual budget that outlines planned revenue collection and expenditures for the calendar year. Revenues are generated primarily from property taxes, although funds are received through transfers from other levels of government and from non-tax revenues, including permit fees, parking levies, transit fares, and from other services. Expenditures relate to each of the services provided by the municipality in support of the goals of the eight Program Result Areas.

A major change to the Governance model will be applied in 2022 and beyond with changes resulting from the Provincial Government led Local Governance Reform. This will impact service delivery and boundary changes to the City and a changing relationship with the Regional Service Commission.

Financial Statement Discussion & Analysis

Introduction

Management of the City of Fredericton is responsible for preparing the Financial Statement Discussion & Analysis (FSD&A). This report is supplementary to the audited financial statements with the objective of explaining, highlighting and analyzing information contained in the financial statements.

This discussion will provide highlights of the key financial information and analysis, including an assessment of trends and indicators of financial health.

Highlights

Revenue

Revenue for 2021 was \$161 million, up from \$152 million, or a 5.9% increase from 2020. The increase is primarily attributable to increased property tax revenues due to increased assessments and new construction growth; elimination of the Province's P-GAP factor to cap assessment growth on residential properties and increased infrastructure funding from other levels of government.

Revenue	2021
Property taxes	\$ 111,089,470
Sales, fines and other fees	29,047,882
Services to other governments	3,751,796
Community funding and equalization grant	2,037,815
Third party contributions:	
Infrastructure installations funded by private development	2,150,216
Federal and Provincial infrastructure funding	11,592,391
Return on investments, and other miscellaneous revenue	1,110,810
Total revenue	\$ 160,780,380

Revenue from sales, fines and fees increased by \$2.0 million, or 7.3% over the prior year. Factors driving the increase were in the following areas: building permits and development approval; parking meters, parking lots and garages; recreational facilities; and fines.

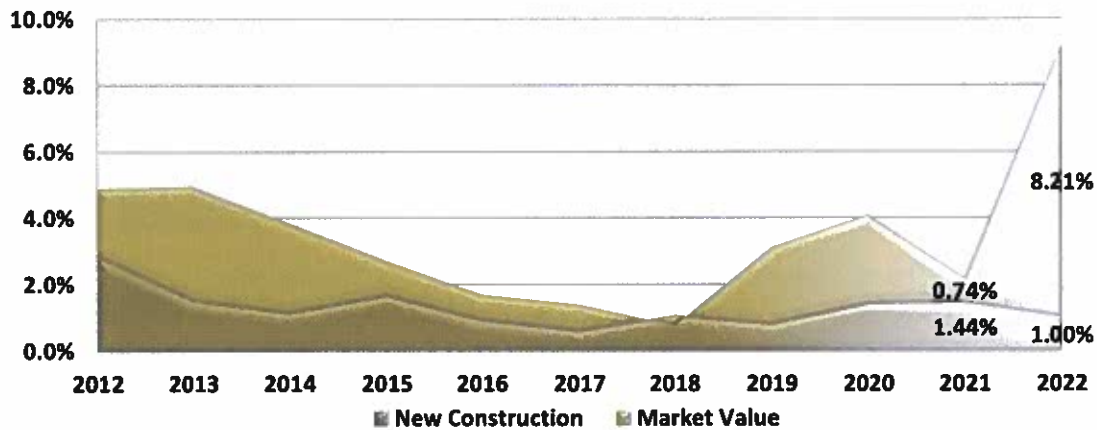
Rising public safety personnel costs and increasing needs for public safety infrastructure renewal continue to be the key drivers for negotiating new service contracts. Staff continue to negotiate contracts with neighboring communities for such services as Policing and Fire Protection of Saint Mary's First Nation, Fire to LSDs and 911 Dispatch Services for the region. These contract agreements aim to achieve full cost recovery for the services provided to other governments. It is important to note local governance reform will have an impact on certain agreements moving forward.

Revenue growth from property taxes is unpredictable

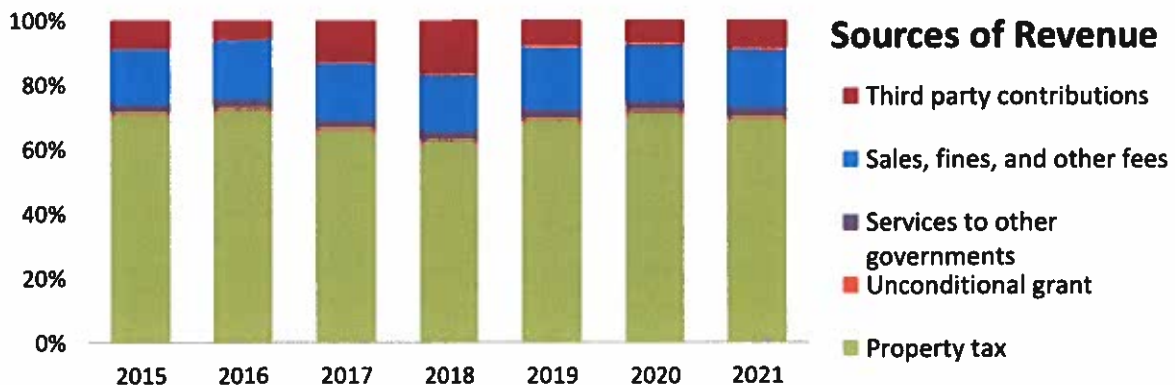
The City's revenue growth from property tax was on a downward trend but has rebounded after the property tax freeze in 2018. Tax base growth is composed of new construction and increases in the assessed market value of existing properties.

Tax base growth in 2021 resulting from new construction was 1.44%, while market assessments increased by 0.74%. For the 2022 budget, the tax base from new construction grew by 1.00% while market assessments grew by 8.21% due to an extremely robust housing market. As the COVID-19 pandemic continues to impact both worldwide and local economies it is extremely difficult to estimate what 2023 tax base assessment numbers will be; however, the City continues to see increased residential transactions which will likely have a positive impact on market assessments for residential properties.

Growth in the Property Tax Base



While growth in the property tax base had slowed in recent previous years, the City maintains a high reliance on Property Taxes as the main source of revenue. In 2021, property tax revenue was approximately 68% of total revenue.



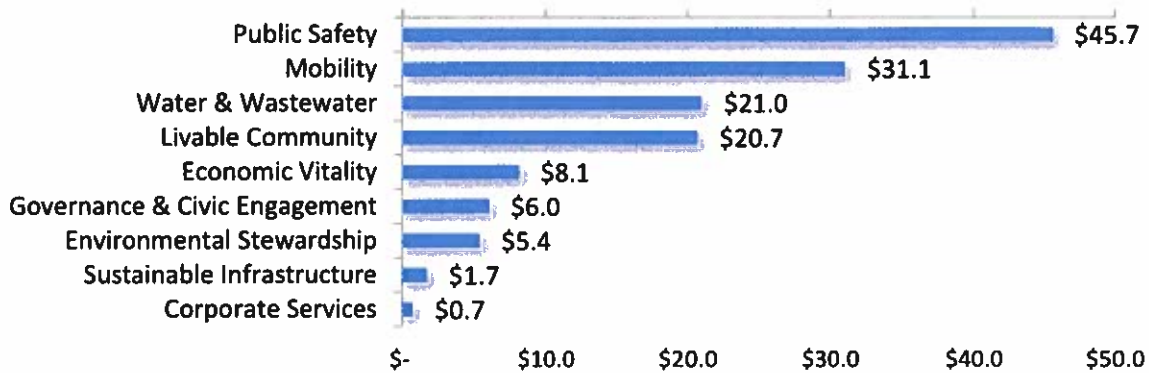
The reliance on property taxes is partly due to a reduction in the Community Funding and Equalization grant received from the Province of New Brunswick. The grant decreased over a four-year period, from

\$5.78 million in 2011 to \$1.71 million in 2015. In 2021, the Community Funding and Equalization grant was 1.3% of total revenue, compared to 4.3% in 2011.

Expenses by Program Results Area

Expenses are reported by Program Results Area. Community results are achieved in each program area through the delivery of services and provision of municipal infrastructure.

Expenditures by Program Results Area (in \$ millions)



* Corporate Services and other overhead costs are reallocated to the external services.

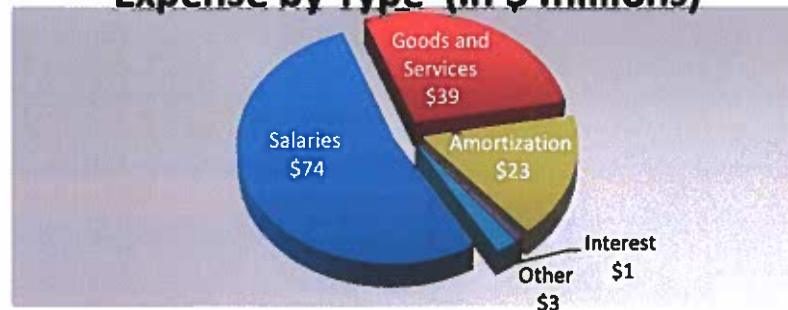
Expenses are related to salaries and benefits, goods and services, and infrastructure costs

Annual expenses reported in the financial statements include salaries and benefits, goods and services, and amortization of infrastructure. Annual amortization expenses are calculated as the historic cost of infrastructure and assets divided by their expected useful life.

Total expenses in 2021 were \$140.3 million, compared to \$138.3 in 2020, an increase of 1.4%.

Expense by Type (in \$ millions)	2021	2020	2019
Salaries	\$ 73.8	\$ 72.9	\$ 71.8
Goods and Services	38.9	37.4	39.4
Amortization	23.5	24.6	24.3
Interest	1.1	1.3	1.6
Other	3.0	2.1	0.4
	\$ 140.3	\$ 138.3	\$ 137.5

Expense by Type (in \$ millions)



*Amortization is at historical cost and does not reflect the current cost of replacing assets.

Union agreements

The basis for City negotiations is tied to the City's Human Resources Tactical Plan adopted in 2019. The basis is on fair and predictable compensation for City employees that is tied to cost of living, based on the New Brunswick Consumer Price Index. During 2019 and 2020, CUPE Locals 3864, 508 and 1709 agreed to contract settlements linked to NB CPI. CUPE Local 1783 ratified their new contract which is also based on NB CPI in early 2021. The non-bargaining employees and Council also have their salaries linked to NB CPI. The next two years will result in newly renegotiated contracts for IAFF Local 1053 (Fire) effective January 1, 2020 with UBC Local 911 (Police) effective January 1, 2021.

Costs are expected to increase faster than revenue growth

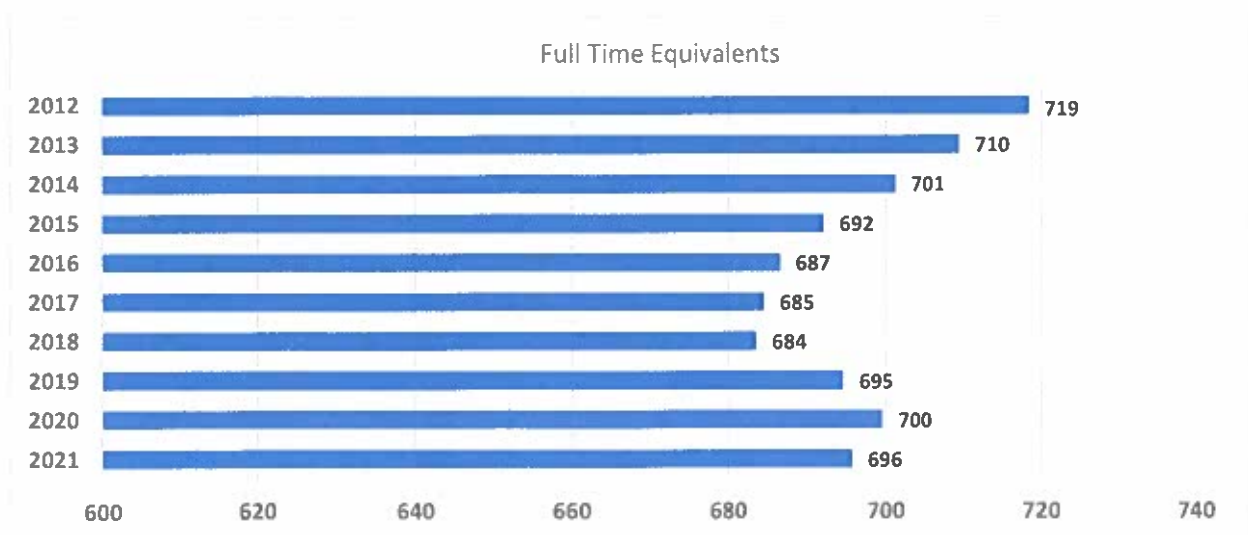
The City's inflationary costs have been increasing at a higher rate than revenues being generated through property taxes and are also higher than a typical consumer's inflation as measured by the Consumer Price Index.

For 2021, this trend continued. High costs associated with contract settlements above the City's ability to pay and high construction costs make it difficult to provide the same quality of service to residents without impacting the tax rate that the residents pay. The City continues to identify opportunities to offset higher costs. Since 2012, the City has worked diligently to produce cumulative savings exceeding \$10.3M. or \$0.12 on the tax rate. However, there is a risk that the adjustments to services will be required if annual contract adjustments outpace annual revenue.

In addition to expenses, COVID-19 and associated lock-downs and restrictions have had a significant impact on the City's ability to provide services and collect non-tax revenue for those services. While some of these services such as Parking, and Recreational Programming and Rentals saw revenue increase in 2021 compared to 2020, their revenues still remain below pre-pandemic levels. Transit has seen a particularly difficult 2 years with tax revenue subsidization going from 40% in 2019 to over 60% in 2021.

Aligning the workforce to a growing community – striking the balance

Learning from the past where full time equivalent employee (FTE) growth outpaced revenue, it is critical to align full-time equivalent employee growth with true service requirements that support a growing community



City is mandated to operate within a balanced budget framework

The City is mandated to budget using provincially legislated cash budgeting for each of its operating funds and is required to maintain a balanced budget on a cash basis with no cumulative surplus or deficit within those operating funds.

In 2021, the City's General Operating Fund ended the year with a surplus from regular operations of \$2,067,590 or 1.4% of total revenue. The Water & Sewer Utility Fund ended with a cash budget surplus of \$2,074,658 or 6.5% of total revenue.

Annually, the City is required to consolidate the operations of City owned companies with regular operations to report a Consolidated General Operating Fund surplus or deficit to the Province of New Brunswick.

These companies, including the Fredericton Convention Centre, e-Novations Comnet Inc. and Newmarket Properties Inc., added \$526,917 to the annual Consolidated General Fund surplus/deficit. The operating surpluses generated from the subsidiary companies are retained in each company to be used for future reinvestment in infrastructure necessary to sustain their operations.

The consolidated annual surplus also includes unrealized foreign exchange losses of \$10,577 and unrealized gains on investments of \$342,938. Including the subsidiary companies, and the effect of unrealized foreign exchange gains and unrealized investment losses, the City's Consolidated General Operating Fund surplus is \$2,926,868 or 2.0% of revenue.

Investments in infrastructure are necessary to sustain service delivery

For 2021, the City reported tangible capital assets with a historical cost of \$961 million and \$345 million in accumulated amortization, resulting in a net book value of \$616 million. During the year, the City recognized amortization expenses of \$23.5 million. To sustain current levels of service delivery, the City must replace assets at the same rate as the rate of amortization.

The amortization expenses recorded for the cost of consuming assets (at historical prices) is much lower than the capital expenditures required to acquire replacement assets (at current prices).

The City's infrastructure consists of long-lasting assets. The annual amortization expense is based on the historical cost of assets at the time of construction, which is then amortized over the useful life of the infrastructure. The useful life of a municipality's large infrastructure assets ranges from 15 to 80 years and historical construction costs are much lower than current replacement costs. As a result, the total expense recorded for asset amortization tends to be much lower than the current cost of investments required to replace those same assets.

Using Public Sector Accounting Standards, the difference between amortization expense and the current cost of replacing infrastructure gives rise to an annual surplus

The City's audited financial statements are prepared in accordance with Public Sector Accounting Board (PSAB) standards. PSAB requires governments to capitalize long-term assets and record amortization expense at historic costs over their useful lives.

Investments in infrastructure are recorded as an increase in tangible capital assets as shown on the Consolidated Statement of Financial Position, rather than as a cash expense during the year. Capital assets are then depreciated over their useful lives and the cost of asset amortization is recorded as amortization expense each year over the useful life of the asset.

In 2021, amortization expense was recorded at \$23.5 million, while the total investment in replacement and new infrastructure was \$47.6 million. Capitalizing investments as assets and recording amortization expense under PSAB standards resulted in an annual expense that was \$24.1 million lower than the City's cash operating budget because the historical amortization expense is much lower than current replacement costs. This creates an annual surplus when reporting for Public Sector Accounting purposes.

Consolidated surplus is related to investment in infrastructure and is supported by third party contributions.

The City ended the year with a consolidated surplus from all funds of \$20.5 million and an accumulated surplus of \$636 million, compared with an annual surplus of \$13.5 million and a year-end accumulated surplus of \$616 million in 2020.

The City's operations are managed within a balanced budget on a cash expenditures basis. Budgetary cash surpluses or deficits are legislated to be included in the second ensuing year's operating budget. As a result, the consolidated annual surplus of \$20.5 million is made up primarily of:

- Cash investments in capital assets that are higher than the amortization expensed in the year,
- Third party contributions of capital assets and infrastructure funding, and
- Debt repayments.

Throughout the year, the City receives contributions of municipal infrastructure from developers who have built new subdivision streets, sidewalks, and water and sewer infrastructure and then turned those assets over to the City. This results in an increase in tangible capital assets as well as an increase in the property tax base. During the year, developers contributed \$0.8 million in linear assets.

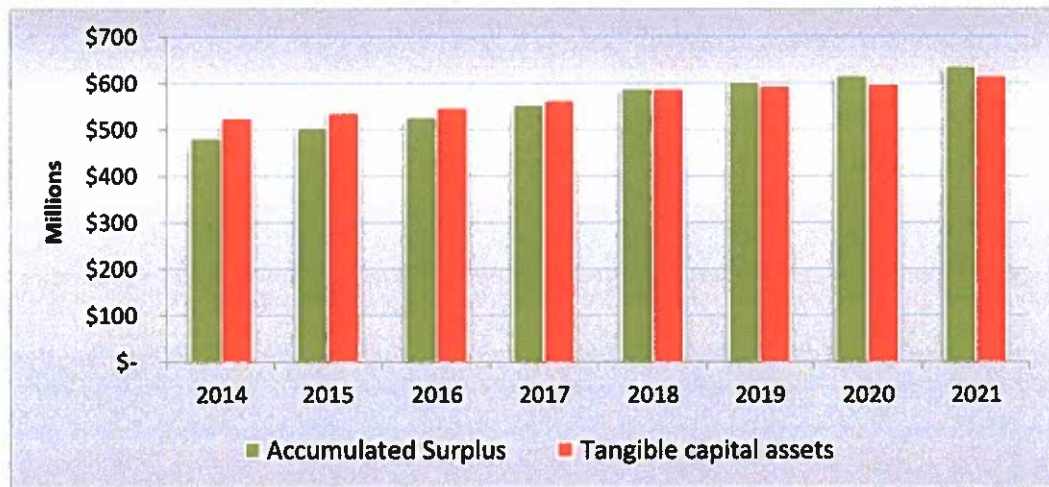
Also included in third party contributions are government transfers and funding for major capital projects. In 2021, the City recorded Federal Gas Tax revenue of \$5.2 million used to provide water and sewer system upgrades. The Federal and Provincial governments contributed investments in other infrastructure valued at \$6.4 million including contributions for the Royals Back Baseball Field renovations, new volleyball and pickleball courts, 104th Regiment Foot Bridge deck renewal, and various roadway and water and sewer projects.

Accumulated surplus related to investments in infrastructure

The accumulated surplus reported on the Consolidated Statement of Financial Position shows the net amount of assets available to provide services for the City's residents. This is not a cash surplus available for additional expenditures but represents the cumulative investment in infrastructure over time.

The following chart shows the accumulated surplus compared to the net book value of tangible capital assets. The accumulated surplus is made up almost entirely of investment in infrastructure and tangible capital assets. This is because the City is required by legislation not to accumulate year over year cash surpluses from operations.

The net difference between the accumulated surplus and the value of tangible capital assets shown on the following chart is outstanding long-term debt.



Readers of the financial statements should be cautious about their interpretation of the increase in tangible assets and accumulated surplus.

The increase in accumulated surplus or tangible capital assets does not necessarily indicate that the overall condition or life expectancy of existing infrastructure is improving or that future cash requirements to replace capital assets are diminishing.

The accumulated surplus represents the City's equity in assets. It represents the City's future ability to use infrastructure to deliver municipal services and achieve Program Results.

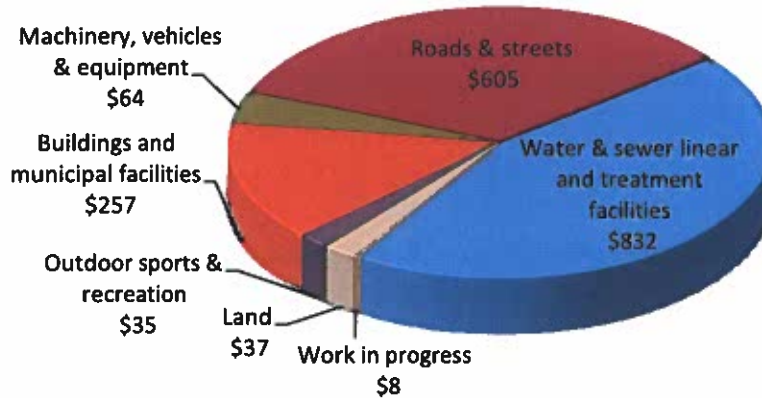
Investments in infrastructure support Program Results

During 2021, the City made significant investments to renew existing infrastructure and additions of new infrastructure to achieve Program Results.

Program Results Area	Project	Community Result
Environmental Stewardship	Campbell Creek Dam removal, refillable water fountains, adoption and implementation of the Community and Corporate Energy and Emissions Plans	An environmentally conscious corporation and community, adapting and mitigating against climate change
Livable Community	New volleyball and pickleball courts, Royals Back Baseball Field renovations, Killarney Lake – Ski Terrain Park	A vibrant, well-planned, connected and active community
Mobility	Waggoners/Rookwood Roundabout, Continuation of the transformation of Brookside Drive into the City's first "complete street", Continued investment in renewal of transportation network	New equipment and infrastructure to provide safe, accessible, options for movement around the community.
Water and Wastewater	Barrett Water Treatment Plant upgrades, upgrades at the Barker Street Wastewater Treatment Facility and other core water and sewer renewal projects	Infrastructure to provide safe and clean water

Infrastructure Condition and Deficit

Total Replacement Value of Infrastructure \$1,839 Million



There are a number of tangible capital assets owned by the City that have reached the end of their intended useful lives but have not yet been replaced and are still in service. The current replacement cost of these assets is referred to as the infrastructure deficit. The infrastructure deficit is not included in the annual or accumulated surplus figures in the consolidated financial statements.

Estimated Infrastructure Deficit (in \$ millions)

Infrastructure Assets	2021	2020
Outdoor sports & recreation	\$ 2.0	\$ 1.9
Buildings and municipal facilities	40.7	33.5
Machinery, vehicles & equipment	7.0	6.7
Roads & streets	60.5	59.0
Water & sewer linear and treatment facilities	174.4	200.5
	<u>\$ 284.5</u>	<u>\$ 301.7</u>

Addressing the Infrastructure Deficit through long-term financial planning and fiscal policies

The City is working to address the infrastructure deficit through its fiscal policies and long-term financial plans. The Long-term Financial Plan for both the Water & Sewer Fund and the General Operating Fund prescribe a level of funding required for infrastructure renewal that will reduce the infrastructure deficit over a 20-year period.

The Council has also adopted these long-term financial plans along with related fiscal policies aimed at achieving the plans' objectives. The Debt and Affordability Policy caps the level of debt payments to less than 8% of total recurring budget, and the Capital Prioritization and Investment Policy ensures that at least 75% of the capital budget is invested in the renewal of existing infrastructure.

Meeting renewal targets for infrastructure replacement is key to achieving a reduction of the infrastructure deficit.

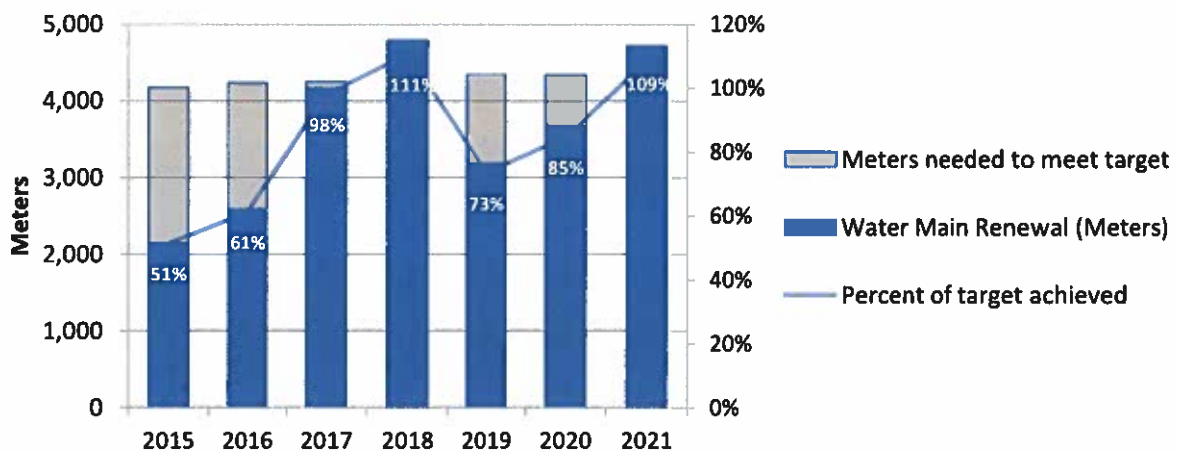
Water and Sewer linear assets represent the largest area of infrastructure deficit

The City of Fredericton Water and Sewer utility operates 10 major water production wells, two water treatment plants, fourteen booster stations and seventeen water storage reservoirs. Wastewater is collected and treated at the Barker's Street Treatment Facility along with one sewage treatment lagoon. Water and wastewater are distributed and collected using over 830 kilometers of underground piping.

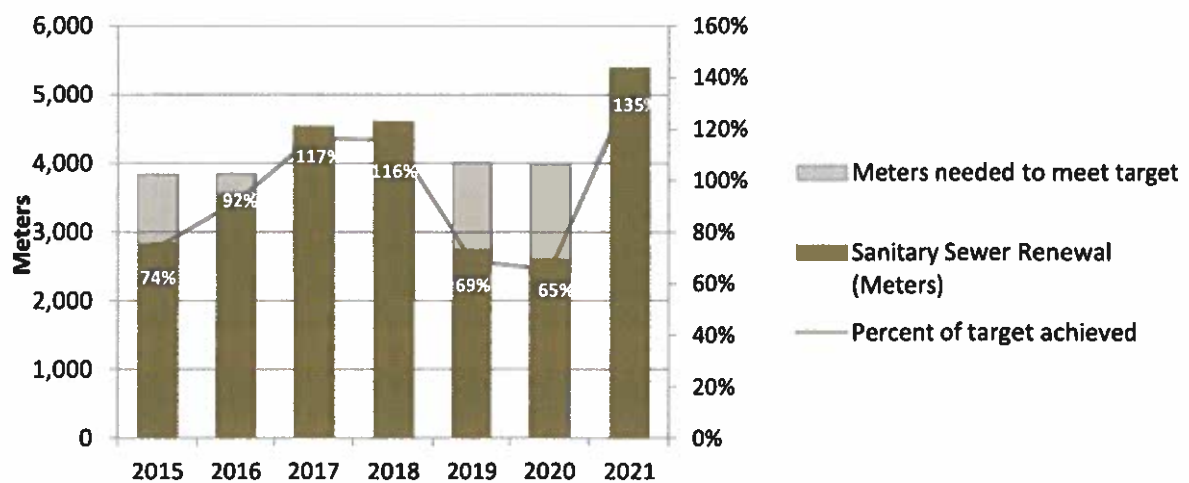
Water & Sewer Linear Assets	Total Length (km)	Infrastructure in Service Beyond Expected Useful Life		
		Length of Deficit (km)	Percent of Total	Replacement Cost (in millions)
Water mains	434.8	123.8	28%	\$ 110.2
Sanitary sewers	399.7	19.9	5%	\$ 13.9

Water mains and sanitary sewers have expected useful lives ranging from forty to eighty years. Many are still in service beyond expected useful life estimates. A renewal rate of 1% of the total length of infrastructure per year is the target renewal rate for maintaining a sustainable underground system.

Water Main Renewal Compared to Target



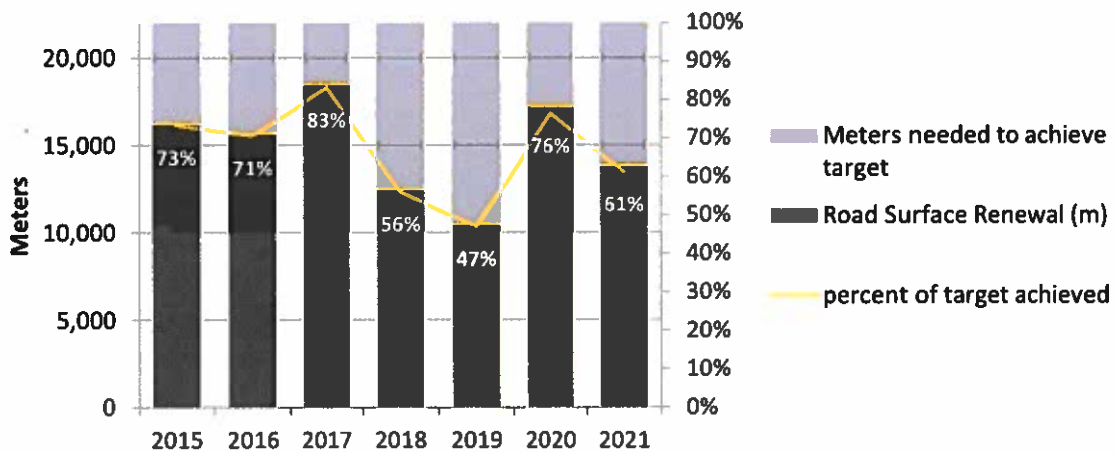
Sanitary Sewer Renewal Compared to Target



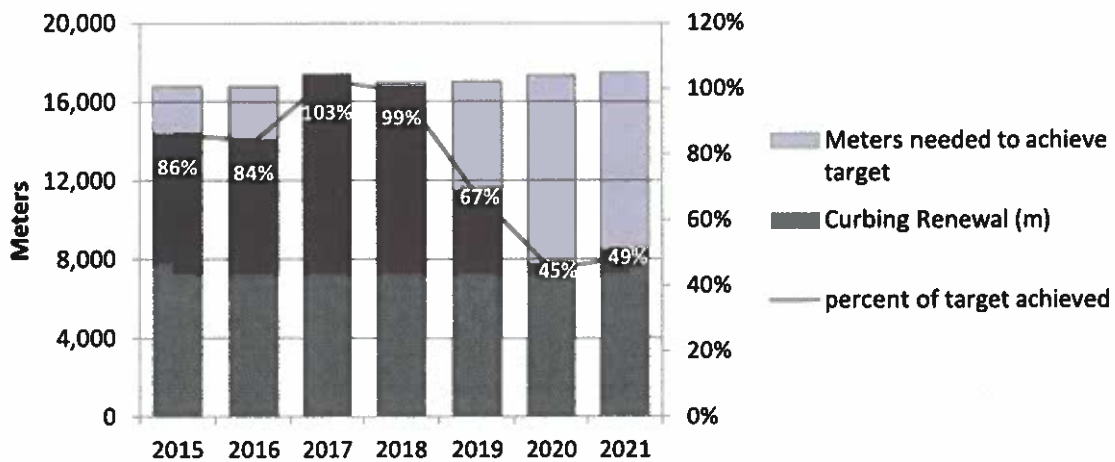
Roads and Streets assets require significant reinvestment to sustain the quality of service

Roads & Streets Linear Assets	Total Length (km)	Infrastructure in Service Beyond Expected Useful Life		
		Length of Deficit (km)	Percent of Total	Replacement Cost (in millions)
Road surfaces	376.6	68.6	18%	\$ 14.8
Road base	374.7	31.5	8%	\$ 22.9
Curbing	583.1	56.7	10%	\$ 7.8
Sidewalk	253.2	19.8	8%	\$ 4.8

Road Surface Renewal Compared to Target

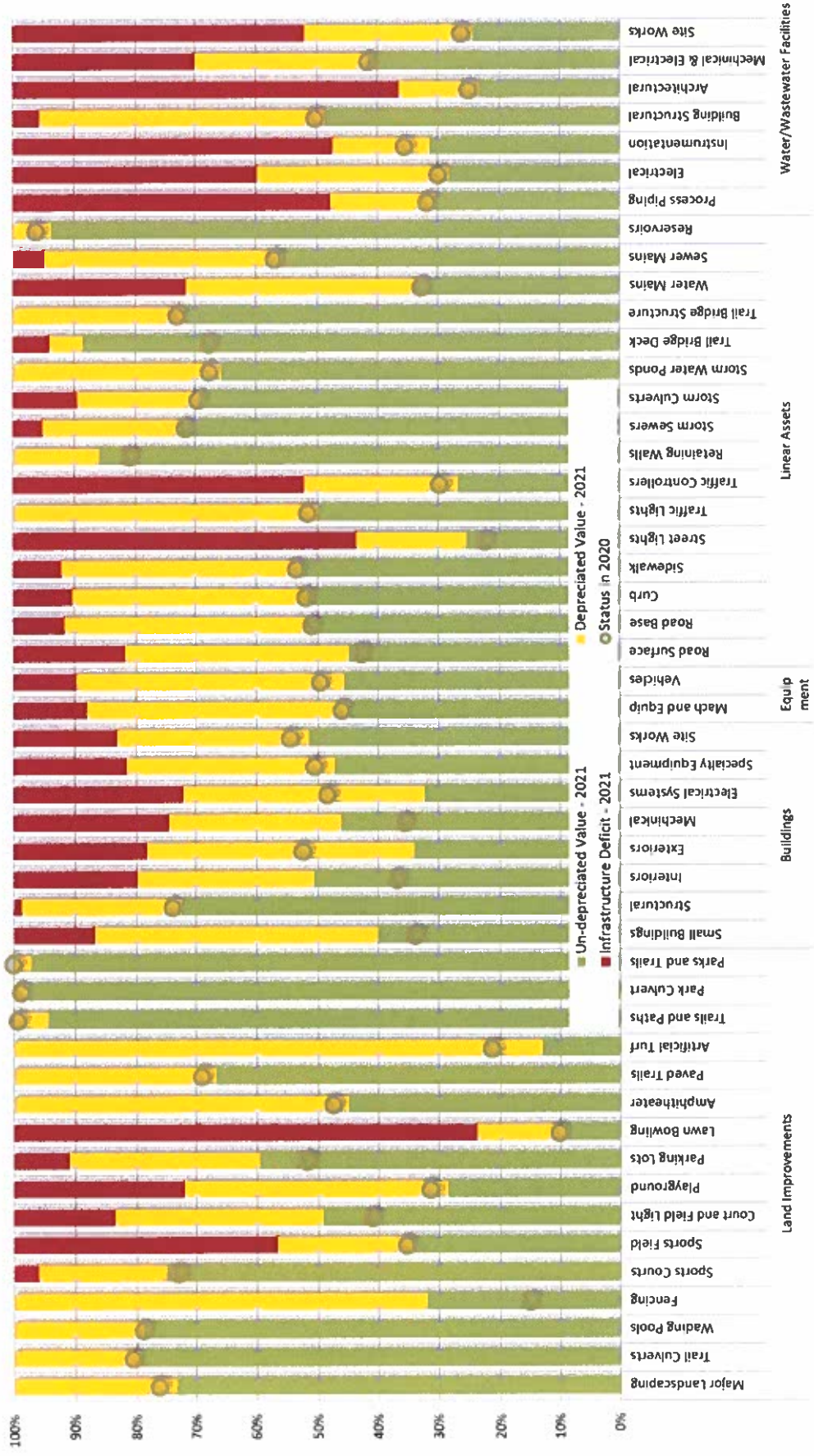


Curbing Renewal Compared to Target



In addition to assets that have already exceeded their expected useful lives, a number of assets are nearing the end of their expected useful lives or have been partially used. The chart on the following page shows the relative percentage of assets by category that have already reached the end of their expected useful lives, the amount of life already depreciated from the pool of assets, and the un-depreciated or useful life remaining.

Infrastructure Condition



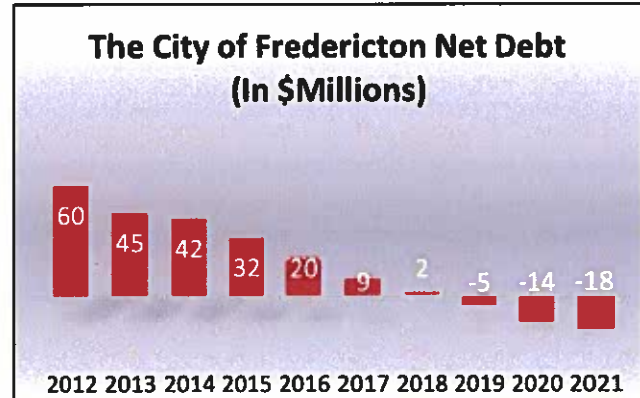
Assessment of Financial Trends

Debt is an important measure of financial health and future prospects for the City of Fredericton. Net debt represents the future amount of revenue required to fund existing commitments and indicates the affordability of additional spending. It is calculated as the total short- and long-term financial obligations of the City, less current financial assets.

Change in Net Debt

The City has experienced a decrease in net debt over the last five years. In 2012, the East End Office Complex was sold to the Province of New Brunswick, reducing the City's financial obligations. In 2021, the City continued to repay its long-term debt, further reducing net debt.

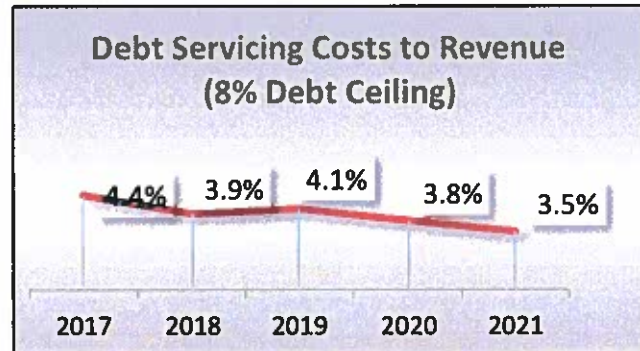
- For the year ended December 31, 2021, net debt decreased to -\$18 million.



Debt Servicing Costs

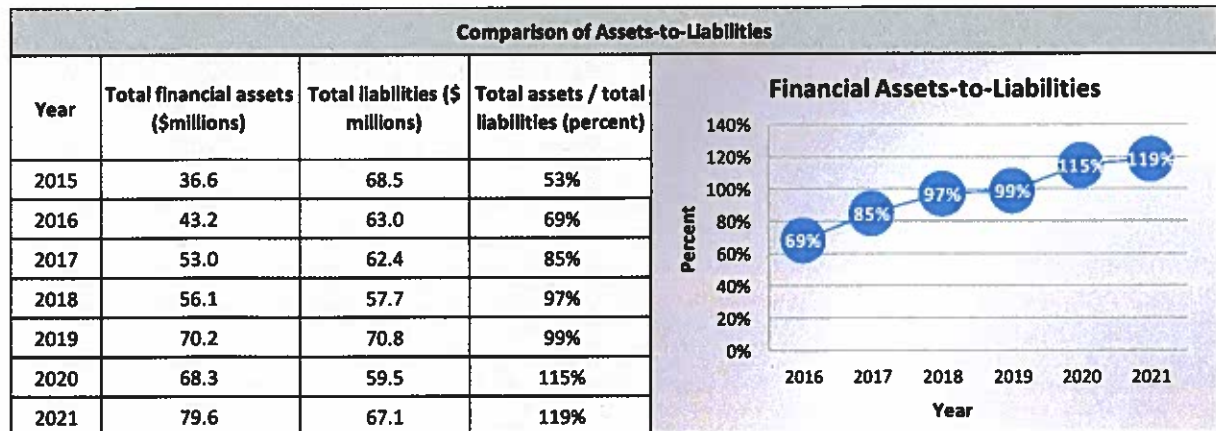
Debt servicing costs were 3.5% of total revenue in 2021. The long-term financial plan sets a target debt servicing ceiling of 8% of total recurring revenue.

- Debt servicing costs of \$5.1 million were recorded in 2021, including \$1.1 million in interest and \$4.0 million in principal repayments.



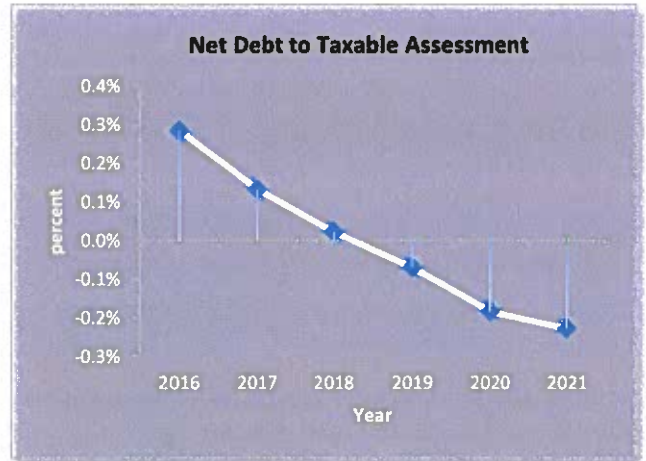
Improving Asset-to-Liability ratio

In 2021, the City continued to pay down outstanding debt. The City also received increased contributions from other levels of government for infrastructure projects reducing out-of-pocket expense for these projects. The result is an increase in the ratio of financial assets to total liabilities which is a favourable indicator of financial sustainability.



Taxpayer Affordability

The flexibility of the City to bear additional future costs is impacted by the level of net debt compared with the total value of the tax base. This trend is improving as the tax base grows and net debt decreases. It is an indicator of the City's ability to utilize debt financing in the future for major projects.

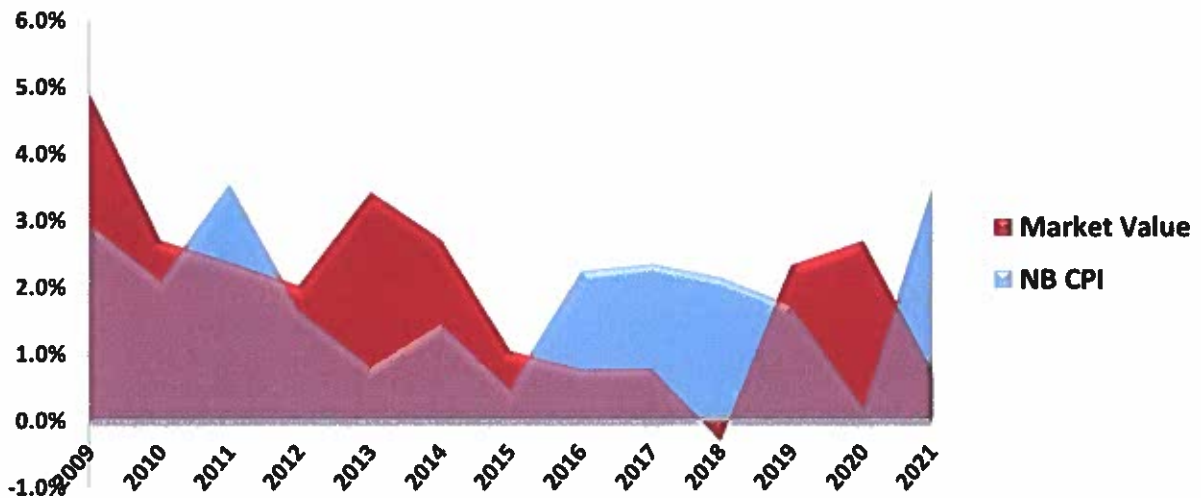


Municipal Tax Burden

In 2021, Fredericton's overall Municipal Tax Effort was 4.6%. This means that for the average residential unit 4.6% of their household income pays for municipal taxes and water and sewer rates. As income ranges increase so does the amount of municipal taxes paid; however, the amount of taxes paid compared to income decreases. The City provides a high level of service and value to all its taxpayers while remaining affordable. Even for lower income ranges tax effort is still at an affordable level relative to the services being provided.

In 2021, property tax assessments increased by 2.18% while the New Brunswick's Consumer Price Index (NB CPI) rose by 3.47% for the year. Over the last ten years, property assessments have risen on average 1.6% per year, while the NB CPI averaged growth of 1.7%. This means that property taxes have remained consistent relative to other household expenses.

Market Assessments Compared to NB CPI



Increasing Surplus-to-Tax Assessment

The accumulated surplus measures the current and all prior years' operating results. Comparing the growth in accumulated surplus with the growth in the economy is an indicator of sustainability.

The accumulated surplus has increased due to investments in infrastructure, and the overall accumulated surplus has increased in relation to the economy (as measured by the tax base). The continuing trending increase in surplus-to-tax assessment is a favourable indicator of financial sustainability.

However, tax base growth from new construction is a significant source of funding used to sustain existing services and infrastructure. To mitigate this risk, the City employs two key planning strategies:

- Increase development density to optimize services and amenities
- Intensify development with mixed uses

The City also benefits from stimulus funding and other government transfers for major capital projects which have resulted in an increase in the accumulated surplus.

Risks and Uncertainties

The City has identified certain risk exposures related to its financial sustainability and ability to meet its strategic objectives.

Continued impacts from COVID-19 are a very significant risk and provides a level of uncertainty that has never been seen before. It is anticipated that there will be ongoing impact to services as a result of the pandemic. Tax base adjustments, lower usage of transit services, lower usage of parking services and changes to revenue from recreational services are anticipated to continue as a new “normal”.

The most significant financial risks for the City are related to rising municipal costs due to salary increases, particularly arbitrated settlements and public safety costs, and the size of the workforce, combined with reduced revenue caused by the slowdown in property tax base growth. This creates a structural deficit in operating budgets and undermines the City’s ability to sustain services and infrastructure over the long term.

Slowing Revenue

- While going through a sharp increase to assessment amounts for properties in 2022/2023, growth in the property tax base is projected to remain quite low and may not be enough to offset other revenue shortfalls and keep pace with inflationary costs including the drastic rise in inflation. A strong real estate market and strong development/new construction will hopefully result in the City’s ability to continue to provide existing services within the budget parameters anticipated.

Rising Costs

- Personnel costs now account for 52.7% [2020 – 52.9%] of total costs and are projected to rise faster than inflation and revenue growth.
- Public Safety personnel costs account for 22.5% of the overall municipal expenses. Public Safety labour contracts and salary amounts are generally reached through a process of interest arbitration. This process limits the employer’s efforts to control labour costs and continues to increase the costs of emergency services because contract increases are generally benchmarked against other jurisdictions, creating a leapfrog effect that escalates salaries beyond inflation.

Financial Risks

- Volatility in oil prices affect the City's operating budgets significantly. Fuel is a major input to the City's general operations and accounts for 1.6% of total expenses. The City uses nearly 2 million litres of fuel per year to operate buses, trucks, machinery, and fire and police vehicles. Each \$0.01/litre increase in the cost of fuel costs the City approximately \$20,000 more per year. Oil is also a major factor in the price of asphalt.
- Gains and losses on U.S. currency create volatility in managing a balanced budget. A declining Canadian dollar generates gains on U.S. holdings but makes purchases from U.S. suppliers more expensive.
- The City is exposed to interest rate risk on its debentures which have 20-year amortization periods that began to partially mature starting in 2016 and need to be refinanced for the remaining balances. The City is required to borrow through the New Brunswick Municipal Finance Corporation. If long-term bond rates rise or if the credit rating of the Province deteriorates, the interest rate on the City's bonds could increase. A 1% increase in the interest rate could result in an increase in annual interest expense of approximately \$390,000.
- The City faces uncertain costs for the police and fire fighters' defined benefit pension plan

Environmental Risks

- Environmental risks due to climate change and extreme weather events may require major additional investments in infrastructure to adapt, or increase operating costs related to dealing with storm events and natural disasters.

Economic Risks

- Provincial economic performance has a direct impact on municipal service expectations. In the past poor provincial economic health led to the downloading of responsibilities and costs to municipalities. Overall economic health impacts employment growth, which in turn can cause changes in development and tax base revenue.

Economic Risks

- Major investments to upgrade and replace failed and aging infrastructure are required to reduce the infrastructure deficit, maintain municipal services and meet strategic objectives
- Impacts of climate change on City owned infrastructure and the requirements for mitigation and adaptation

Strategies and Techniques for Managing Risk

The City employs a number of strategies for dealing with financial risk. Financial strategies are focused on sustaining the City over the long-term and are centered on a long-term financial plan, a results-based budgeting process, and a corporate culture focused on finding efficiencies in service delivery.

Municipal Plan

- **Imagine Fredericton.** This was the call to action in 2016 for residents, businesses, City Council, the Mayor, and the City's directors, planners and staff. Imagine Fredericton is the marketing brand name of the public consultation phase of a new municipal plan that the City began in 2015. The existing municipal plan was adopted by Council in 2007. The new municipal plan takes input from the public and professional planners and staff to develop a new growth strategy for the City. The updated municipal plan will direct the City's investment in infrastructure, land use development, and service delivery. The municipal plan is the main strategic document that guides the long-term financial plans, corporate strategic plans, and the results-based budget.

Long-term financial plans

- The Council continues to adhere to a strategic long-term financial plan for the General Fund that addresses the infrastructure deficit, sets debt limits, and provides sustainable levels of funding for services and infrastructure.
- Capital borrowing policies aimed at maintaining financial sustainability; the long-term strategic plan sets a maximum target of 8% of revenue for debt servicing costs.
- Council has also adopted a long-term financial plan for the Water & Sewer utility.

Results-based budgeting

- In 2018, the City continued the process of redeveloping its budget process to create a strategic financial management and governance system that budgets by results areas. Budgeting for results focuses budget dollars on areas that achieve the best results for citizens and maximizes the value that citizens receive in return for their tax dollars.
- The process creates alignment between staff and the Council and provides the flexibility necessary to address the most important community concerns within a sustainable level of funding.

Corporate strategies

- Strategies to mitigate the risks of rising costs include the corporate reorganization in 2012, the workforce reduction strategy, and training aimed at reducing operating costs by eliminating waste through Lean and Six Sigma efficiency initiatives, while maintaining and improving service delivery. For 2018 and beyond, the City is introducing Improvement Targets to achieve required savings while improving services to Customers.

Visibility boards

- The City has implemented the practice of daily management and visibility boards. The daily management boards, CAO dashboard, and Council visual governance boards show organizational goals, operational and strategic performance indicators, and progress on Lean Six Sigma projects and priorities for each area of service delivery. These boards ensure alignment and daily execution of corporate and strategic initiatives.

Indicators of Financial Health

This analysis gives a broader view of the financial health of the City as it shows trends over time. The information augments the audited financial statements, which only reflect the City's fiscal status at a point in time.

Sustainability							
Indicator	Purpose	2017	2018	2019	2020	2021	Analysis
Assets-to-liabilities	Measures extent that government finances its operations by issuing debt	9.87	11.19	9.42	11.26	10.41	Favorable
Financial assets-to-liabilities	Measures whether future revenues will be needed to pay for past transactions	85%	97%	99%	115%	119%	Favorable
Net debt-to-total revenue (percent)	Shows whether more time is needed to pay for past transactions	6%	1%	-3%	-9%	-11%	Favorable
Net debt-to-taxable assessment	Shows the relationship between Net Debt and the activity in the economy	0.13%	0.02%	-0.07%	-0.18%	-0.23%	Favorable
Accumulated surplus (deficit)-to-taxable assessment	Measures the sum of the current and all prior year operating results relative to the growth in the economy	7.87%	8.31%	8.25%	8.10%	8.19%	Neutral
Total expenses-to-taxable assessment	Shows the trend of government spending over time in relation to the growth in the economy	1.77%	1.78%	1.88%	1.82%	1.81%	Neutral

	Indicator	Purpose	2017	2018	2019	2020	2021	Analysis
Flexibility	Debt service charges-to-revenues	Measures extent that past borrowing decisions limits ability to meet current financial and service commitments	4.46%	3.97%	4.05%	3.75%	3.48%	Favourable
	Net book value of capital assets-to-cost of capital assets	Measures the estimated useful lives of tangible capital assets available to provide products /services	65.75%	65.82%	64.72%	63.87%	64.05%	Unfavorable
	Own-source revenues-to-taxable assessment	Measures extent income is taken out of the economy	1.80%	1.83%	1.84%	1.85%	1.82%	Neutral
Vulnerability	Government transfers-to-total revenues	Measures the dependence on another level of government	15.91%	10.64%	11.13%	10.29%	12.15%	Neutral
	Foreign currency debt - to-net debt	Measures the government's potential vulnerability to currency fluctuations	N/A	N/A	N/A	N/A	N/A	Debt is financed through the MCBB in Canadian Funds

Sustainability is the degree to which a government can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without increasing the debt or tax burden relative to the economy within which it operates. Sustainability is an important element to include in an assessment of financial condition because it describes a government's ability to manage its financial and service commitments and debt burden. It also describes the impact that the level of debt could have on service provision. For example, a government whose net debt grows at a faster rate than the gross domestic product (GDP) increases the risk that service levels cannot be sustained.

Flexibility is the degree to which a government can change its debt or tax burden on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. Flexibility provides insights into how a government manages its finances. A government that increases its current borrowing reduces its future flexibility to respond when adverse economic circumstances develop. Similarly, increasing taxation or user fees or a high tax burden reduces its ability to increase taxation in the future as a government approaches the limit that citizens and businesses are willing to bear.

Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. Vulnerability is an important element of financial condition because it provides insights into a government's reliance on funding sources outside its direct control or influence and its exposure to risks. A government whose vulnerability is relatively low has greater control over its financial condition.

Financial Statements

CITY OF FREDERICTON

Consolidated Financial Statements

Year ended December 31, 2021

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of the City of Fredericton [the "City"], which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net surplus and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2021 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Financial Statement Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fredericton, Canada
April 11, 2022

Ernst & Young LLP

Chartered Professional Accountants



CITY OF FREDERICTON

Consolidated Statement of Financial Position

As at December 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents <i>[note 2]</i>	\$ 60,130,656	\$ 52,871,383
Investments	4,682,889	5,307,873
Accounts receivable	14,774,177	9,272,433
Accrued pension asset <i>[note 8]</i>	5,149,600	5,198,100
Assets held for sale	-	806,374
	\$ 84,737,322	\$ 73,456,163
Liabilities		
Accounts payable and accrued liabilities	\$ 13,137,098	\$ 9,446,604
Deferred revenue	3,813,889	4,166,688
Deferred government transfers <i>[note 4]</i>	8,396,633	5,160,678
Deposits <i>[note 3]</i>	794,576	1,482,419
Long-term debt <i>[note 5]</i>	39,143,541	37,188,113
Long-term commitment <i>[note 17]</i>	1,784,255	2,086,386
	\$ 67,069,992	\$ 59,530,888
Net surplus	\$ 17,667,330	\$ 13,925,275
Non-financial assets		
Tangible capital assets <i>[note 20]</i>	\$ 615,803,835	\$ 598,898,890
Supplies inventory	2,793,178	2,916,329
	\$ 618,597,013	\$ 601,815,219
Accumulated surplus	\$ 636,264,343	\$ 615,740,494


Contingencies *[note 11]*

See accompanying notes

Approved by:



Kate Rogers, Mayor



Alicia Keating, City Treasurer

CITY OF FREDERICTON

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2021

	2021 Budget	2021 Actual	2020 Actual
Revenue			
Property taxes	\$ 110,537,926	\$ 111,089,470	\$ 108,183,452
Community funding and equalization grant	2,026,188	2,026,188	1,890,636
Federal grant in lieu of taxes adjustment	11,627	11,627	1,742
Services to other governments	3,792,667	3,751,796	3,419,153
Sales, fines and other fees	27,667,499	29,047,882	27,067,387
Interest and return on investments	284,500	1,110,810	914,179
Third party contributions	-	13,742,607	10,310,761
	\$ 144,320,407	\$ 160,780,380	\$ 151,787,310
Expenses			
General Government Services - Corporate	\$ 1,506,840	\$ 728,332	\$ 2,059,163
Sustainable Infrastructure	2,222,863	1,718,021	1,862,451
Economic Vitality	8,666,982	8,114,575	8,012,429
Environmental Stewardship	5,050,732	5,351,348	4,826,583
Governance and Civic Engagement	5,295,333	6,005,005	4,687,703
Livable Community	20,968,371	20,665,102	22,720,450
Mobility (including Transit)	31,306,158	31,057,512	30,476,828
Public Safety	46,000,266	45,661,100	46,333,366
Water and Wastewater	16,903,271	20,955,536	17,288,065
	\$ 137,920,816	\$ 140,256,531	\$ 138,267,038
Annual surplus	\$ 6,399,591	\$ 20,523,849	\$ 13,520,272
Accumulated surplus, beginning of year	588,357,639	615,740,494	602,220,222
Accumulated surplus, end of year	\$ 594,757,230	\$ 636,264,343	\$ 615,740,494

See accompanying notes

CITY OF FREDERICTON

Consolidated Statement of Changes in Net Surplus

For the year ended December 31, 2021

	2021 Budget	2021 Actual	2020 Actual
Annual surplus	\$ 6,399,591	\$ 20,523,849	\$ 13,520,272
Acquisition of tangible capital assets	(27,804,750)	(47,642,524)	(31,488,932)
Disposal of tangible capital assets	4,222,261	7,262,777	2,420,176
Amortization of tangible capital assets	22,968,188	23,474,802	24,601,879
Increase (decrease) in supplies inventory	-	123,151	(212,585)
	\$ (614,301)	\$ (16,781,794)	\$ (4,679,462)
Increase in net surplus	5,785,290	3,742,055	8,840,810
Net surplus, beginning of year	13,925,275	13,925,275	5,084,465
Net surplus, end of year	\$ 19,710,565	\$ 17,667,330	\$ 13,925,275

See accompanying notes

CITY OF FREDERICTON

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Operating activities		
Annual surplus	\$ 20,523,849	\$ 13,520,272
Items not affecting cash		
Amortization of tangible capital assets	23,474,802	24,601,879
Loss on sale of tangible capital assets	2,955,364	2,055,854
Uses		
Change in working capital	(2,499,093)	(4,744,743)
Change in accrued pension asset	48,500	547,700
Change in assets held for sale	806,374	-
Change in deferred revenue	(352,799)	392,700
Change in deferred government transfers	3,235,955	7,801
Change in long-term commitment	(302,131)	(303,422)
Change in supplies inventory	123,151	(212,586)
Cash provided by operating activities	\$ 48,013,972	\$ 35,865,455
Capital activities		
Proceeds on sale of tangible capital assets	4,307,413	364,323
Acquisition of tangible capital assets	(47,642,524)	(31,488,932)
Cash used in capital activities	\$ (43,335,111)	\$ (31,124,609)
Financing activities		
Proceeds of long-term debt	5,964,000	-
Repayment of long-term debt	(3,877,783)	(3,765,976)
Capital lease principal repayments	(130,789)	(220,369)
Cash provided by (used in) financing activities	\$ 1,955,428	\$ (3,986,345)
Investing activities		
Change in long-term investments	624,984	100,323
Cash provided by investing activities	\$ 624,984	\$ 100,323
Change in cash and cash equivalents	7,259,273	854,824
Cash and cash equivalents, beginning of year	52,871,383	52,016,559
Cash and cash equivalents, end of year	\$ 60,130,656	\$ 52,871,383

See accompanying notes

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

(i) Reporting entity:

The consolidated financial statements of the City of Fredericton [the "City"] reflect the assets, liabilities, revenue, expenditures, and changes in net debt and accumulated surplus in the reporting entity. The reporting entity comprises 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 Convention Centre Inc.
Newmarket Properties Inc.

(ii) Basis of accounting:

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ["PSAB"] of the Chartered Professional Accountants of Canada.

(iii) Revenue recognition:

Revenue is recognized on the accrual basis and is measurable as it is 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 are 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

Year ended December 31, 2021

1. Significant accounting policies (continued)

(vi) Tangible capital assets

Tangible capital assets ["TCAs"] are physical assets that are used to provide city services, city administration, construction and/or maintenance of other TCAs owned by the City, will be used on a regular basis for a period greater than one year, and are not surplus properties held for resale or disposal. Studies and master plans are not considered TCAs.

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
Land: all land owned by the City, including land under buildings	N/A
Land improvements: includes major landscaping projects, sports fields/courts, trail culverts, paved trails, parking lots, playgrounds and similar assets	15–80 years
Buildings: 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
Machinery and equipment: includes information technology assets, large signage, transit fare boxes, motorized fleet equipment, parking meters, leasehold improvements and similar assets	3–40 years
Vehicles: all City vehicles, including cars, trucks, buses, and similar assets	6–20 years
Linear assets: all Public Works infrastructure including roads, sidewalks, street lights, traffic signals, storm sewers, water and sewer mains	15–80 years
Water and wastewater treatment facilities: 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

Year ended December 31, 2021

1. Significant accounting policies (continued)

(vi) Tangible capital assets (continued)

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

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

a) 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.

Current service costs are expensed during the year.

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

b) The City has a Supplemental Executive Retirement Plan ["SERP"] for eligible employees *[see note 8]*.

c) City employees are entitled to a retirement allowance under collective agreements or in accordance with City policy. The liability is actuarially determined *[see note 9]*.

(viii) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on information available at the date of the consolidated financial statements. Actual results may differ from those estimates.

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 \$36,827,220 [2020 - \$37,071,490].

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Deposits

Deposits consist of monies being held by the City that will either be refunded, provided certain requirements are met, or earned upon final sale of assets.

	2021	2020
Foundation locations	\$ 86,500	\$ 87,000
Tenders	52,914	63,175
Infrastructure fees	306,796	306,796
Performance bonds	205,806	205,806
Animal control and other	240	240
Development fees	8,541	673,511
Water and sewer installations	133,779	145,891
	<u>\$ 794,576</u>	<u>\$ 1,482,419</u>

4. Deferred government transfers

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

	2021	2020
Gas Tax Funding	\$ 8,396,633	\$ 5,160,678

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

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

5. Long-term debt

	2021	2020
General Fund		
Debtures, 20-year amortization period:		
Maturing in 2023 bearing interest at 2.10% to 5.55%	4,377,000	4,903,000
Maturing in 2026 bearing interest at 1.45% to 2.90%	4,298,671	5,120,196
Maturing in 2026 bearing interest at 1.45% to 2.90%	807,512	961,836
Maturing in 2028 bearing interest at 2.10% to 3.45%	1,615,542	1,827,476
Maturing in 2029 bearing interest at 1.95% to 2.45%	10,282,000	11,452,000
Maturing in 2030 bearing interest at 0.50% to 1.80%	5,602,000	6,197,000
Maturing in 2033 bearing interest at 1.35% to 4.00%	6,003,000	6,402,000
Maturing in 2041 bearing interest at 0.86% to 2.96%	5,964,000	-
	38,949,725	36,863,508
Capital lease obligations with implicit interest rates of 2.85% and 4.54%	193,816	324,605
Total long-term debt	\$ 39,143,541	\$ 37,188,113

The General Fund debentures are amortized over 20-years with fixed rates of interest over the initial 10-year term.

The City has obtained approval of the Municipal Capital Borrowing Board for the long-term debt, and expects to renew each of the debentures for an additional term of 10 years as they mature.

Principal due within the next five years and thereafter on certificates of indebtedness is approximately as follows:

2022	4,198,473
2023	4,298,910
2024	4,388,890
2025	4,486,948
2026 and thereafter	21,576,504
	\$ 38,949,725

Interest in the amount of \$1,048,040 [2020 - \$1,263,956] relating to the debentures is included in interest expense.

Capital lease obligations due within the next two years are as follows:

2022	109,733
2023	84,083
Total minimum lease payments	\$ 193,816

Interest in the amount of \$14,968 [2020 - \$23,467] relating to the capital lease obligations is included in interest expense.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

6. Capital borrowing

Requested and approved capital borrowing

The City obtained approval under Order in Council ["OIC"] and Ministerial order to borrow an amount of \$78,814,000, of which \$5,964,000 was financed in 2021, \$8,950,000 in 2013, \$1,100,000 in 2012, \$11,000,000 in 2010, \$21,800,000 in 2009, \$13,500,000 in 2008, and \$16,500,000 in 2006 by the New Brunswick Municipal Finance Corporation. Of this amount, \$9,934,000 and \$2,251,000 were refinanced with internal inter-fund debentures in 2016 and 2018 respectively.

		<u>Approved</u>	<u>Borrowed</u>
Recreation and Cultural	OIC 06-02	\$ 14,350,000	\$ 14,350,000
Recreation and Cultural	OIC 06-23	5,900,000	5,900,000
Recreation and Cultural	OIC 06-43	9,360,000	9,360,000
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	30,800,000	30,800,000
Protective Services	OIC 10-72	500,000	500,000
Environmental Health	OIC 11-06	1,100,000	1,100,000
General Government	OIC 21-0048	9,487,000	5,964,000
		<hr/>	<hr/>
Total authorizations to December 31, 2021		\$ 82,337,000	\$ 78,814,000

Of the total amount borrowed, \$38,949,725 [2020 - \$36,863,508] remains to be repaid [see note 5].

7. Capital commitments

There are no significant capital commitments outstanding as at December 31, 2021 [2020 - nil].

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

8. Pension asset/liability

a - Superannuation Pension Plan

The City provides pension benefits to certain employees of the City, in accordance with the *New Brunswick Pension Benefits Act* and City By-Law A-5. The Superannuation Pension Plan [the "Plan"] is administered by City Council as the Board of Administrators. The Plan is a contributory defined benefit pension plan covering the active members of IAFF 1053 and UBCJ 911, and IAFF 1053 and UBCJ 911 retirees on or after March 31, 2013. Under the Plan, contributions are made by the Plan members and the City.

An actuarial valuation of the Plan was completed for December 31, 2019 and extrapolated to December 31, 2021.

	2021	2020
Plan assets, at market-related value, January 1	\$ 102,243,700	\$ 91,319,100
Contributions - City	2,241,400	2,208,600
Contributions - employee required	1,868,900	1,886,000
Benefit payments	(6,587,000)	(3,199,200)
Administrative expenses paid from plan assets	(250,000)	(250,000)
Expected earnings on market-related value	5,346,600	5,170,700
Actuarial (loss) gain	(113,100)	5,108,500
Plan assets, at market-related value, December 31	\$ 104,750,500	\$ 102,243,700
Accrued benefit obligation, January 1	\$ 101,096,100	\$ 91,661,800
Current service cost	3,377,700	3,276,000
Benefit payments	(6,587,000)	(3,199,200)
Interest on accrued benefit obligation	5,270,600	5,178,500
Net actuarial (gain) loss	(14,666,300)	4,179,000
Accrued benefit obligation, December 31	\$ 88,491,100	\$ 101,096,100
Unamortized actuarial losses, January 1	\$ (4,428,400)	\$ (6,484,200)
Current-year gains (losses) on accrued obligation	14,666,300	(4,179,000)
Actuarial (losses) gains on pension fund assets	(113,100)	5,108,500
Amortization of prior-year actuarial losses	617,000	1,126,300
Unamortized actuarial gains (losses), December 31	\$ 10,741,800	\$ (4,428,400)
Net pension fund asset comprising:		
Accrued benefit obligation	\$ 88,491,100	\$ 101,096,100
Less plan assets	(104,750,500)	(102,243,700)
Plus unamortized gains (losses)	10,741,800	(4,428,400)
Net pension fund asset	\$ (5,517,600)	\$ (5,576,000)
City portion of Plan expenses		
Current year benefit cost	\$ 3,627,700	\$ 3,526,000
Less employee contributions	(1,868,900)	(1,886,000)
Add amortization of actuarial losses	617,000	1,126,300
	2,375,800	2,766,300
Interest during the year on average pension liability (asset)	(76,000)	7,800
Pension-related expense	\$ 2,299,800	\$ 2,774,100

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

8. Pension asset/liability (continued)

b - Supplemental Executive Retirement Plan

	2021	2020
Accrued actuarial obligation	\$ 368,000	\$ 377,900

c - Net Pension Asset/Liability

	2021	2020
Superannuation Pension Plan	\$ (5,517,600)	\$ (5,576,000)
Supplemental Executive Retirement Plan	368,000	377,900
	<u>\$ (5,149,600)</u>	<u>\$ (5,198,100)</u>

Significant management assumptions used in the actuarial valuation for the Superannuation Pension Plan are:

Discount rate:	6.60% for 2021 year-end disclosures [5.30% for fiscal 2021 expense and 2020 year-end disclosures]
Inflation rate:	2.00% [2020 - 2.00%] per annum
Salary growth rate:	2.75% [2020 - 2.75%] per annum, plus promotional and merit scale
Retirement age:	60% [2020 - 60%] at the age first eligible for an unreduced pension, 20% [2020 - 0%] at 35 years of service [if prior to age 65], remainder at age 65 [2020 - 65]

Significant management assumptions used in the actuarial valuation for the Supplemental Executive Retirement Plan are:

Discount rate:	1.85% [2020 - 1.85%] per annum
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The Superannuation Pension Plan for certain employees of the City is exempted from funding on a solvency basis. The exemption was approved by the New Brunswick Superintendent of Pensions and recorded effective May 5, 2014.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

9. Retirement allowance liability

The City provides a retirement allowance to employees of the City who have continuous service of five 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 beneficiaries an allowance equal to one month's pay for each five years of service or fraction thereof, but not exceeding six months, at the employee's regular rate of salary plus their benefit spending allowance at retirement.

Based on an actuarial valuation of the liability, the results as at December 31, 2021 are as follows:

	2021	2020
Accrued benefit liability as at January 1	\$ 10,866,600	\$ 10,157,300
Current service cost	846,800	824,100
Interest on obligation	239,800	235,300
Benefit payments	(1,041,000)	(617,000)
Amortization of losses	266,900	266,900
Accrued benefit liability as at December 31	\$ 11,179,100	\$ 10,866,600
Restricted cash and investments for retirement allowance	\$ 11,179,100	\$ 10,866,600
Net accrued benefit obligation	\$ -	\$ -
City portion of benefit expenses		
Current-period benefit cost	\$ 846,800	\$ 824,100
Interest cost	239,800	235,300
Amortization of losses	266,900	266,900
Retirement allowance expense	\$ 1,353,500	\$ 1,326,300

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

Discount rate:	1.85% [2020 - 1.85%] per annum
Salary growth rate:	2.75% [2020 - 2.75%] per annum, plus promotional and merit scale
Retirement age:	60% at the age first eligible for an unreduced pension, remainder at age 65

10. Expenses by object

	2021	2020
Salaries and benefits	\$ 73,852,323	\$ 72,872,114
Goods and services	38,911,034	37,449,768
Amortization	23,474,802	24,601,879
Interest	1,063,009	1,287,423
Other	2,955,363	2,055,854
	\$ 140,256,531	\$ 138,267,038

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

11. Contingencies

(i) The City provided a letter of guarantee in 2013 in support of a loan by Capital Region Community Tennis Centre Inc. up to an amount of \$670,000 with National Bank for a term not to extend beyond 2016. City Council guaranteed an extension of 24 months at the November 13, 2018 Council Meeting. Further, City Council guaranteed an extension of 24 months at the December 3, 2020 Council Meeting. The outstanding loan balance at December 29, 2021 amounts to \$18,200.

(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.

12. Recreational service agreement

The City entered into Recreational Service Agreements ["Agreements"] with a number of surrounding Local Service Districts ["the LSDs"] and the Village of New Maryland ["the 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 LSDs and the Village to the City's recreational facilities as if they were residents of the City. In addition, the City is required to provide an audited consolidated schedule of net operating loss of the City's arena complexes [note 22]. A capital replacement fund is in place to plan for future capital expenditures relating to the arenas.

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 amounted to \$585,499 [2020 - \$566,955] and are included in revenue under services to other governments.

13. Other

Funds held in trust

Trust fund assets administered by the City for the benefit of external parties in the amount of \$746,554 [2020 - \$693,605] are not included in these consolidated financial statements.

Lease Arrangement

The City, through Newmarket Properties Inc., leases land and a building from the Province of New Brunswick for a nominal fee of \$1 per year under a five-year renewable lease agreement that terminated on April 30, 2014. Under the terms of the lease, the Province of New Brunswick is responsible for the provincial portion of the real property tax levy. The effect of this lease arrangement is not recorded in these consolidated financial statements.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

14. 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 [note 19]. The segments are as follows:

General Government Services - Corporate

General Government Services are responsible for the internal services provided by and for the other City departments. They consist of Corporate Services—including Communications, Human Resources, Purchasing, Fleet, Information Technology, Building Services, Telecommunications, Real Estate, and Finance. Internal services' costs are re-allocated to the public services areas below.

Governance & Civic Engagement

Governance & Civic Engagement services provide legislation, community relations, and community and corporate leadership. This segment includes the Mayor and Council, and the City Administrator—including Strategic Initiatives, the City Solicitor, and the City Clerk.

Sustainable Infrastructure

Sustainable Infrastructure services consist of planning for long-term infrastructure needs, creating long-term capital plans, and managing debt and affordability.

Public Safety

Public Safety services include Police, Fire, Bylaw and Building Inspection services within the City and aiding surrounding areas as required.

Mobility

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

Environmental Stewardship

Environmental stewardship consists of garbage and waste collection and disposal, and composting.

Economic Vitality

Economic Vitality consists of economic development, and tourism and culture. It includes the Fredericton Convention Centre Inc., e-Novations ComNet Inc., and Newmarket Properties Inc.

Livable Community

Livable Community services include recreation and cultural services consisting of administration, programs, community liaison, indoor and outdoor pools, arenas, community facilities, the Fredericton Public Library and the Fredericton Playhouse. Livable Community also includes Parks and Trees, outdoor sport, and community planning, building permits and inspection, development approval, heritage planning and conservation, and long-range land use planning.

Water and Wastewater (Utility Operations)

Water and Wastewater services consist of supply, purification and treatment, transportation, storage, distribution of water, and collection and treatment of wastewater.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

15. Province of New Brunswick Compliance Requirements

The City is in compliance with the following requirements under the *Local Governance Act* of the Province of New Brunswick:

(i) Inter-fund accounts

All inter-fund accounts as at December 31, 2021 represent current transactions except as noted below and are in compliance with the policy established by the Department of Environment and Local Government.

(ii) Restrictions on municipal borrowings

Section 100 of the *Local Governance 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 City's water cost transfer is within the maximum allowable by regulation 2020-52 under the *Local Governance Act* based on the applicable percentage of water system expenditures for the population.

(iv) Second previous year's surplus

The *Local Governance Act* requires that the General Operating Fund surplus (deficit) be absorbed into the operating budget of the second subsequent year and that the Water and Sewerage Operating Fund surplus (deficit) be absorbed into one or more of the three operating budgets commencing with the second following year [see note 21].

16. Public Safety

Included in Public Safety 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:

	2021	2020
Native policing expenses	\$ 816,058	\$ 722,806
Federal contribution	(311,628)	(303,288)
Provincial contribution	(287,656)	(279,958)
City contribution	\$ 216,774	\$ 139,560

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

17. Shared risk pension

The City is a participating contributing employer to the City of Fredericton Shared Risk Plan ["the SRP Plan"] which is a Shared Risk Plan in accordance with the *Pension Benefits Act (New Brunswick)*. The SRP Plan is administered by an independent Board of Trustees and covers employees of the City who are not active members of IAFF 1053 or UBCJ 911. Under the SRP Plan, contributions are made by the SRP Plan members and the City. The SRP Plan was created effective March 31, 2013 as a result of a Memorandum of Understanding between the City and CUPE locals 508, 1709, 1783 and 3864.

Plan members contribute at a rate of 9% of pensionable earnings, with the exception that designated Police and Fire Management employees contribute at a rate of 12% of pensionable earnings. The City matches these contributions to form the Plan's Initial Contributions. In addition, the City is making initial Temporary Contributions in the amount of 5% of pensionable earnings for at least 10 years and at most 15 years beginning March 31, 2013. As per the Plan's Funding Policy, contributions may increase or decrease by 2.25% of payroll for both the City and the employees should certain funding levels be reached.

As a result of the split changes to the SRP Plan assets, the City made a new long-term commitment to increase the Temporary Contributions to the SRP Plan from the initial rate of 4.25% of payroll to 5.0% of payroll. The commitment for additional Temporary Contributions is for the same period as the initial Temporary Contributions.

The present value of the long-term commitment for additional Temporary Contributions is estimated to be \$1,784,255.

Additional Temporary Contributions due within the next five years and thereafter on the long-term commitment are approximately as follows:

2022	300,815
2023	299,474
2024	298,108
2025	296,715
2026 and thereafter	589,143
	<hr/>
	\$ 1,784,255

For service up to and including March 31, 2013, benefits accrue at a rate of 1.3% on the first \$5,000 of earnings and 2.0% on the remainder of pensionable earnings, to a maximum benefit of \$2,000 per year of pensionable service. For this period of pre-conversion service, benefits are available on an unreduced basis for members who retire on or after age 55 and whose age plus service total at least 80 years [or 75 years for designated Police and Fire Management employees]. For service after March 31, 2013, benefits accrued at a rate of 1.8% of pensionable earnings. For this period of post-conversion service, benefits are available on an unreduced basis for members who retire on or after age 65 [or 60 for designated Police and Fire Management employees].

The last actuarial valuation of the Plan was conducted as at March 31, 2021. At that date, the open group funded ratio of the Plan was 116.9% [2020 - 105.9%].

18. Pension plan asset split

A split, and transfer of assets from the Superannuation Plan for Employees of the City of Fredericton (the "old plan") to the Superannuation Pension Plan for Certain Employees of the City of Fredericton (the "new plan") and the SRP Plan, was approved by the Superintendent of Pensions' office on November 18, 2014. The transfer of assets was based on a division of assets from the old plan to the new plan and SRP Plan using a going concern basis.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

Mercer (Canada) Limited performed an actuarial valuation of the old plan with the purpose of determining the transfer of assets and liabilities as of March 31, 2013.

The use of a going concern basis to determine the transfer of assets was appealed by the police and fire union to the Financial and Consumer Services Tribunal ("The Tribunal"). The Tribunal issued its decision on the appeal on March 9, 2016, overturning the original basis used for the division of assets (a going concern basis) in favour of a solvency apportionment of assets ("the solvency basis").

During the year in 2016, Mercer (Canada) Limited performed new actuarial valuations of the plan asset split using the solvency basis. As a result of the revised actuarial valuation and remeasurement of the pension asset split value, an additional \$6,314,000 in pension assets have been transferred from the SRP Plan to the new plan.

As a result of additional appeals, regarding the results of the actuarial valuation, from the police and fire unions, the Tribunal held a hearing which resulted in an August 2020 decision. The decision resulted in the following actions: a) the Plan actuaries were removed; b) the plan administrator was required to retain a new actuary; c) the 2016 actuarial report was rejected ; d) the new actuary was required to conduct analysis to determine appropriate funding levels since Plan inception in 2013 and determine if a Canada Revenue Agency ["CRA"] exemption was to be required; and e) actuarial valuation reports for 2013 to present were required to be prepared again by the new actuary and re-submitted to the Superintendent of Pensions.

Eckler Limited has been appointed as Plan Actuary effective March 2021. The actuary is currently working on completing the new actuarial valuations for 2013 to present and it is anticipated that it will be presented and approved by the Administration Committee in early 2022 for submission to the Superintendent of Pensions. In conjunction with the new actuarial valuations, Eckler will be bringing forward options regarding contributions, funding levels and CRA exemptions if required.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

19. Consolidated Schedule of Segment Disclosure

	General Government Services - Corporate	Governance & Civic Engagement	Sustainable Infrastructure	Public Safety	Mobility	Environmental Stewardship	Economic Vitality	Livable Community	Water and Wastewater	2021 Consolidated	2020 Consolidated
Revenue											
Property tax/Community Funding and											
Equitization Grant	\$ -	\$ 5,215,897	\$ 2,200,584	\$ 40,973,679	\$ 31,891,837	\$ 5,249,656	\$ 8,137,769	\$ 19,457,863	\$ -	\$ 113,127,265	\$ 110,075,630
Services to other governments	1,372,812	-	-	1,963,149	415,835	-	-	-	-	3,751,796	3,419,153
Sales and other fees	1,190,423	-	-	1,982,955	3,599,522	-	426,359	2,444,816	19,403,807	29,047,882	27,067,387
Interest and return on investments	1,014,502	-	-	-	-	-	-	-	96,308	1,110,810	914,179
Government transfers	3,189,319	-	2,023,215	-	885,200	-	-	-	5,494,657	11,592,391	8,218,397
Other	10,000	-	-	-	774,221	641,540	-	24,300	700,155	2,150,216	2,092,364
	\$ 6,777,056	\$ 5,215,897	\$ 4,223,799	\$ 44,919,783	\$ 37,566,615	\$ 5,891,196	\$ 8,564,128	\$ 21,926,979	\$ 23,694,927	\$ 180,780,360	\$ 151,787,310
Expenses											
Salaries and benefits	15,315,289	2,652,296	968,862	31,579,573	9,827,787	492,022	2,358,916	4,818,762	5,838,816	73,852,323	72,872,114
Goods and services	16,209,577	1,472,989	114,464	578,912	4,300,330	3,956,920	2,837,814	3,024,176	6,406,842	36,911,034	37,449,768
Amortization	-	125,586	83,427	1,893,439	9,845,228	560,690	1,675,260	4,902,649	5,286,523	23,474,802	24,601,879
Interest	-	-	-	180,144	148,189	-	226,625	508,051	-	1,063,009	1,287,423
Other (gain) loss on assets	(372,217)	-	-	(14,167)	(98,904)	-	746	16,550	3,423,355	2,955,363	2,055,854
Subtotal expenses	\$ 31,152,649	\$ 4,250,891	\$ 1,168,773	\$ 34,218,901	\$ 24,030,610	\$ 5,009,632	\$ 7,009,361	\$ 12,370,188	\$ 20,955,536	\$ 140,256,531	\$ 138,267,038
Allocation of Corporate overhead	(30,424,317)	1,754,124	549,248	11,442,199	7,026,902	341,716	1,015,214	8,294,914	-	-	-
Total expenses	\$ 728,332	\$ 6,005,005	\$ 1,718,021	\$ 45,661,100	\$ 31,057,512	\$ 5,351,348	\$ 8,114,575	\$ 20,665,102	\$ 20,955,536	\$ 140,256,531	\$ 138,267,038
Annual surplus (loss)	\$ (789,108)	\$ (789,108)	\$ (6,048,724)	\$ (741,317)	\$ (6,509,103)	\$ (539,848)	\$ (449,553)	\$ (1,281,877)	\$ (4,739,391)	\$ (20,523,849)	\$ (13,520,272)

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. Schedule of Tangible Capital Assets

Cost	Land	Land Improvements	Buildings	Vehicles	Machinery and equipment	Treatment facilities	Linear assets	Assets under construction	2021 Total	2020 Total
Balance, beginning of year	\$ 15,215,158	\$ 25,114,799	\$ 156,124,734	\$ 34,053,359	\$ 31,015,033	\$ 76,517,003	\$ 594,288,492	\$ 5,387,657	\$ 937,716,235	\$ 918,416,315
Net additions during the year	8,797,960	2,179,649	2,013,341	1,047,491	1,680,088	1,126,440	27,836,374	2,961,181	47,642,524	\$ 31,488,932
Disposals during the year	(3,065,822)	(289,984)	(148,797)	(1,485,380)	(888,284)	(18,198)	(17,970,548)	-	(23,887,013)	\$ (12,189,012)
Balance, end of year	\$ 20,927,296	\$ 27,004,464	\$ 157,989,278	\$ 33,615,470	\$ 31,806,837	\$ 77,625,245	\$ 604,154,318	\$ 8,348,838	\$ 961,471,746	\$ 937,716,235
Accumulated Amortization										
Balance, beginning of year	\$ -	\$ 9,244,261	\$ 60,528,450	\$ 16,264,217	\$ 14,023,943	\$ 33,759,173	\$ 204,999,301	\$ -	\$ 338,817,345	\$ 323,984,302
Amortization during the year	-	1,068,544	4,893,976	2,356,851	2,423,404	2,216,058	10,515,969	-	23,474,802	\$ 24,601,879
Accumulated amortization on disposals	-	(192,093)	(148,797)	(1,243,901)	(837,727)	(18,198)	(14,183,620)	-	(16,624,236)	\$ (9,768,896)
Balance, end of year	\$ -	\$ 10,120,712	\$ 65,271,629	\$ 17,377,267	\$ 15,609,620	\$ 35,957,033	\$ 201,331,650	\$ -	\$ 345,687,911	\$ 338,817,345
Net book value of tangible capital assets	\$ 20,927,296	\$ 16,883,752	\$ 92,717,649	\$ 16,238,203	\$ 16,197,217	\$ 41,668,212	\$ 402,822,668	\$ 8,348,838	\$ 615,803,835	\$ 598,898,890
Consists of:										
General Fund Assets	\$ 19,553,586	\$ 16,883,752	\$ 92,717,649	\$ 14,402,875	\$ 14,671,849	\$ -	\$ 227,209,732	\$ 5,831,518	\$ 391,270,961	\$ 378,134,217
Water and Sewer Fund Assets	1,373,710	-	-	1,835,328	1,525,368	41,668,212	175,612,936	2,517,320	224,532,874	\$ 220,764,673
	\$ 20,927,296	\$ 16,883,752	\$ 92,717,649	\$ 16,238,203	\$ 16,197,217	\$ 41,668,212	\$ 402,822,668	\$ 8,348,838	\$ 615,803,835	\$ 598,898,890

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	\$ 308,346	\$ 77,087	\$ 231,260
Machinery and equipment	402,611	80,522	322,089
Total assets under capital leases	\$ 710,957	\$ 157,609	\$ 553,348

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

21. Consolidated Schedule of Accumulated Surplus Reconciliation to Province of New Brunswick ["PNB"] Compliance Requirements

	General Operating Fund	Water and Sewerage Operating Fund	Reserve Funds	Land Sales Fund	Parking Land Bank Fund	General Capital Fund	Water and Sewerage Capital Fund	Total
2021 annual surplus	\$ 4,010,629	\$ 642,043	\$ (244,271)	\$ 868,797	\$ 692,401	\$ 6,735,302	\$ 7,818,948	\$ 20,523,849
Adjustments to 2021 annual surplus for PNB compliance requirements								
Second previous year's surplus	\$ (840,030)	\$ 1,432,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 592,585
Amortization expense	-	-	-	-	-	18,188,279	5,286,523	23,474,802
Accumulated amortization on asset disposal	-	-	-	-	-	(11,843,908)	(4,780,328)	(16,624,236)
PSAB adjusting entries	(243,732)	-	-	-	-	-	-	(243,732)
Total adjustments to 2021 annual surplus	\$ (1,083,762)	\$ 1,432,615	\$ -	\$ -	\$ -	\$ 6,344,371	\$ 506,195	\$ 7,199,419
2021 annual surplus per PNB compliance requirements	\$ 2,926,867	\$ 2,074,658	\$ (244,271)	\$ 868,797	\$ 692,401	\$ 13,079,673	\$ 8,325,143	\$ 27,723,268
Accumulated surplus per PNB compliance requirements, beginning of year	1,942,979	3,150,742	37,071,491	6,138,202	3,102,178	547,836,857	349,835,023	949,077,472
Second previous year's (surplus) deficit	840,030	(1,432,615)	-	-	-	-	-	(592,585)
Accumulated surplus per PNB compliance requirements, end of year	\$ 5,709,876	\$ 3,792,785	\$ 36,827,220	\$ 7,006,999	\$ 3,794,579	\$ 560,916,530	\$ 359,160,166	\$ 976,208,155

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

22. Consolidated Schedule of Net Operating Loss - Arena Complexes

	2021	2020
Revenue [note 12]		
Ice rental	\$ 1,328,033	\$ 1,003,938
Canteen rental	6,177	4,329
Building rental	-	4,774
Community room rental	5,740	3,514
Other	8,582	5,813
YMCA lease agreement	28,000	12,944
Total arena complex revenue	1,376,532	1,035,312
Expenses [note 12]		
Salaries and wages	1,855,908	1,718,333
Supplies	68,099	116,114
Repairs and maintenance	261,945	263,380
Utilities	830,461	705,733
Service contracts	266,557	154,308
Other	36,501	25,797
Total arena complex expenses	3,319,471	2,983,665
Net operating loss	\$ (1,942,939)	\$ (1,948,353)

Revenue is included in sales, fines and other fees and expenses are included in Livable Community in the consolidated statement of operations and accumulated surplus.

Capital Replacement Fund - Arenas [note 12]

	2021	2020
Opening balance, beginning of year	\$ 1,473,104	\$ 1,331,517
Contribution	125,140	125,140
Interest on balance	12,028	16,447
Closing balance, end of year	\$ 1,610,272	\$ 1,473,104

The Capital Replacement Fund is included with cash that is designated as reserves for spending in future years by City Council [see note 2].

Total payments made during the year to the Municipal Capital Borrowing Board for the arena debt was \$2,132,725 [2020 - \$2,133,063]. The amount representing interest for the year was \$451,494 [2020 - \$476,881].

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

23. Statement of Reserves

	General Operating Reserve	General Capital Reserve	Water & Sewer Reserve	2021 Total	2020 Total
Assets					
Cash	\$ 5,686,694	\$ 22,241,969	\$ 5,965,893	\$ 33,894,556	\$ 32,626,639
Net receivables	-	(206,326)	(170,471)	(376,797)	(740,376)
Investments	- (a)	3,309,461	-	3,309,461	5,185,227
Accumulated surplus	\$ 5,686,694	\$ 25,345,104	\$ 5,795,422	\$ 36,827,220	\$ 37,071,490
Revenue					
Transfers from Operating Funds	\$ 2,233,600 (b)	\$ 6,570,420	\$ 1,627,000	\$ 10,431,020	\$ 4,985,645
Interest	43,860	181,161	52,334	277,355	547,023
	2,277,460	6,751,581	1,679,334	10,708,375	5,532,668
Expenditures					
Annual surplus	2,969,866	3,708,053	4,274,727	10,952,646	102,819
	\$ (692,406)	\$ 3,043,528	\$ (2,595,393)	\$ (244,271)	\$ 4,541,660
Balance, beginning of the year	6,379,100	22,301,576	8,390,815	37,071,491	32,529,831
Balance, end of the year	\$ 5,686,694	\$ 25,345,104	\$ 5,795,422	\$ 36,827,220	\$ 37,071,491

(a) Included in the assets of the General Capital Reserve is \$3,242,726 for the Capital Replacement Reserve of the Fredericton Convention Centre.

(b) Transfers from Operating Funds to the General Capital Reserve include \$423,252 from the Fredericton Convention Centre for the Capital Replacement Reserve.

Name of Investment	Principal Amount	Interest Rate	Date of Maturity
Interfund debenture	\$ 1,615,542	2.10% - 3.45%	May 16, 2028
Interfund debenture	\$ 807,512	1.65% - 2.90%	December 1, 2026
Non-cashable GIC	\$ 538,443	1.50%	August 4, 2024
Canadian equities	\$ 347,964	N/A	N/A

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

25. Statement of Reserves (Continued)

Council Resolutions regarding transfer to and from reserves:

Moved by: Councillor Jocelyn Pike

Seconded by: Councillor Eric Megarity

THAT City Council adopt the following resolution:

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer of the City of Fredericton to transfer the amount of \$2,969,866 to the General Operating Fund in order to fund projects completed in 2021 that were budgeted for in previous years from the General Operating Reserve Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer of the City of Fredericton to transfer the amount of \$3,708,053 to the General Operating Fund in order to fund projects completed in 2021 that were budgeted for in previous years from the General Capital Reserve Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer of the City of Fredericton to transfer the amount of \$4,274,727 to the Water & Sewer Operating Fund in order to fund projects completed in 2021 that were budgeted for in previous years from the Water & Sewer Capital Reserve Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer of the City of Fredericton to transfer the amount of \$2,233,600 to the General Operating Reserve Fund in order to complete projects budgeted for in 2021 in future years from the General Operating Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer of the City of Fredericton to transfer the amount of \$6,147,168 to the General Capital Reserve Fund in order to complete projects budgeted for in 2021 in future years from the General Operating Fund pursuant to Section 101 under Section 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer of the City of Fredericton to transfer the amount of \$1,627,000 to the Water & Sewer Capital Reserve Fund in order to complete projects budgeted for in 2021 in future years from the Water & Sewer Operating Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*.

I hereby certify that the above are true and exact copies of resolutions adopted by City Council on December 13, 2021.



Jennifer Lawson
City Clerk
City of Fredericton

April 14/2022

Date



CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

24. Statement of Controlled Entities

	Controlled entities consolidated with the General Operating Fund					2021 Total	2020 Total
	e-Novations ComNet Inc.	Newmarket Properties Inc.	Fredericton Convention Centre	Intercompany Eliminations			
Assets							
Liabilities	\$ 2,186,633	\$ 1,228,328	\$ 709,676	\$ (1,739,027)	\$ 2,385,610	\$ 2,116,820	
Accumulated surplus	(975,632)	(37,523)	(260,766)	(2,705)	(1,276,626)	(1,111,501)	
	\$ 1,211,001	\$ 1,190,805	\$ 448,910	\$ (1,741,732)	\$ 1,108,984	\$ 1,005,319	
Revenue	\$ 172,349	\$ 268,320	\$ 1,600,683	\$ (1,150,134)	\$ 891,218	\$ 1,156,448	
Expenditures	(153,597)	(308,783)	(1,130,403)	1,228,482	(364,301)	(731,955)	
Annual surplus - Per PNB compliance requirements	\$ 18,752	\$ (40,463)	\$ 470,280	\$ 78,348	\$ 526,917	\$ 424,493	

The above-noted entities are included in the consolidated financial statements of the City of Fredericton. Intercompany revenue and expenses and accounts payable and receivable are eliminated upon consolidation. The controlled entities are consolidated with the general operating fund per the Province of New Brunswick compliance requirements. Surplus includes eliminating adjustments for depreciation and capital expenditures, and the second previous year's surplus as per PNB requirements. The net of revenue and expenses are included in expenses for the Economic Vitality segment.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

25. Reconciliation of Operating Budget for Provincial Compliance Requirements to Public Sector Accounting Standards ["PSAB"]

	Operating Budget General	Operating Budget Water & Sewer	Amortization TCA	Adjustments for Full Accrual Accounting	Total Budget to PSAB Budget
Revenue					
Property taxes	\$ 110,537,926	\$ -	\$ -	\$ -	\$ 110,537,926
Community Funding and Equalization Grant	2,026,188	-	-	-	2,026,188
Federal grant in lieu of taxes adjustment	11,627	-	-	-	11,627
Services to other governments	3,792,667	-	-	-	3,792,667
Licenses, permits and fines	1,757,920	-	-	-	1,757,920
Sales and own source revenue	5,065,296	20,844,283	-	-	25,909,579
Interest and return on investments	284,500	-	-	-	284,500
Second previous year's surplus	-	1,432,615	-	(1,432,615) (a)	-
Revenue from Operating Reserve	1,627,115	-	-	(1,627,115) (e)	-
	\$ 125,103,239	\$ 22,276,898	\$ -	\$ (3,059,730)	\$ 144,320,407
Expenses					
Governance and Civic Engagement	\$ 5,169,747	\$ -	\$ 125,586	\$ -	\$ 5,295,333
Sustainable Infrastructure	2,137,436	-	85,427	-	2,222,863
General Government Services - Corporate	1,506,840	-	-	-	1,506,840
Public Safety (note 18)	43,922,508	-	1,893,439	184,319 (b)	46,000,266
Mobility (including Transit)	21,309,306	-	9,845,228	151,624 (b)	31,306,158
Environmental Stewardship	4,490,042	-	560,690	-	5,050,732
Economic Vitality	6,759,845	-	1,675,260	231,877 (b)	8,666,982
Livable Community	16,445,896	-	4,002,649	519,826 (b)	20,968,371
Fiscal Services					
Principal payments on long-term debt	4,289,343	-	-	(4,289,343) (c)	-
Interest payments on long-term debt	1,087,646	-	-	(1,087,646) (b)	-
Funding current year's capital projects	17,144,600	10,660,150	-	(27,804,750) (d)	-
Water and Wastewater	-	11,616,748	5,286,523	-	16,903,271
Second previous year's deficit	840,030	-	-	(840,030) (e)	-
	\$ 125,103,239	\$ 22,276,898	\$ 23,474,802	\$ (32,934,123)	\$ 137,920,816
Annual surplus	\$ -	\$ -	\$ (23,474,802)	\$ 29,874,393	\$ 6,399,591

(a) Eliminate second previous year's surplus (deficit) for PSAB

(b) Allocation of interest expense

(c) Principal debt repayment

(d) Funding for current year's capital projects

(e) Eliminate transfer from General Operating Reserve to General Operating Fund

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

26. Detailed Statement of Revenue and Expenditure

General Operating Fund - Consolidated

	2021		2020
	Budget	Actual	Actual
Revenue from operations			
Province of New Brunswick			
Property taxes	\$ 110,537,926	\$ 111,089,470	\$ 108,183,452
Community funding and equalization grant	2,026,188	2,026,188	1,890,636
	112,564,114	113,115,658	110,074,088
Federal payment in lieu of taxes	11,627	11,627	1,742
Services provided to other governments			
Transportation services - provincial routes	423,441	415,835	423,440
Public Safety Emergency Dispatch and 911	1,409,546	1,372,812	1,108,469
Fire services - local service districts	971,085	971,084	925,240
Fire services - provincial hazmat	100,633	100,633	86,743
Services to Saint Mary's First Nation			
Fire services - Federal transfer	288,678	292,148	292,014
Police services - Federal transfer	311,628	311,628	303,288
Police services - Provincial transfer	287,656	287,656	279,958
	3,792,667	3,751,796	3,419,152
Licenses, permits and fines			
Taxi, business and dog licenses	26,500	16,664	21,130
Building permits	1,187,000	1,854,067	1,501,038
Development approval	78,000	120,275	80,150
Parking, municipal bylaw, and other fines	389,420	436,125	342,470
Police security checks, fine sharing and false alarms	77,000	97,115	81,504
	1,757,920	2,524,246	2,026,292
Sales and other revenue			
Parking meters	420,000	516,999	458,284
Parking lots and garages	1,074,536	1,123,938	907,762
Public transit	1,480,600	1,509,790	1,551,704
Para transit	18,000	25,829	25,189
Chartered busing	-	-	260
Arena rentals	1,072,096	1,376,532	1,107,660
Outside user fee	585,499	614,271	580,684
Community centres	117,483	126,028	116,214
Indoor pool	211,238	165,865	113,942
Sports fields	73,794	156,891	246,762
Cultural development	6,300	3,557	4,341
Police sale of unclaimed goods	2,000	1,951	5,531
Cash flow and investment management	284,500	338,413	394,357
Miscellaneous	3,750	400,931	209,296
Vehicle auction proceeds	-	83,168	275,509
Hotel accommodation levy	-	306,084	-
	5,349,796	6,750,247	5,997,495
Total revenue from operations	\$ 123,476,124	\$ 126,153,574	\$ 121,518,769

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

General Operating Fund - Consolidated (Continued)

	2021		2020
	Budget	Actual	Actual
Revenue (Continued):			
Government transfers	\$ -	\$ 6,097,734	\$ 3,004,616
Insurance proceeds	-	588,942	-
Third party contributions	-	1,135,206	1,486,270
Sale of assets	-	2,922,383	-
	-	4,646,531	1,486,270
Transfer from General Capital Reserve	-	3,708,053	-
Transfer from Operating Reserve	-	2,969,866	-
Total transfers from reserves	-	6,677,919	-
Revenue from contingency	1,627,115	1,627,115	-
Second previous years' surplus	-	-	1,988,495
Total revenue	\$ 125,103,239	\$ 145,202,873	\$ 127,998,150

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

General Operating Fund - Consolidated (Continued)

	2021		2020
	Budget	Actual	Actual
Expenditure from operations			
Governance and Civic Engagement			
Community Leadership	\$ 2,390,338	\$ 3,320,376	\$ 2,451,362
Management Systems	2,702,686	2,538,252	2,021,893
Intergovernmental Affairs	76,723	67,163	126,645
	5,169,747	5,925,791	4,599,900
Economic Vitality			
Business Attraction and Retention	885,968	869,796	1,010,703
Development Approval	1,137,426	1,141,156	979,784
Land Use Planning	759,316	576,282	453,806
Tourism Development and Operations	1,228,926	1,162,047	801,926
Tourism Marketing and Sales	2,748,209	3,134,985	2,562,510
	6,759,845	6,884,266	5,808,729
Environmental Stewardship			
Solid Waste Management	3,266,808	3,341,205	3,154,099
Composting	54,548	(2,233)	31,888
Environmental Outreach	71,686	386,829	120,029
Storm Water Management	1,097,000	1,160,721	1,011,053
	4,490,042	4,886,522	4,317,069
Livable Community			
Arboriculture	1,260,010	1,439,760	1,404,234
Community Liaison and Social Outreach	254,056	242,961	127,217
Community Special Event Coordination and Support	569,513	588,987	688,794
Cultural Development	2,428,082	2,456,274	2,515,636
Heritage Planning and Conservation	214,647	185,343	180,535
Horticulture	750,460	825,206	1,108,848
Leisure and Recreation Development and Delivery	3,069,006	2,961,665	2,537,972
Parks and Playground Management	2,040,784	3,032,789	2,705,362
Recreation Facility Scheduling	5,131,257	4,840,663	5,375,304
Sport Field Management	728,081	760,501	266,505
	16,445,896	17,334,149	16,910,407
Mobility (including Transit)			
Chartered Busing	-	-	63,280
Dial-a-Bus Transit	707,553	621,647	546,252
Fixed Route Scheduled Transit	6,032,415	6,008,632	5,781,805
Parking Management	2,144,377	2,241,460	1,824,222
Roadway Management	8,454,535	9,381,831	10,317,683
Sidewalk Management	1,562,028	1,196,248	1,086,148
Taxi Industry Regulation	81,855	76,257	88,662
Trails Management	844,698	854,806	648,669
Transportation System Management	1,481,845	1,244,144	1,191,113
	\$ 21,309,306	\$ 21,625,025	\$ 21,547,834

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

General Operating Fund - Consolidated (Continued)

	2021		2020
	Budget	Actual	Actual
Expenditure from operations (Continued)			
Public Safety			
Animal Registration and Control	\$ 144,278	\$ 132,264	\$ 135,799
Building Construction Permission and Enforcement	1,220,396	1,238,969	1,160,520
Bylaw Enforcement	388,543	368,009	339,684
Emergency Preparedness	2,622,452	2,689,397	620,844
Fire Emergency Incident Mitigation	14,067,318	14,077,840	14,415,458
Fire Investigation	256,657	269,520	501,036
Fire Prevention and Inspection	691,789	683,070	2,087,169
Police - Enforce Federal, Provincial and Municipal Laws	4,500,572	4,741,478	6,439,089
Police - Keeping the Peace	4,230,759	4,424,527	6,240,793
Police - Prevent and Detect Crime	8,332,517	8,751,527	6,286,565
Police - Protect Life and Property	7,467,227	7,787,137	6,336,882
	43,922,508	45,163,738	44,563,839
Corporate Services			
Communications Management	756,546	857,980	546,361
Continuous Improvement	762,658	623,418	507,309
Facilities Management	8,996,341	8,539,243	5,793,091
Financial Management	1,729,823	3,672,440	1,375,059
Fleet and Equipment Management	4,235,837	4,276,551	4,377,319
Human Resource Management	1,033,472	828,054	501,391
Information Technology Solution Delivery	1,068,566	1,210,610	1,045,627
Information Technology Support	1,507,873	2,056,269	2,210,543
Insurance Coverage Service	327,412	294,292	107,969
Legal Services	673,055	617,336	653,515
Occupational Health and Safety	164,316	161,718	79,829
Public Procurement Management	382,577	357,703	463,332
Public Safety Service Request Management	2,625,156	2,655,199	2,463,701
Real Estate Management	2,058,626	1,934,623	1,843,047
Records Management	161,793	171,940	73,130
Request Management	273,004	250,125	365,208
Corporate overhead allocated to external services	(26,757,055)	(28,507,501)	(22,406,431)
Property assessment and collection [PNB]	1,506,840	1,506,840	1,474,741
	\$ 1,506,840	\$ 1,506,840	\$ 1,474,741

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

General Operating Fund - Consolidated (Continued)

	2021		2020
	Budget	Actual	Actual
Expenditure from operations (Continued)			
Sustainable Infrastructure			
Capital Asset Management	87,329	66,979	840,521
Capital Planning and Implementation	678,249	706,216	556,154
Capital Prioritization and Investment Service	1,338,003	865,804	341,397
Debt and Affordability Management Service	33,855	27,009	32,929
Debt principal repayment	4,289,343	4,012,343	4,003,746
Interest on capital debt	1,087,646	1,063,008	1,287,423
Funding current year's new capital projects	3,481,000	5,954,636	5,620,236
Funding current year's capital renewal projects	13,663,600	17,468,908	12,756,814
	24,659,025	30,164,903	25,439,220
Second previous years' deficit	840,030	840,030	-
Transfer to General Capital Reserve	-	6,570,420	566,792
Transfer to General Operating Reserve	-	2,233,600	374,278
Total transfer to reserves	-	8,804,020	941,070
Total expenditure from operations	\$ 125,103,239	\$ 143,135,284	\$ 125,602,809
General Operating Fund surplus from operations	\$ -	\$ 2,067,589	\$ 2,395,341
Remeasurement gains and losses			
Unrealized loss attributable to foreign exchange	\$ -	\$ (10,577)	\$ (45,093)
Unrealized gain on investments	-	342,938	8,261
Unrealized surplus from subsidiary entities	-	526,917	424,493
Total remeasurement gains	\$ -	\$ 859,278	\$ 387,661
Consolidated General Fund annual surplus	\$ -	\$ 2,926,867	\$ 2,783,002

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

Water and Sewerage Operating Fund - Consolidated Statement of Revenue and Expenditure

	2021		2020
	Budget	Actual	Actual
Revenue			
Water and sewerage rates	\$ 19,665,201	\$ 19,347,205	\$ 19,614,329
Water supply for fire protection	1,000,612	1,000,612	1,000,612
Miscellaneous revenue	178,470	210,292	381,329
Interest	-	43,974	101,130
Transfer from utility reserve	-	4,274,727	102,819
Land sales and vehicle auction proceeds	-	83,921	42,813
Third-party contributed capital	-	223,490	-
Federal and Provincial grant funding	-	5,494,657	5,213,781
Second previous years' surplus	1,432,615	1,432,615	1,862,191
Total revenue	\$ 22,276,898	\$ 32,111,493	\$ 28,319,004
Expenditure			
Water			
Purification and treatment	\$ 314,300	\$ 666,108	\$ 663,974
Source of supply	290,000	259,902	169,916
Transmission and distribution	63,634	58,062	75,883
Plant and equipment maintenance	480,073	948,100	933,593
Billing and collecting	90,265	139,266	122,174
Water meters	65,000	358,418	344,750
	1,303,272	2,429,856	2,310,290
Sewerage			
Lift stations and system maintenance	608,035	915,041	905,598
Sewerage treatment and disposal	2,158,865	2,937,937	2,169,572
	2,766,900	3,852,978	3,075,170
Common services			
	7,546,576	5,962,824	5,442,507
Fiscal services			
Funding current year's new capital projects	110,000	799,468	2,164,072
Funding current year's renewal capital projects	10,550,150	15,364,709	10,199,192
Transfer to water and sewer capital reserve	-	1,627,000	3,409,643
	10,660,150	17,791,177	15,772,907
Total expenditure	\$ 22,276,898	\$ 30,036,835	\$ 26,600,874
Annual surplus	\$ -	\$ 2,074,658	\$ 1,718,130

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2021

27. Comparative Figures

Certain amounts of the previous year have been reclassified to conform to the presentation adopted for the current year.