



Financial Statements

Year Ended December 31, 2025

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. The next election is planned for May 2026.

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 major change to the Governance model was implemented January 1, 2023 by the Provincial Government. This Local Governance Reform resulted in the City growing both in size and population. This has impacted service delivery and results in an expanded relationship with the Regional Service Commission.

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.

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. The Long Term Financial Plan was renewed in 2023 and reconfirmed policy decisions for future budgets with a new slant to incorporate a renewed focus on investment in 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.

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 2025 was \$259.5 million, up from \$235.6 million, or a 10.2% increase from 2024. The increase is primarily attributable to increased property tax revenues due to a robust residential housing market and strong new construction growth, a significant increase in third party contributions driven primarily from other government funding and increases to non-tax revenue in areas of such as Transit, Parking and Recreation Services.

Revenue	2025
Property taxes	\$ 156,346,042
Sales, fines and other fees	46,666,555
Services to other governments	5,969,197
Return on investments, and other miscellaneous revenue	3,686,115
Community funding and Federal Grant in Lieu	809,419
Third party contributions:	
Federal and Provincial infrastructure funding	41,057,391
Infrastructure installations funded by private development	5,010,761
Total revenue	\$ 259,545,480

Revenue from sales, fines and fees increased by \$4.1 million, or 9.7% over the prior year. Factors driving the increase were in the following areas: public transit, parking lots and garages, water and sewer rates, and revenue from subsidiaries.

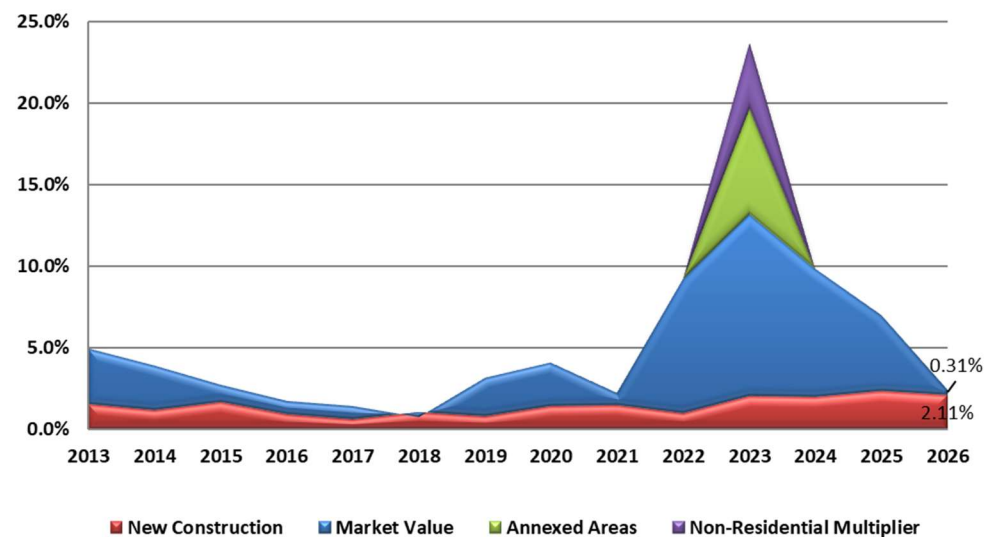
Rising costs and increasing needs for public services continue to be the key drivers for negotiating new service contracts. The City continues to negotiate contracts with neighboring communities for such services as Policing and Fire Protection of Saint Mary’s First Nation, Fire to LSDs and 911 Dispatch Services for the region. These contract agreements aim to achieve full cost recovery for the services provided to other government entities. It is important to note Local Governance Reform will continue to have an impact on certain agreements moving forward, namely surrounding recreational services.

Revenue growth from property taxes is unpredictable

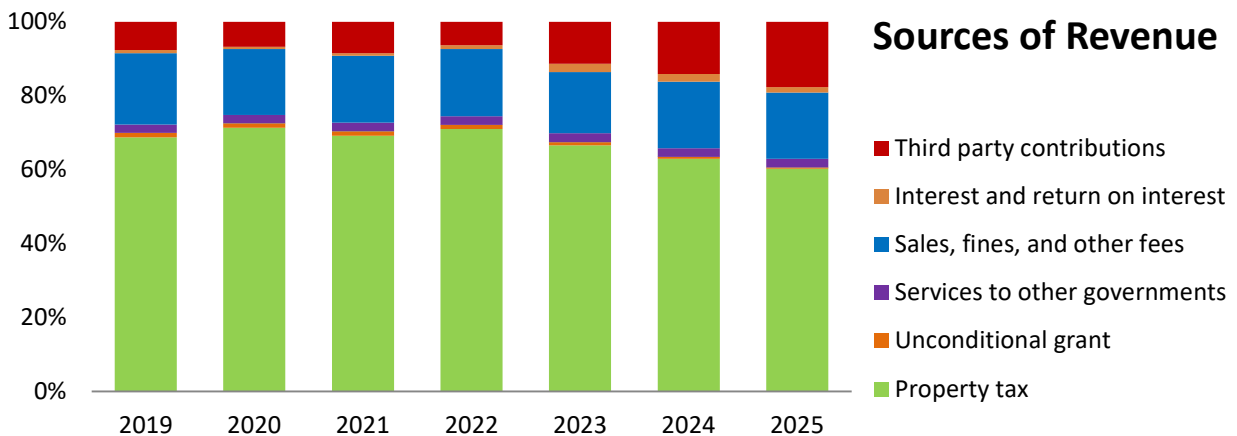
The City's revenue growth from property tax was on a downward trend but has rebounded after the property tax freeze in 2018. Tax base growth is composed of new construction and increases in the assessed market value of existing properties.

For 2025, the tax base from new construction increased by 2.30%, while market assessments rose by 4.68%, reflecting another year of strong housing market activity. Looking ahead, the tax base for 2026 is expected to grow by only 2.42% due to the assessment freeze implemented by the Government of New Brunswick. As a result, market assessments will increase by just 0.31%, with the remaining 2.11% growth coming from new construction. For 2026, a property tax assessment freeze was once again implemented by the Province which creates additional uncertainty for budgets. In addition to the freeze, the Provincial Government is developing Property Tax Reform which could introduce changes and further uncertainty.

Growth in the Property Tax Base



The City maintains a high reliance on property taxes as the main source of revenue. In 2025, property tax revenue was approximately 60.2% of total revenue.

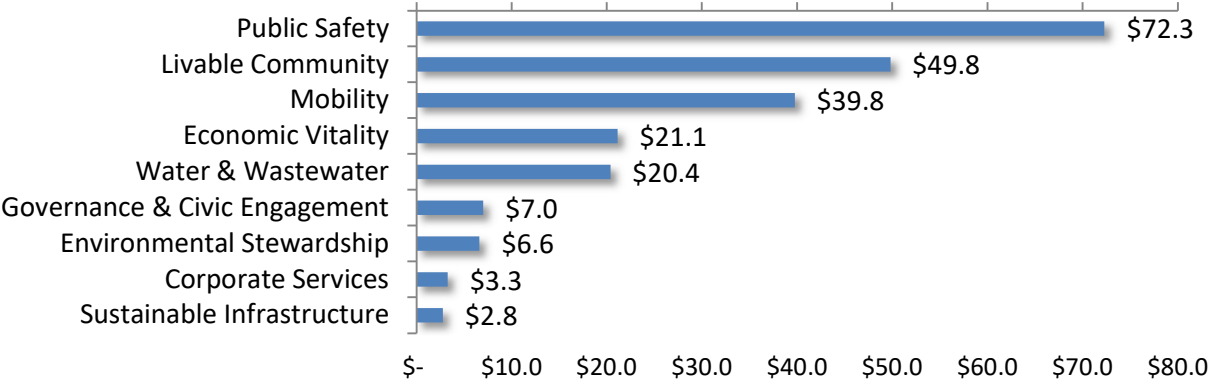


The reliance on property taxes is partly due to a reduction in the Community Funding and Equalization grant received from the Province of New Brunswick. The grant decreased over a four-year period, from \$5.78 million in 2011 to \$1.71 million in 2015. In 2025, the Community Funding and Equalization grant was 0.5% of total revenue, compared to 4.3% in 2011. For 2026, a new funding formula has been created resulting in changes to revenues received by the City for operations and capital renewal investments. The City is focusing on leveraging funds from other levels of government to advance capital projects, however, this funding is not guaranteed to be available to the City in future years.

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 2025 were \$223.1 million, compared to \$190.7 million in 2024, an increase of 17.0%.

Expense by Type (in \$ millions)	2025	2024	2023
Salaries	\$ 103.7	\$ 89.6	\$ 85.5
Goods and Services	90.7	71.4	52.3
Amortization	27.1	25.5	24.5
Interest	0.6	0.7	0.8
Other	1.0	3.5	2.7
	\$ 223.1	\$ 190.7	\$ 165.8

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. Since 2019, five bargaining units representing employees of the City of Fredericton have agreed to settlements linked to NB CPI. They include CUPE Locals 508 (Outside),

1709 (Inside), 1783 (Transit); and CUPE Local 3864 (Technical Professionals), and UBC Local 911 (Police). IAFF Local 1053 (Fire) chose to enter into arbitration for their contract in which the arbitrator awarded NB CPI similar to all other City collective bargaining agreements. The non-bargaining employees and Council also have their salaries linked to NB CPI. Police and Fire contracts expired December 31, 2024; negotiations are ongoing.

Costs are expected to increase faster than revenue growth

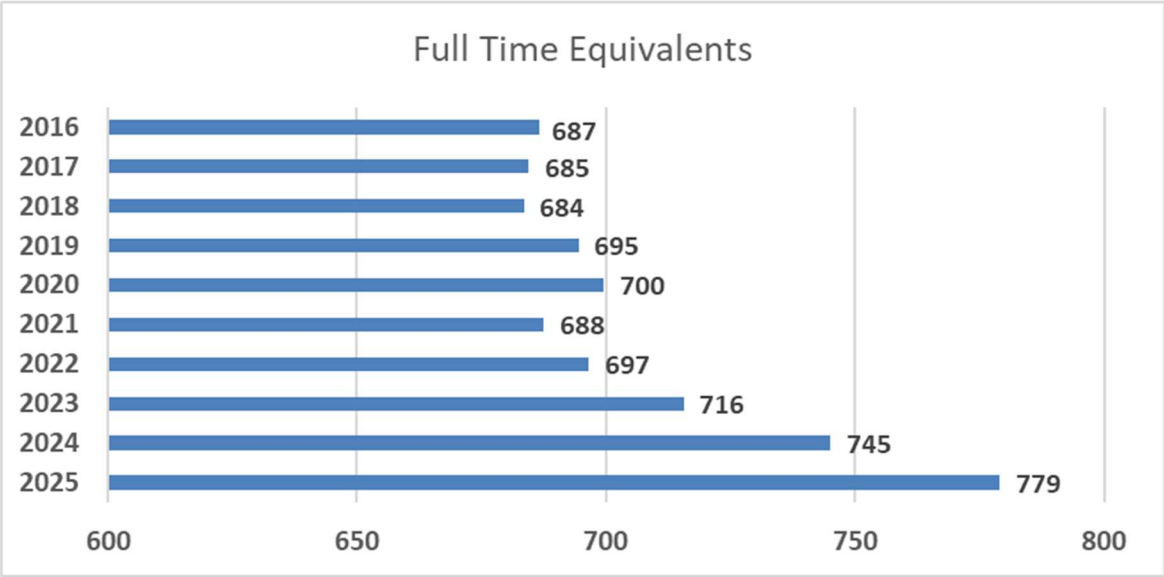
The City’s inflationary costs have been increasing at a higher rate than a typical consumer’s inflation as measured by the Consumer Price Index.

For 2025, this trend continued. High costs associated with non-personnel contracts above CPI and high construction costs make it difficult to provide the same quality of service to residents. The City is committed to identifying opportunities to offset higher costs. Since 2012, the City has worked diligently to produce cumulative savings exceeding \$10.3M. or \$0.09 on the tax rate. However, there is a risk that the adjustments to services will be required if inflationary costs continue to outpace annual revenue.

The City has also reduced the tax rate for the majority of residents by decreasing the inside tax rate \$0.1225 per \$100 of assessment from 2022 – 2025 to reflect that residents are also being negatively impacted by inflation.

Aligning the workforce to a growing community – striking the balance

In the past, full time equivalent employee (FTE) growth outpaced revenue growth which resulted in an imbalance of salary costs compared to revenue which resulted in a need to right-size the FTE complement. Due to significant growth in the community and changing needs, the City is now strategically adding to the FTE complement where there are service requirements to support our 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 2025, the City's General Operating Fund ended the year with a surplus from regular operations of \$1,963,187 or 0.8% of total revenue. The Water & Sewer Utility Fund ended with a cash budget surplus of \$516,168 or 1.4% 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 \$1,080,959 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 \$91,710 and unrealized gains on investments of \$646,367. 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 \$3,598,803 or 1.5% of revenue.

Investments in infrastructure are necessary to sustain service delivery

For 2025, the City reported tangible capital assets with a historical cost of \$1.148 billion and \$414 million in accumulated amortization, resulting in a net book value of \$734 million. During the year, the City recognized amortization expenses of \$27.1 million. To sustain current levels of service delivery, the City must replace assets at a rate greater than the rate of amortization to recognize changes in technology, service delivery/expectations and inflationary impacts.

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 2025, amortization expense was recorded at \$27.1 million, while the total investment in replacement and new infrastructure was \$72.1 million. Capitalizing investments as assets and recording amortization expense under PSAB standards resulted in an annual expense that was \$45.0 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 \$36.5 million and an accumulated surplus of \$782 million, compared with an annual surplus of \$44.9 million and a year-end accumulated surplus of \$746 million in 2024.

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 \$36.5 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 \$3.1 million in linear assets.

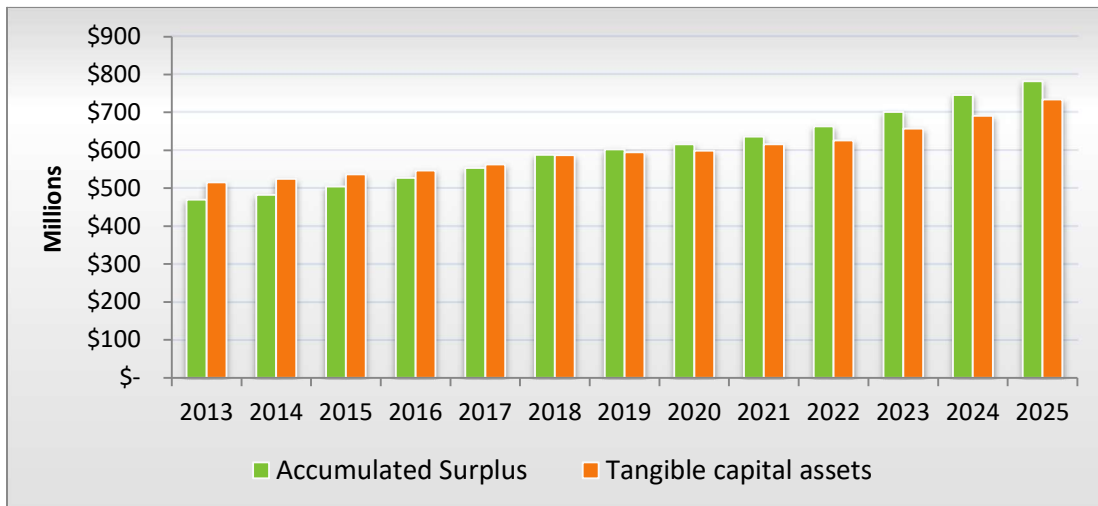
Also included in third party contributions are government transfers and funding for major capital projects. In 2025, the Federal and Provincial governments contributed investments in infrastructure valued at \$41.1 million including contributions for the new performing art centre, transit upgrades, affordable housing, 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 supplies inventory and financial assets in excess of liabilities.



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 which represents the City's future ability to use infrastructure to deliver municipal services and achieve Program Results.

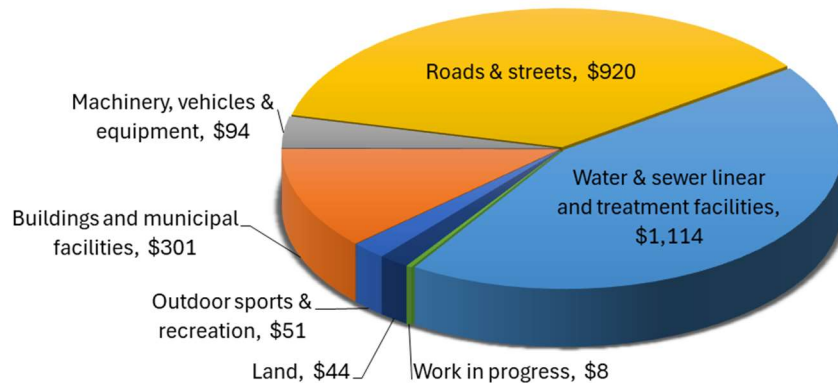
Investments in infrastructure support Program Results

During 2025, 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	<ul style="list-style-type: none"> • Northumberland Street, Crocket Street, and Main Street, coordinated reconstruction to replace end of life infrastructure and improve flood resiliency • Refillable water fountains • Installation of solar panels at Regent Street Depot 	An environmentally conscious corporation and community, adapting and mitigating against climate change
Livable Community	<ul style="list-style-type: none"> • Continued construction of new Performing Arts Centre • Upgrades to Killarney Lake Park: <ul style="list-style-type: none"> ○ Begun construction of natural playground ○ Expansion of mountain bike trails ○ Continued construction of 18-hole disc golf course • Construction of Garrison Multi Plaza • Replacement of Grant Harvey Turf Field • Renewal of Downing Street Park, including upgrades to the outdoor hockey rink • Replacement of the Fredericton Indoor Pool roof 	A vibrant, well-planned, connected, and active community
Mobility	<ul style="list-style-type: none"> • Continued investment in renewal of transportation network • Replacement of the Nashwaak Bridge decking • Purchase of 4 new hybrid buses • Addition of trail lighting between Bill Thorpe Walking Bridge and Gibson Street. • Expansion and renewal of trail network 	New equipment and infrastructure to provide safe, accessible, options for movement around the community.
Public Safety	<ul style="list-style-type: none"> • Acquisition of new pumper and fire rescue truck • Reconstruction of police parkade • Continued investment in police fleet • Upgrades to police equipment 	Services that protect people and property, fostering a safe and secure community for all.
Water and Wastewater	<ul style="list-style-type: none"> • Completion of upgrades at Barker Street treatment facility • Reconstruction of two wastewater lift stations • Completion of a new production well • Ongoing investment in in coordinated replacement of linear water and sewer infrastructure with roadway improvement projects 	Infrastructure to provide safe and clean water

Infrastructure Condition and Deficit

Total Replacement Value of Infrastructure \$2,533 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	2025	2024
Outdoor sports & recreation	\$ 7.8	\$ 8.9
Buildings and municipal facilities	18.7	17.6
Machinery, vehicles & equipment	13.6	15.1
Roads & streets	103.8	93.6
Water & sewer linear and treatment facilities	210.8	204.2
	<u>\$ 354.7</u>	<u>\$ 339.3</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 stabilize the infrastructure deficit over a 20-year period. An in-depth review of the General Fund was undertaken in 2023 and the review of the Water & Sewer Fund is planned for 2026.

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. The Capital Prioritization and Investment Policy ensures that at least 75% of the General Fund capital budget is invested in the renewal of existing infrastructure while the Water and Sewer Fund is set at 90% due to the larger deficit amount.

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

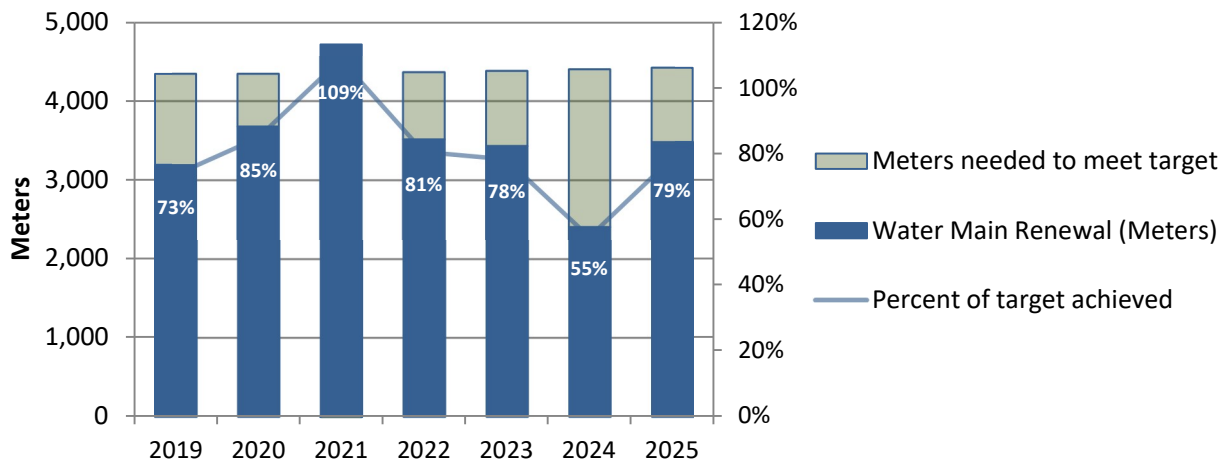
Water and Sewer linear assets represent the largest area of infrastructure deficit

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 840 kilometers of underground piping.

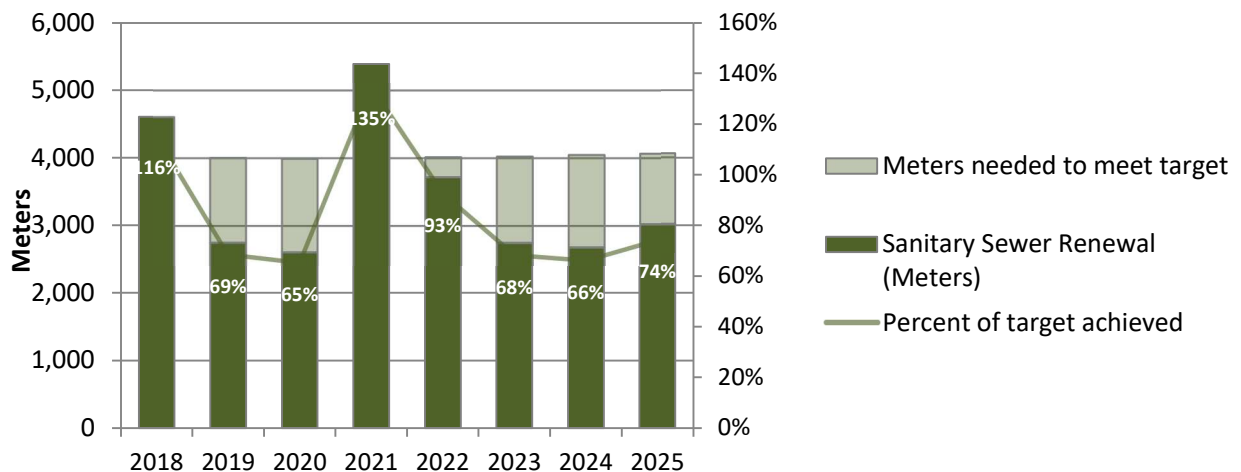
Water & Sewer Linear Assets	Total Length (km)	Infrastructure in Service Beyond Expected Useful Life		
		Length of Deficit (km)	Percent of Total	Replacement Cost (in millions)
Water mains	438.2	111.0	25%	\$ 128.1
Sanitary sewers	402.5	19.1	5%	\$ 18.6

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 minimum 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



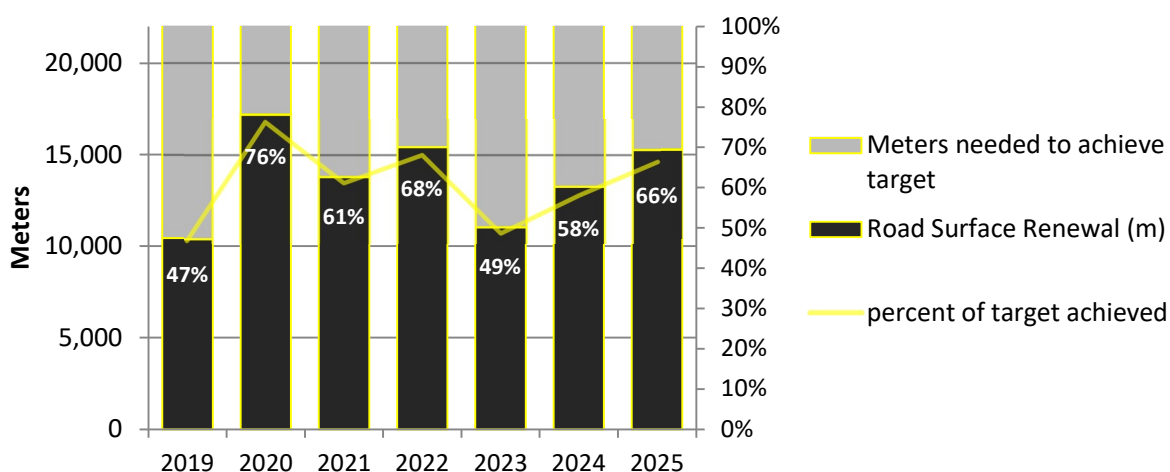
Sanitary Sewer Renewal Compared to Target



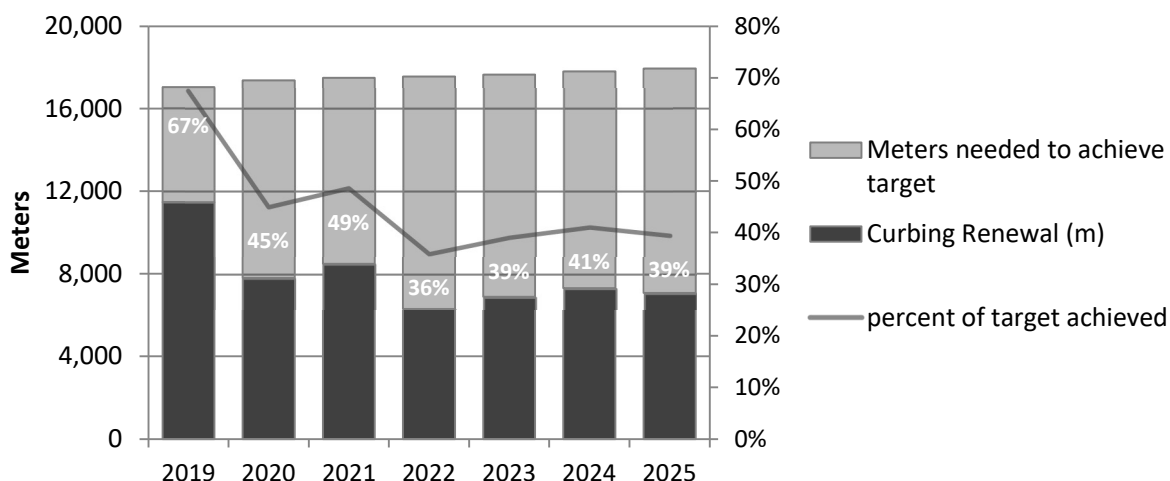
Roads and Streets assets require significant reinvestment to sustain the quality of service

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	74.1	20%	\$ 20.4
Road base	381.0	37.6	10%	\$ 51.8
Curbing	583.1	67.7	12%	\$ 14.2
Sidewalk	261.9	21.8	8%	\$ 9.0

Road Surface Renewal Compared to Target

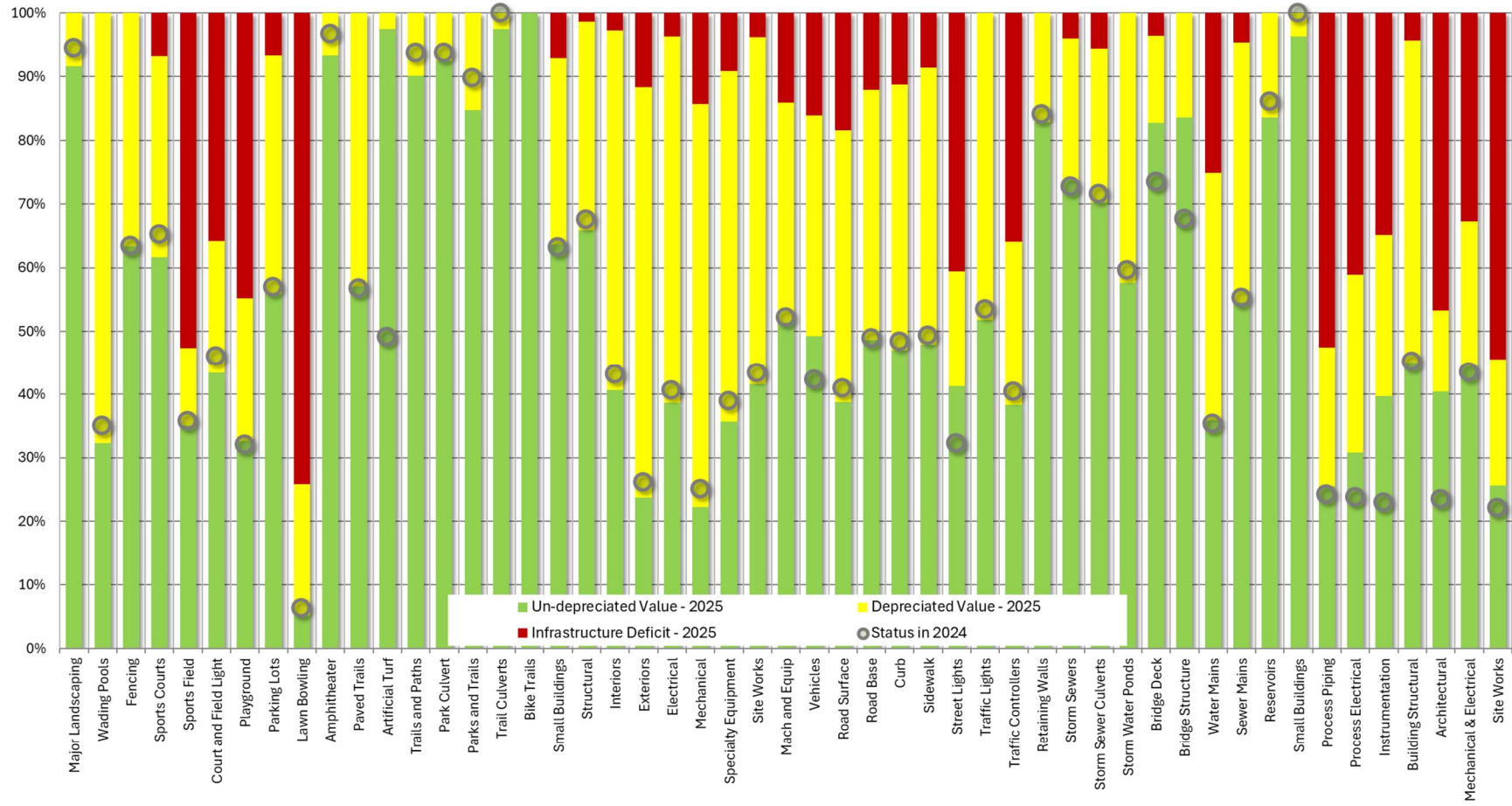


Curbing Renewal Compared to Target



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 Surplus

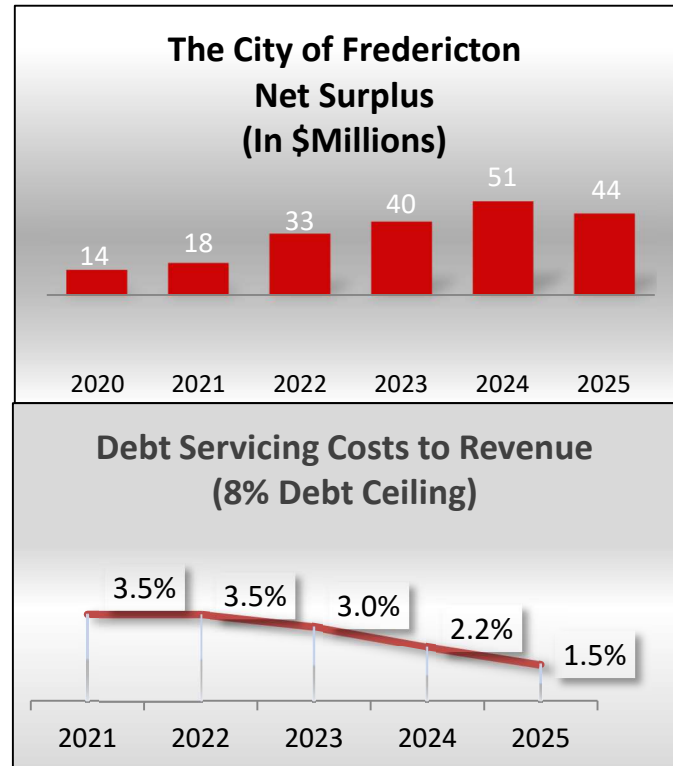
The City has experienced an increase in its net surplus in four of the last five years. In 2025, the City saw a decrease in its net surplus due to the derecognition of its pension asset due to settlement of Defined Benefit pension plan.

- For the year ended December 31, 2025, the net surplus decreased to \$44 million.

Debt Servicing Costs

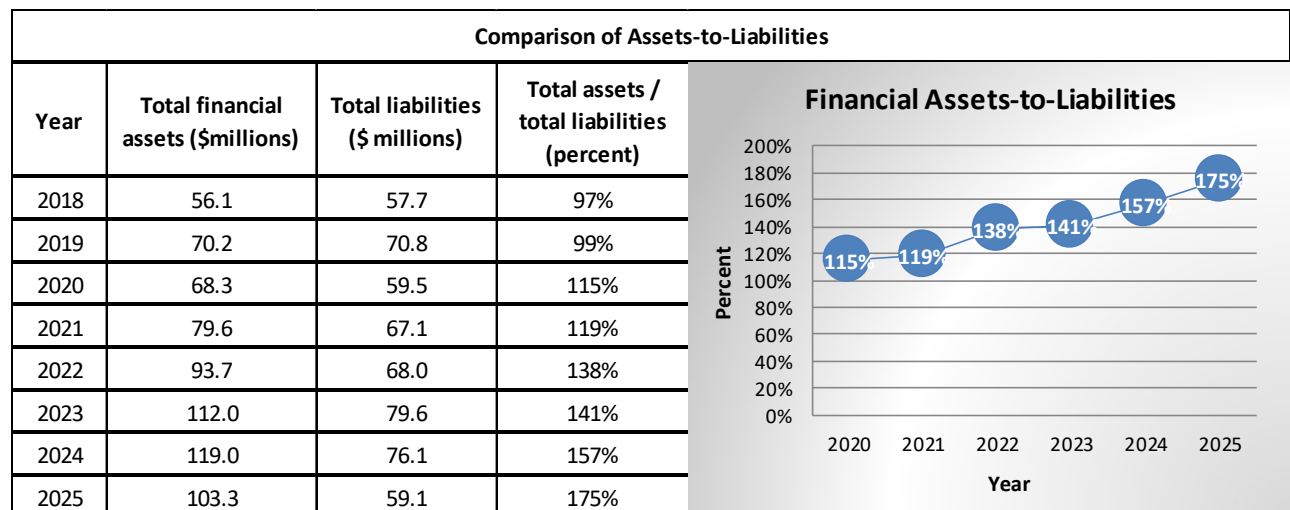
Debt servicing costs were 1.5% of total revenue in 2025. The long-term financial plan sets a target debt servicing ceiling of 8% of total recurring revenue.

- Debt servicing costs of \$3.8 million were recorded in 2025, including \$0.6 million in interest and \$3.2 million in principal repayments.



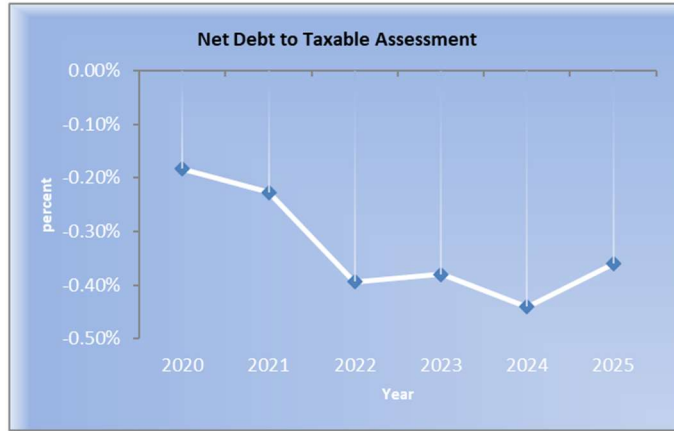
Improving Asset-to-Liability ratio

In 2025, 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 without negatively impacting the affordability of the tax rate.

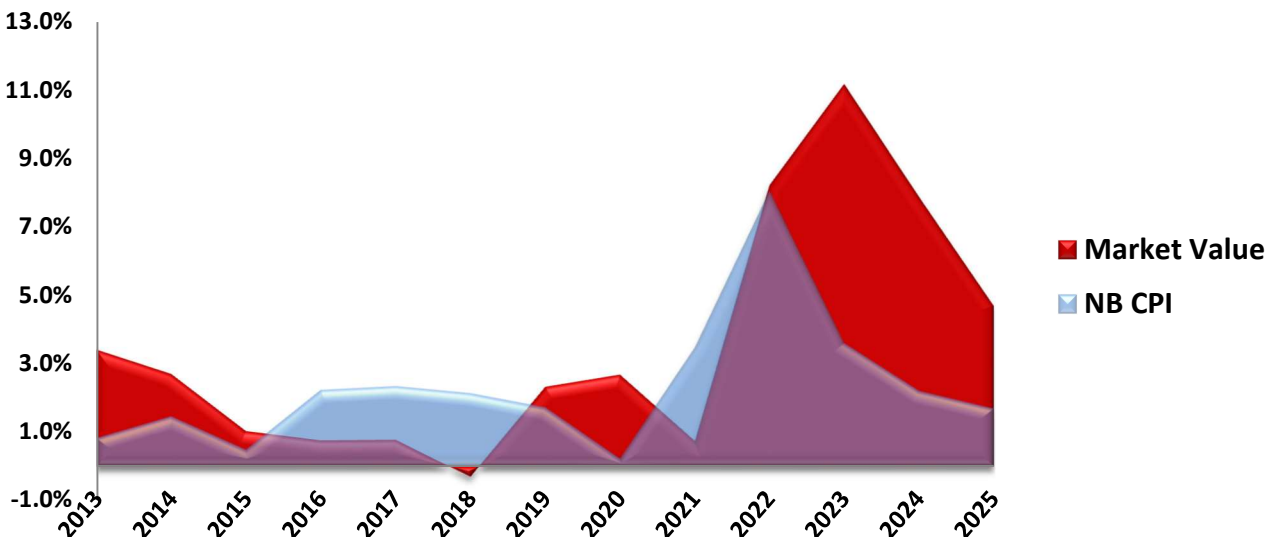


Municipal Tax Burden

In 2024, Fredericton's overall Municipal Tax Effort was 5.0%. This means that for the average residential unit 5.0% 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 2025, property tax assessments increased by 4.68% while the New Brunswick's Consumer Price Index (NB CPI) rose by 1.68% for the year. Over the last ten years, property assessments have risen on average 3.9% per year, while the NB CPI averaged growth of 2.8%. This means that property taxes have remained relatively 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.

Inflationary increases over many years have a significant impact on operations and buying power. In addition, supply chain delays, lack of available resources and a low number of bids on many tenders is a trend that is being closely monitored to determine long term impacts on service delivery.

Slowing Revenue

- While going through a sharp increase to assessment amounts for properties in 2022-2025, 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 and demand for new services. 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 44.4% [2024 – 51.1%] of total costs and are projected to continue to rise based on the HR Tactical plan and a growing City resulting in the need for additional resources.
- Public Safety personnel costs account for 21.2% of the overall municipal expenses. Public Safety labour contracts and salary amounts are typically reached through a process of arbitration. This process limits the employer's efforts to control labour costs and continues to increase the costs of public safety 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 1.1% of total expenses. The City uses nearly 1.8 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 \$18,000 more per year. Oil is also a major factor in the price of asphalt for construction projects. The City is moving to incorporate more hybrid and electric vehicles to help reduce the impact of increasing fuel costs.
- 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 \$200,000.

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 draughts, 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 making improvements, innovation and 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, which will be renewed in 2026.

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 identify strategic investments in areas that produce the highest results for residents are prioritized through the annual corporate action plan which provides the strategic alignment and direction through Council and CAO to the departments. Departments take the corporate action plan and develop departmental plans to achieve results. Dashboards are created and monitored on a regular basis and Council resolutions related to priorities can be found at <https://www.fredericton.ca/en/your-government/mayor-council/resolutions-dashboards>

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.

	Indicator	Purpose	2021	2022	2023	2024	2025	Analysis
Sustainability	Assets-to-liabilities	Measures extent that government finances its operations by issuing debt	10.41	10.64	9.71	10.81	14.24	Favorable
	Financial assets-to-liabilities	Measures whether future revenues will be needed to pay for past transactions	119%	138%	141%	157%	175%	Favorable
	Net debt-to-total revenue (percent)	Shows whether more time is needed to pay for past transactions	-11%	-20%	-20%	-22%	-17%	Neutral
	Net debt-to-taxable assessment	Shows the relationship between Net Debt and the activity in the economy	-0.23%	-0.39%	-0.38%	-0.44%	-0.36%	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	8.19%	7.81%	6.68%	6.47%	6.35%	Neutral
	Total expenses-to-taxable assessment	Shows the trend of government spending over time in relation to the growth in the economy	1.81%	1.66%	1.58%	1.66%	1.81%	Neutral

	Indicator	Purpose	2021	2022	2023	2024	2025	Analysis
Flexibility	Debt service charges-to-revenues	Measures extent that past borrowing decisions limits ability to meet current financial and service commitments	3.15%	3.20%	1.96%	2.19%	1.47%	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	64.05%	63.32%	63.32%	63.54%	63.94%	Neutral
	Own-source revenues-to-taxable assessment	Measures extent income is taken out of the economy	1.82%	1.78%	1.66%	1.70%	1.68%	Neutral
Vulnerability	Government transfers-to-total revenues	Measures the dependence on another level of government	12.15%	9.87%	14.66%	16.98%	20.36%	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

Independent auditor's report

To Her 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, 2025, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net surplus, 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, 2025 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 Amended and Restated 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 amended and restated 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.

Emphasis of matter

We draw attention to Note 28 to the financial statements, which explains that certain comparative information for the year ended December 31, 2024 has been restated. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Financial Statement Discussion and Analysis but does not include the amended and restated consolidated financial statements and our auditor's report thereon.

Our opinion on the amended and restated 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 amended and restated 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 amended and restated consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Financial Discussion and Analysis prior to the date of the auditor's report. 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 amended and restated consolidated financial statements

Management is responsible for the preparation and fair presentation of these amended and restated 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 the amended and restated consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the amended and restated 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 amended and restated 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 amended and restated 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 amended and restated 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 amended and restated 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 amended and restated consolidated financial statements, including the disclosures, and whether the amended and restated 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.

Ernst + Young LLP

Chartered Professional Accountants

Saint John, Canada
April 13, 2026



CITY OF FREDERICTON

Consolidated Financial Statements

Year ended December 31, 2025

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CITY OF FREDERICTON

Consolidated Statement of Financial Position

As at December 31

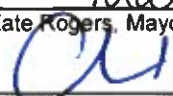
	2025	2024 (Restated)
Financial assets		
Cash and cash equivalents <i>[note 2]</i>	\$ 77,557,735	\$ 92,886,844
Investments	4,626,986	2,678,750
Accounts receivable	21,110,345	23,476,981
Accrued pension asset <i>[note 17]</i>	-	8,072,700
	\$ 103,295,066	\$ 127,115,275
Liabilities		
Accounts payable and accrued liabilities	\$ 18,595,919	\$ 23,250,531
Deferred revenue	6,277,080	5,527,771
Deferred government transfers <i>[note 4]</i>	11,753,979	21,269,833
Deposits <i>[note 3]</i>	927,844	891,844
Long-term debt <i>[note 5]</i>	19,985,291	23,357,474
Long-term commitment <i>[note 17]</i>	589,143	885,858
Asset retirement obligations <i>[note 18]</i>	683,728	869,671
Supplemental executive retirement plan <i>[note 8]</i>	277,500	284,000
	\$ 59,090,484	\$ 76,336,982
Net surplus	\$ 44,204,582	\$ 50,778,293
Non-financial assets		
Tangible capital assets <i>[note 20]</i>	\$ 734,279,923	\$ 691,334,928
Supplies inventory	3,702,110	3,619,473
	\$ 737,982,033	\$ 694,954,401
Accumulated surplus	\$ 782,186,615	\$ 745,732,694
Accumulated surplus consisting of:		
Accumulated operating surplus	\$ 780,694,584	\$ 744,988,894
Accumulated remeasurement gains	\$ 1,492,031	743,800
	\$ 782,186,615	\$ 745,732,694

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

	2025 Budget	2025 Actual	2024 Actual (Restated)
Revenue			
Property taxes	\$ 156,346,042	\$ 156,346,042	\$ 148,212,547
Community funding and equalization grant	805,011	805,015	1,207,516
Federal grant in lieu of taxes adjustment	4,404	4,404	4,466
Services to other governments	5,508,503	5,969,197	5,393,656
Sales, fines and other fees	37,500,469	46,666,555	42,554,377
Interest and return on investments	560,000	3,686,115	4,830,726
Third-party contributions	-	46,068,152	33,408,146
	\$ 200,724,429	\$ 259,545,480	\$ 235,611,434
Expenses			
General Government Services - Corporate	\$ 2,622,308	\$ 3,277,520	\$ 3,019,355
Sustainable Infrastructure	4,086,187	2,766,164	3,270,371
Economic Vitality	15,074,128	21,147,482	17,851,750
Environmental Stewardship	6,310,154	6,599,993	7,171,104
Governance & Civic Engagement	6,668,494	7,014,013	5,830,563
Livable Community	29,853,690	49,822,681	38,986,040
Mobility [including Transit]	39,099,715	39,763,462	37,374,977
Public Safety [note 16]	64,146,464	72,297,547	57,713,541
Water and Wastewater	19,832,597	20,402,697	19,451,953
	\$ 187,693,737	\$ 223,091,559	\$ 190,669,654
Annual surplus	\$ 13,030,692	\$ 36,453,921	\$ 44,941,780
Remeasurement gains	-	(748,231)	(337,188)
Annual operating surplus	\$ 13,030,692	\$ 35,705,690	\$ 44,604,592
Accumulated operating surplus, beginning of year	755,580,045	744,988,894	700,384,302
Accumulated operating surplus, end of year	\$ 768,610,737	\$ 780,694,584	\$ 744,988,894

See accompanying notes

CITY OF FREDERICTON

Consolidated Statement of Changes in Net Surplus

For the year ended December 31

	2025 Budget	2025 Actual	2024 Actual (Restated)
Annual operating surplus	\$ 13,030,692	\$ 35,705,690	\$ 44,604,592
Acquisition of tangible capital assets	(37,953,102)	(72,051,654)	(65,060,466)
Disposal of tangible capital assets	4,222,261	2,030,643	5,388,894
Amortization of tangible capital assets	22,968,188	27,076,016	25,448,079
Decrease (increase) in supplies inventory	-	(82,637)	207,928
	\$ (10,762,653)	\$ (43,027,632)	\$ (34,015,565)
Increase (decrease) in net surplus excluding net remeasurement	2,268,039	(7,321,942)	10,589,027
Remeasurement gains	-	748,231	337,188
Change in net surplus	2,268,039	(6,573,711)	10,926,215
Net surplus, beginning of year	50,778,293	50,778,293	39,852,078
Net surplus, end of year	\$ 53,046,332	\$ 44,204,582	\$ 50,778,293

See accompanying notes

CITY OF FREDERICTON

Consolidated Statement of Remeasurement Gains

For the year ended December 31

	<u>2025</u>		<u>2024</u>
Accumulated remeasurement gains, beginning of year	\$ 743,800	\$	406,612
Unrealized gains attributable to portfolio investments	748,231		337,188
Accumulated remeasurement gains, end of year	\$ 1,492,031	\$	743,800

See accompanying notes

CITY OF FREDERICTON

Consolidated Statement of Cash Flows

For the year ended December 31

	2025	2024 (Restated)
Operating activities		
Annual surplus	\$ 36,453,921	\$ 44,941,780
Items not affecting cash		
Amortization of tangible capital assets	27,076,016	25,448,079
Loss on disposition of tangible capital assets	944,614	5,388,894
Contributed tangible capital assets	(3,113,389)	(3,510,494)
Unrealized gain on investments	(748,231)	(337,188)
Accretion of asset retirement obligations	14,057	22,854
Loss on settlement of pension plan	8,072,700	-
Uses		
Change in working capital	(2,251,976)	(4,592,939)
Change in accrued pension asset	(6,500)	(375,700)
Change in deferred revenue	749,309	(836,696)
Change in deferred government transfers	(9,515,854)	(2,335,998)
Change in long-term commitment	(296,715)	(298,108)
Change in supplies inventory	(82,637)	207,928
Settlement of asset retirement obligation	(200,000)	-
Cash provided by operating activities	\$ 57,095,315	\$ 63,722,412
Capital activities		
Proceeds on sale of tangible capital assets	1,086,029	1,346,610
Acquisition of tangible capital assets	(68,938,265)	(61,549,972)
Cash used in capital activities	\$ (67,852,236)	\$ (60,203,362)
Financing activities		
Repayment of long-term debt	(3,208,000)	(3,126,000)
Capital lease principal repayments	(164,183)	(672,948)
Cash used in financing activities	\$ (3,372,183)	\$ (3,798,948)
Investing activities		
Net sale (purchase) of long-term investments	(1,200,005)	1,847,588
Cash provided by (used in) investing activities	\$ (1,200,005)	\$ 1,847,588
Change in cash and cash equivalents	(15,329,109)	1,567,690
Cash and cash equivalents, beginning of year	92,886,844	91,319,154
Cash and cash equivalents, end of year	\$ 77,557,735	\$ 92,886,844

See accompanying notes

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

1. Significant accounting policies

(i) Reporting entity

The consolidated financial statements of the City of Fredericton [the "City"] reflect the assets, liabilities, revenue, expenditures, remeasurement gains and losses, 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 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 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 as it is earned and measurable. 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, 2025

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 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, 2025

1. Significant accounting policies (continued)

(vi) Tangible capital assets (continued)

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.

(vii) Employee future benefits

a) The City has certain shared risk pension plans for eligible employees. The City's contributions to these plans are expensed as incurred [note 17].

b) The City has a Supplemental Executive Retirement Plan ["SERP"] for eligible employees which is actuarially determined using the projected benefit method prorated on service [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 using the projected benefit method prorated on service [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.

(ix) Asset retirement obligation

The City accounts for an asset retirement obligation in the period during which a legal obligation associated with the retirement of a tangible capital asset is incurred and when a reasonable estimate of this amount can be made. The asset retirement obligation is initially measured at the best estimate of the expenditure required to settle the present obligation at the consolidated statement of financial position date. A corresponding amount is added to the carrying amount of the related asset and is then amortized over its useful life. Changes in the liability due to the passage of time are recognized as interest expense in net income with a corresponding increase in the liability.

At each consolidated balance sheet date, the asset retirement obligation is reviewed and adjusted to reflect the then current best estimate of the liability. Such adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement, as well as changes in the legal requirements of the obligation and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the asset retirement obligation, with a corresponding adjustment to the carrying amount of the related asset.

(x) Budget

The budget figures contained in these financial statements were approved by Council on November 25, 2024 and the Minister of Local Government on December 19, 2024. The budget is unaudited and does not include elimination of inter-organizational revenues and expenses with controlled entities.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

2. Cash and cash equivalents

Cash and cash equivalents are recorded at cost, which approximates their fair value, and are redeemable upon demand. Included in this amount are funds internally restricted by City Council for predetermined projects in the amount of \$53,003,991 [2024 - \$56,097,384].

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.

	2025	2024
Foundation locations	\$ 86,500	\$ 86,500
Tenders	161,837	161,837
Infrastructure fees	331,796	306,796
Performance bonds	205,806	205,806
Animal control and other	240	240
Development fees	885	885
Water and sewer installations	140,780	129,780
	\$ 927,844	\$ 891,844

4. Deferred government transfers

Funding received as part of the Canada Community Building 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:

	2025	2024
Canada Community Building Fund	\$ 7,906,782	\$ 17,164,834
CMHC Housing Accelerator Fund	3,529,504	1,810,415
CMHC Rapid Housing Initiative Fund	317,693	2,294,584
	\$ 11,753,979	\$ 21,269,833

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, 2025

5. Long-term debt

External Borrowing

	2025	2024
General Fund		
Debtures, 20-year amortization period:		
Maturing in 2028, bearing interest at 4.51% to 5.25%	\$ 2,033,000	\$ 2,651,000
Maturing in 2029, bearing interest at 1.95% to 2.45%	5,364,000	6,632,000
Maturing in 2030, bearing interest at 0.50% to 1.80%	3,183,000	3,795,000
Maturing in 2033, bearing interest at 1.35% to 4.00%	4,273,000	4,727,000
Maturing in 2041, bearing interest at 0.86% to 2.96%	4,960,000	5,216,000
	19,813,000	23,021,000
Capital lease obligation with implicit interest rate of 4.83% - Pumper Truck	172,291	336,474
Total external long-term debt and capital lease obligations	\$ 19,985,291	\$ 23,357,474

The General Fund debtures are amortized over a period of up to 20 years, with fixed rates of interest over the initial term which can vary between 5-20 years. After the initial term, the City has the option to renew the debtures for the remainder of the amortization period or to pay them off in full.

The City has obtained approval from the Municipal Capital Borrowing Board for the long-term debt, and expects to renew each of the debtures as they mature.

Interest in the amount of \$620,358 [2024 - \$701,453] relating to the external debtures is included in interest expense.

Interest in the amount of \$16,616 [2024 – nil] relating to the capital lease obligations is included in interest expense.

Internal Borrowing

The City has refinanced some of the debtures with internal inter-fund debtures. These are not presented on the Statement of Financial Position as they are eliminated upon consolidation.

	2025	2024
General Fund		
Debtures, 10-year amortization period:		
Maturing in 2026, bearing interest at 1.45% to 2.90%	\$ 897,892	\$ 1,773,064
Maturing in 2026, bearing interest at 1.45% to 2.90%	168,670	333,074
Maturing in 2028, bearing interest at 2.10% to 3.45%	730,018	959,206
Total internal long-term debt	\$ 1,796,580	\$ 3,065,344

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

5. Long-term debt (continued)

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

	External	Internal	Total
2026	\$ 3,464,291	\$ 1,301,373	\$ 4,765,664
2027	3,381,000	243,525	3,624,525
2028	3,475,000	251,682	3,726,682
2029	2,833,000	-	2,833,000
2030 and thereafter	6,832,000	-	6,832,000
	\$ 19,985,291	\$ 1,796,580	\$ 21,781,871

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 \$145,137,000, of which \$78,814,000 has been borrowed to date. This includes \$5,964,000 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
Recreation and Cultural	OIC 23-0075	62,800,000	-
Total authorizations to December 31, 2025		\$ 145,137,000	\$ 78,814,000

Of the total amount borrowed, \$19,813,000 [2024 - \$23,021,000] remains to be repaid to the New Brunswick Municipal Finance Corporation [note 5].

7. Capital commitments

As at December 31, 2025, the City has approved a total budget of \$111,209,744 for capital projects related to the construction of a new Performing Arts Centre. Funding for the project is expected to come from multiple sources, including contributions from other levels of government, the divestiture of the existing Playhouse, the Encore! capital campaign, the City, and debt borrowings.

Grants have been formally committed to The Fredericton Playhouse Inc. under the Local Governance Act to guarantee awarded vendor and supplier invoices. As at December 31, 2025, tenders totaling \$100,535,077 had been awarded for the project, of which \$35,394,666 has been paid.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

8. Pension asset/liability

	2025	2024
Supplemental Executive Retirement Plan	\$ 277,500	\$ 284,000

Significant management assumptions used in the actuarial valuation for the SERP are:

Discount rate:	3.19% [2024 - 3.63%] per annum
Inflation rate:	2.75% per annum

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, 2025 are as follows:

	2025	2024
Accrued benefit liability as at January 1	\$ 13,378,100	\$ 12,829,200
Current service cost	848,200	746,800
Interest on obligation	465,400	578,900
Benefit payments	(824,800)	(868,600)
Amortization of losses	45,300	91,800
Accrued benefit liability as at December 31	\$ 13,912,200	\$ 13,378,100
Restricted cash and investments for retirement allowance	\$ 13,912,200	\$ 13,378,100
Net accrued benefit obligation	\$ -	\$ -
Benefit expenses		
Current-period benefit cost	\$ 848,200	\$ 746,800
Interest cost	465,400	578,900
Amortization of losses	45,300	91,800
Retirement allowance expense	\$ 1,358,900	\$ 1,417,500

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

Discount rate:	3.19% [2024 - 3.63%] per annum
Salary growth rate:	2.75% per annum thereafter, plus promotional and merit scale [2024 - 2.75% per annum thereafter, plus promotional and merit scale]
Retirement age:	60% at the age first eligible for an unreduced pension, remainder at age 65

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

10. Expenses by nature of object

	2025	2024 (Restated)
Salaries and benefits	\$ 103,705,841	\$ 89,589,329
Goods and services	90,728,113	71,422,233
Amortization	27,076,017	25,448,079
Interest	636,974	701,454
Other loss (gain) on assets	944,615	3,508,559
	<u>\$ 223,091,560</u>	<u>\$ 190,669,654</u>

11. Contingencies

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 had 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 \$805,602 [2024 - \$709,279] and are included in revenue under services to other governments.

With the implementation of Local Governance Reform, there are new entities that have replaced the former LSDs covered by these agreements. As such, two of the newly formed entities have signed new agreements effective January 1, 2025, in addition to the Capital Region Rural Community, under the same terms as the original agreement. These new agreements will also expire December 31, 2027 and will need to be renegotiated at that time.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

13. Other

Funds held in trust

Trust fund assets administered by the City for the benefit of external parties in the amount of \$1,279,804 [2024 - \$1,176,257] 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 expiring on April 30, 2029. 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.

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 [including Transit]

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.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

14. Segmented information (continued)

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

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

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, 2025 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 [note 21].

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

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 Sitansisk (St. Mary's) First Nation for policing services to Sitansisk (St. Mary's) First Nation. Amounts included relating to expenses and recoveries are as follows:

	2025		2024
Sitansisk (St. Mary's) First Nation policing expenses	\$ 1,219,055	\$	1,142,725
Federal contribution	(559,244)		(604,777)
Provincial contribution	(485,005)		(462,752)
City contribution	\$ 174,806	\$	75,196

17. Shared risk pension plans

a - City of Fredericton Shared Risk Plan

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 Fredericton Firefighter's Association Local 1053 and the Fredericton Police Union UBC 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 pension plan asset 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 \$589,143 [2024 - \$885,858].

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

2026	370,656
2027	370,656
	\$ 741,312

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

17. Shared risk pension plans (continued)

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 SRP Plan was conducted as at March 31, 2025. At that date, the open group funded ratio of the Plan was 128.1% [2024 - 125.1%].

b - City of Fredericton Police & Fire Shared Risk Plan

On October 3, 2024 The City entered into a Memorandum of Understanding (MOU) regarding the superannuation plan for certain employees of the City of Fredericton with the Fredericton Firefighter's Association Local 1053 and the Fredericton Police Union UBC 911. The MOU outline terms for conversion of the existing superannuation plan to a shared risk plan. Effective January 1, 2025, the superannuation plan was converted into the City of Fredericton Police & Fire Shared Risk Plan ("P&F SRP").

The P&F SRP is a Shared Risk Plan in accordance with the *Pension Benefits Act (New Brunswick)*. The P&F SRP Plan is administered by an independent Board of Trustees and covers employees of the City who are active members of the Fredericton Firefighter's Association Local 1053 and the Fredericton Police Union UBC 911. Under the P&F SRP, contributions are made by the P&F SRP members and the City.

Plan members contribute at a rate of 10.0% of pensionable earnings in 2025, 10.5% in 2026, and 11.0% in 2027 and thereafter. The City contributes at a rate of 12.0% of pensionable earnings in 2025, 11.5% in 2026, and 11.0% in 2027 and thereafter. As per the Plan's Funding Policy, contributions may increase or decrease by 2% of payroll for both the City and the employees should certain funding levels be reached.

For service up to and including December 31, 2024, 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 \$2,500 per year of pensionable service. For service after January 1, 2025, benefits accrued at a rate of 1.8% of pensionable earnings. Benefits are available on an unreduced basis for members who retire on or after age 65, after 27 years of pensionable service, or the age at which the member's age plus years of service equals 80 years. The P&F SRP has certain benefit terms for early retirement, death before and after retirement, and termination.

The last actuarial valuation of the P&F SRP Plan was conducted as at January 1, 2025. At that date, the open group funded ratio of the Plan was 114.4%.

18. Asset retirement obligations

The estimated liability is the present value of future cash flows associated with asset retirement costs discounted using a long-term borrowing rate of 4.60%. The future cash flows to settle the liabilities were based on actuals incurred recently, management experience and estimates from third-parties, escalated for inflation. The City's asset retirement obligation consists of obligations relating to buildings that are known to have asbestos and lead.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

19. Consolidated schedule of segment disclosure

	Governance & Civic Engagement	General Government Services - Corporate	Sustainable Infrastructure	Public Safety	Mobility [including Transit]	Environmental Stewardship	Economic Vitality	Livable Community	Water and Wastewater	2025 Consolidated	2024 Consolidated (Restated)
Revenue											
Property tax/community funding and equalization grant	\$ 6,616,748	\$ -	\$ 4,109,183	\$ 58,811,314	\$ 41,044,169	\$ 6,817,729	\$ 10,843,455	\$ 28,912,863	\$ -	\$ 157,155,461	\$ 149,424,529
Services to other governments	-	2,096,788	-	1,855,580	488,349	-	1,528,480	-	-	5,969,197	5,393,655
Sales, fines and other fees	-	979,816	-	3,473,685	6,643,584	-	8,246,237	3,533,679	23,789,554	46,666,555	42,554,378
Interest and return on investments	-	3,285,112	-	-	-	-	-	-	401,003	3,686,115	4,830,726
Government transfers	-	617,167	304,410	-	12,034,527	14,149	3,099,827	17,381,861	7,605,450	41,057,391	26,994,639
Other	-	24,735	49,656	15,000	1,658,871	895,968	4,500	369,935	1,992,096	5,010,761	6,413,507
	\$ 6,616,748	\$ 7,003,618	\$ 4,463,249	\$ 64,155,579	\$ 61,869,500	\$ 7,727,846	\$ 23,722,499	\$ 50,198,338	\$ 33,788,103	\$ 259,545,480	\$ 235,611,434
Expenses											
Salaries and benefits	\$ 3,369,743	\$ 14,320,118	\$ 1,478,156	\$ 49,594,168	\$ 12,954,629	\$ 875,527	\$ 3,881,125	\$ 10,519,268	\$ 6,713,107	\$ 103,705,841	\$ 89,589,329
Goods and services	2,025,759	25,636,180	223,777	4,838,600	6,928,594	4,143,492	13,717,011	25,479,896	7,734,804	90,728,113	71,422,233
Amortization	62,717	-	92,131	2,240,064	11,384,291	884,105	1,784,708	4,693,319	5,934,682	27,076,017	25,448,079
Interest	-	127,981	-	94,631	60,255	-	124,322	229,785	-	636,974	701,454
Other (gain) loss on assets	-	(80,849)	-	116,023	817,918	52,812	78,465	(59,858)	20,104	944,615	3,508,559
Subtotal expenses	\$ 5,458,219	\$ 40,003,430	\$ 1,794,064	\$ 56,883,486	\$ 32,145,687	\$ 5,955,936	\$ 19,585,631	\$ 40,862,410	\$ 20,402,697	\$ 223,091,560	\$ 190,669,654
Allocation of Corporate overhead	1,555,794	(36,725,911)	972,100	15,414,062	7,617,775	644,058	1,561,852	8,960,270	-	-	-
Total expenses	7,014,013	3,277,519	2,766,164	72,297,548	39,763,462	6,599,994	21,147,483	49,822,680	20,402,697	223,091,560	190,669,654
Annual surplus	\$ (397,265)	\$ 3,726,099	\$ 1,697,085	\$ (8,141,969)	\$ 22,106,038	\$ 1,127,852	\$ 2,575,016	\$ 375,658	\$ 13,385,406	\$ 36,453,920	\$ 44,941,780

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

20. Schedule of tangible capital assets

	Land	Land improvements	Buildings	Vehicles	Machinery and equipment	Treatment facilities	Linear assets	Assets under construction	2025 Total	2024 Total (Restated)
Cost										
Balance, beginning of year	\$ 22,790,203	\$ 35,667,900	\$ 167,843,260	\$ 39,335,866	\$ 38,567,541	\$ 79,695,754	\$ 688,461,119	\$ 15,635,646	\$ 1,087,997,289	\$ 1,037,685,381
Net additions during the year	1,233,335	4,611,666	3,155,968	10,050,149	6,029,587	14,100,225	40,384,217	(7,513,493)	72,051,654	65,060,466
Disposals during the year	(158,463)	(2,110,523)	(390,371)	(2,855,398)	(977,175)	(331,871)	(4,909,817)		(11,733,618)	(14,748,558)
Balance, end of year	\$ 23,865,075	\$ 38,169,043	\$ 170,608,857	\$ 46,530,617	\$ 43,619,953	\$ 93,464,108	\$ 723,935,519	\$ 8,122,153	\$ 1,148,315,325	\$ 1,087,997,289
Accumulated amortization										
Balance, beginning of year	\$ -	\$ 9,591,959	\$ 79,281,044	\$ 21,243,604	\$ 19,988,058	\$ 41,205,094	\$ 225,352,602	\$ -	\$ 396,662,361	\$ 380,573,946
Amortization during the year	-	1,280,554	5,278,414	2,694,878	2,986,207	2,226,340	12,609,623	-	27,076,016	25,448,079
Accumulated amortization on disposals	-	(2,043,956)	(390,371)	(2,531,242)	(913,816)	(297,575)	(3,526,015)	-	(9,702,975)	(9,359,664)
Balance, end of year	\$ -	\$ 8,828,557	\$ 84,169,087	\$ 21,407,240	\$ 22,060,449	\$ 43,133,859	\$ 234,436,210	\$ -	\$ 414,035,402	\$ 396,662,361
Net book value of tangible capital assets										
	\$ 23,865,075	\$ 29,340,486	\$ 86,439,770	\$ 25,123,377	\$ 21,559,504	\$ 50,330,249	\$ 489,499,309	\$ 8,122,153	\$ 734,279,923	\$ 691,334,928
Consists of:										
General Fund Assets	\$ 22,491,808	\$ 29,340,486	\$ 86,439,770	\$ 23,046,036	\$ 19,297,388	\$ -	\$ 283,251,375	\$ 4,229,887	\$ 468,096,750	\$ 438,850,815
Water and Sewer Fund Assets	1,373,267	-	-	2,077,341	2,262,116	50,330,249	206,247,934	3,892,266	266,183,173	252,484,113
	\$ 23,865,075	\$ 29,340,486	\$ 86,439,770	\$ 25,123,377	\$ 21,559,504	\$ 50,330,249	\$ 489,499,309	\$ 8,122,153	\$ 734,279,923	\$ 691,334,928

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

21. Consolidated schedule of accumulated surplus (deficit) reconciliation

	General Operating Fund	Water and Sewer Operating Fund	Reserve Funds	Land Sales Fund	Parking Land Bank Fund	General Capital Fund	Water and Sewerage Capital Fund	Total
2025 annual surplus (deficit), per Local Governance Act	\$ 3,598,803	\$ 516,168	\$ (1,208,907)	\$ (1,667,869)	\$ 160,847	\$59,316,686	\$ 15,960,125	\$ 76,675,853
Adjustments to 2025 annual surplus for funding requirements								
Second previous year's surplus	(3,146,698)	(768,753)	-	-	-	-	-	(3,915,451)
Amortization expense	-	-	-	(9,387)	-	(21,150,722)	(5,934,682)	(27,094,791)
External long-term debt principal repayment	(3,208,000)	-	-	-	-	3,208,000	-	-
Internal long-term debt principal repayment	(1,440,690)	-	-	-	-	1,440,690	-	-
Long-term commitment	296,715	-	-	-	-	-	-	296,715
Transfer from water and sewer operating fund to water and sewer reserve fund	-	2,695,550	(2,695,550)	-	-	-	-	-
Transfer from water and sewer reserve to water and sewer operating fund	-	(3,871,711)	3,871,711	-	-	-	-	-
Transfer from general operating fund to general capital reserve fund	12,589,290	-	(12,589,290)	-	-	-	-	-
Transfer from general operating fund to general operating reserve fund	2,102,270	-	(2,102,270)	-	-	-	-	-
Transfer from general operating reserve fund to general operating fund	(14,165,557)	-	14,165,557	-	-	-	-	-
Transfer from general capital reserve fund to general operating fund	(2,008,391)	-	2,008,391	-	-	-	-	-
Transfer of capital from operating	45,827,748	19,903,220	-	-	-	(45,827,748)	(19,903,220)	-
Transfer of capital from land sales fund	-	-	-	1,281,177	-	(923,577)	(357,600)	-
Contributed capital assets	-	-	-	-	-	1,121,293	1,992,096	3,113,389
Gain (loss) on disposal of tangible capital assets	-	-	-	(8,362)	-	(12,388,475)	(224,957)	(12,621,794)
Total adjustments to 2025 annual surplus	\$ 36,846,687	\$ 17,958,306	\$ 2,658,549	\$ 1,263,428	\$ -	\$ (74,520,539)	\$ (24,428,363)	\$ (40,221,932)
2025 annual surplus per PSAB for the year	\$ 40,445,490	\$ 18,474,474	\$ 1,449,642	\$ (404,441)	\$ 160,847	\$ (15,203,853)	\$ (8,468,238)	\$ 36,453,921

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

22. Schedule of net operating loss - arena complexes

	2025	2024
Revenue <i>[note 12]</i>		
Ice rental	\$ 1,690,526	\$ 1,591,092
Canteen rental	26,801	35,973
Building rental	1,800	11,317
Community room rental	34,277	30,269
Other	5,626	4,925
YMCA lease agreement	30,596	30,545
Total arena complex revenue	1,789,626	1,704,121
Expenses <i>[note 12]</i>		
Salaries and wages	2,568,555	2,267,504
Supplies	175,244	154,813
Repairs and maintenance	450,793	409,035
Utilities	1,140,802	993,559
Service contracts	243,839	226,183
Other	68,282	63,508
Total arena complex expenses	4,647,515	4,114,602
Net operating loss	\$ (2,857,889)	\$ (2,410,481)

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]*

	2025	2024
Opening balance, beginning of year	\$ 840,347	\$ 1,870,892
Expenditure	(119,219)	(1,121,337)
Interest on balance	26,100	90,792
Closing balance, end of year	\$ 747,228	\$ 840,347

The Capital Replacement Fund is included with cash that is designated as reserves for spending in future years by City Council *[note 3]*.

Total payments made during the year to the Municipal Capital Borrowing Board for the debt associated with the Grant Harvey Centre and Willie O'Ree Centre was \$2,130,839 (2024 - \$2,130,654). The amount representing interest for the year was \$297,484 (2024 - \$343,651).

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

23. Statement of reserves

	General Operating Reserve	General Capital Reserve (a)	Water and Sewer Reserve	2025 Total	2024 Total
Assets					
Cash	\$ 8,800,396	\$ 34,024,757	\$ 10,178,838	\$ 53,003,991	\$ 56,097,384
Net payables	(11,903)	(217,665)	(583,376)	(812,944)	(2,056,922)
Investments	-	2,896,844	-	2,896,844	2,256,336
Accumulated surplus	\$ 8,788,493	\$ 36,703,936	\$ 9,595,462	\$ 55,087,891	\$ 56,296,798
Revenue					
Transfers from Operating Funds	\$ 2,102,270	\$ 12,589,290	\$ 2,695,550	\$ 17,387,110	\$ 19,778,756
Interest	238,379	927,066	284,197	1,449,642	1,896,521
	2,340,649	13,516,356	2,979,747	18,836,752	21,675,277
Expenditures	2,008,391	14,165,557	3,871,711	20,045,659	15,729,296
Annual surplus (deficit)	\$ 332,258	\$ (649,201)	\$ (891,964)	\$ (1,208,907)	\$ 5,945,981
Balance, beginning of the year	8,456,235	37,353,137	10,487,426	56,296,798	50,350,817
Balance, end of the year	\$ 8,788,493	\$ 36,703,936	\$ 9,595,462	\$ 55,087,891	\$ 56,296,798

(a) Included in the assets of the General Capital Reserve is \$5,607,934 for the Capital Replacement Reserve of the Fredericton Convention Centre. Transfers from Operating Funds to the General Capital Reserve include \$796,408 from the Fredericton Convention Centre for the Capital Replacement Reserve.

Name of Investment	Principal Amount	Interest Rate	Date of Maturity
Interfund debenture	\$ 730,018	2.10% - 3.45%	May 16, 2028
Interfund debenture	\$ 168,673	1.65% - 2.90%	December 1, 2026
Non-cashable GIC	\$ 5,000,000	3.80%	March 6, 2026
Non-cashable GIC	\$ 1,763,127	5.30%	April 30, 2027
Canadian equities	\$ 235,026	N/A	N/A

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

23. Statement of reserves (continued)

Council Resolutions regarding transfer to and from reserves:

Moved by: Councillor Greg Ericson

Seconded by: Councillor Steven Hicks

THAT City Council adopt the following resolution:

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to apply the amount of \$2,008,391 in the General Operating Reserve Fund to the 2025 expenditures incurred to complete previously approved projects.

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to apply the amount of \$14,165,557 in the General Capital Reserve Fund to the 2025 expenditures incurred to complete previously approved projects.


BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to apply the amount of \$3,871,711 in the Water and Sewer Capital Reserve Fund to the 2025 expenditures to complete previously approved projects.

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to transfer the amount of \$2,102,270 to the General Operating Reserve Fund in order to complete projects budgeted for in 2025 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 to transfer the amount of \$11,792,882 to the General Capital Reserve Fund in order to complete projects budgeted for in 2025 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 to transfer the amount of \$2,695,550 to the Water and Sewer Capital Reserve Fund in order to complete projects budgeted for in 2025 in future years from the Water and 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 8, 2025.


Jennifer Lawson
City Clerk
City of Fredericton



April 13/26
Date

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

24. Statement of controlled entities

	Controlled entities consolidated with the General Operating Fund				2025 Total	2024 Total
	e-Novations Inc.	ComNet Inc.	Newmarket Properties Inc.	Fredericton Convention Centre		
Assets	\$ 1,862,663	\$ 2,166,606	\$ 1,051,190	\$ (2,370,592)	\$ 2,709,867	\$ 2,746,769
Liabilities	(575,410)	(188,604)	(339,479)	137,193	(966,300)	(1,287,753)
Accumulated surplus	\$ 1,287,253	\$ 1,978,002	\$ 711,711	\$ (2,233,399)	\$ 1,743,567	\$ 1,459,016
Revenue	\$ 190,061	\$ 1,036,122	\$ 6,551,400	\$ (1,316,477)	\$ 6,461,106	\$ 4,768,287
Expenditures	(189,044)	(408,195)	(5,666,502)	883,594	(5,380,147)	(3,952,363)
Annual surplus - Per Province of New Brunswick ["PNB"] compliance requirements	\$ 1,017	\$ 627,927	\$ 884,898	\$ (432,883)	\$ 1,080,959	\$ 815,924

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, 2025

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	PSAB Budget
Revenue					
Property taxes	\$ 156,346,042	\$ -	\$ -	\$ -	\$ 156,346,042
Community funding and equalization grant	805,011	-	-	-	805,011
Federal grant in lieu of taxes adjustment	4,404	-	-	-	4,404
Services to other governments	5,508,503	-	-	-	5,508,503
Licenses, permits and fines	2,592,500	-	-	-	2,592,500
Sales and own source revenue	11,191,205	23,716,764	-	-	34,907,969
Interest and return on investments	560,000	-	-	-	560,000
Second previous year's surplus	3,146,698	768,753	-	(3,915,451) (a)	-
	\$ 180,154,363	\$ 24,485,517	\$ -	\$ (3,915,451)	\$ 200,724,429
Expenses					
Governance & Civic Engagement	\$ 6,605,777	\$ -	\$ 62,717	\$ -	6,668,494
Sustainable Infrastructure	3,994,056	-	92,131	-	4,086,187
General Government Services - Corporate	2,313,905	-	-	308,403 (b)	2,622,308
Public Safety [note 16]	61,678,364	-	2,240,064	228,036 (b)	64,146,464
Mobility [including Transit]	27,570,225	-	11,384,291	145,199 (b)	39,099,715
Environmental Stewardship	5,426,049	-	884,105	-	6,310,154
Economic Vitality	12,989,834	-	1,784,708	299,586 (b)	15,074,128
Livable Community	24,606,645	-	4,693,319	553,726 (b)	29,853,690
Fiscal Services					
Principal payments on long-term debt	6,069,058	-	-	(6,069,058) (c)	-
Interest payments on long-term debt	1,534,950	-	-	(1,534,950) (b)	-
Funding current year's capital projects	27,365,500	10,587,602	-	(37,953,102) (d)	-
Water and Wastewater	-	13,897,915	5,934,682	-	19,832,597
	\$ 180,154,363	\$ 24,485,517	\$ 27,076,017	\$ (44,022,160)	\$ 187,693,737
Annual surplus	\$ -	\$ -	\$ (27,076,017)	\$ 40,106,709	\$ 13,030,692

(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

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

26. Detailed statement of revenue and expenditure

General Operating Fund - Consolidated

	2025		2024
	Budget	Actual	Actual (Restated)
Revenue from operations			
Province of New Brunswick			
Property taxes	\$ 156,346,042	\$ 156,346,042	\$ 148,212,547
Community funding and equalization grant	805,011	805,015	1,207,516
	157,151,053	157,151,057	149,420,063
Federal payment in lieu of taxes	4,404	4,404	4,466
Services provided to other governments			
Transportation services - provincial routes	448,264	488,349	448,265
Public Safety Emergency Dispatch and 911	1,711,863	2,096,788	1,639,132
Fire services - local service districts	374,928	374,928	336,851
Fire services - provincial hazmat	105,237	107,632	106,440
Services to St. Mary's First Nation			
Fire services - Federal transfer	314,305	314,305	308,591
Police services - Federal transfer	525,421	559,244	604,777
Police services - Provincial transfer	485,005	499,471	462,752
Regional Tourism	1,543,480	1,528,480	1,486,848
	5,508,503	5,969,197	5,393,656
Licenses, permits and fines			
Taxi, business and dog licenses	60,500	74,375	16,744
Building permits	1,750,000	3,291,616	3,511,556
Development approval	100,000	114,960	94,384
Parking, municipal bylaw, and other fines	551,000	465,995	533,618
Police security checks, fine sharing and false alarms	131,000	158,761	148,291
	2,592,500	4,105,707	4,304,593
Sales and other revenue			
Parking meters	642,500	699,509	695,864
Parking lots and garages	1,551,100	1,770,332	1,549,545
Public transit	3,410,000	3,627,311	3,434,096
Para transit	46,410	24,399	41,155
Arena rentals	1,471,142	1,789,600	1,703,973
Outside user fee	805,603	855,442	735,544
Community centres	267,397	373,373	341,721
Indoor pool	252,421	326,824	311,561
Sports fields	145,232	175,719	168,692
Cultural development	5,900	79,962	84,630
Police sale of unclaimed goods	5,000	1,370	2,332
Cash flow and investment management	560,000	1,183,329	1,924,658
Miscellaneous	8,500	223,188	155,098
Vehicle auction proceeds	-	502,846	519,120
Tourism Accommodation Levy	2,580,000	1,599,700	1,548,030
	11,751,205	13,232,904	13,216,019
Total revenue from operations	\$ 177,007,665	\$ 180,463,269	\$ 172,338,797

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

26. Detailed statement of revenue and expenditure (continued)

General Operating Fund - Consolidated (continued)

	2025		2024
	Budget	Actual	Actual (Restated)
Revenue (Continued):			
Government transfers	\$ -	\$ 32,889,309	\$ 17,596,509
Insurance proceeds	-	-	427,475
Third-party contributions	-	1,897,373	2,903,012
Transfer from General Capital Reserve	-	14,165,557	9,922,563
Transfer from Operating Reserve	-	2,008,391	1,925,429
Total transfers from reserves	-	16,173,948	11,847,992
Second previous year's surplus	3,146,698	3,146,698	1,288,374
Total revenue	\$ 180,154,363	\$ 234,570,597	\$ 206,402,159

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

26. Detailed statement of revenue and expenditure (continued)

General Operating Fund - Consolidated (Continued)

	2025		2024
	Budget	Actual	Actual (Restated)
Expenditure from operations			
Governance & Civic Engagement			
Community Leadership	\$ 3,257,743	\$ 3,235,669	\$ 2,575,859
Management Systems	3,195,064	3,562,720	3,027,451
Intergovernmental Affairs	152,970	152,906	163,557
	6,605,777	6,951,295	5,766,867
Economic Vitality			
Affordable Housing	876,471	3,890,617	1,967,247
Business Attraction and Retention	219,629	294,911	260,275
Development Approval	1,912,756	1,740,532	1,544,205
Land Use Planning	1,404,142	1,251,053	1,271,864
Tourism Development and Operations	1,871,755	1,674,750	1,579,410
Tourism Marketing and Sales	6,705,081	5,494,282	5,707,334
	12,989,834	14,346,145	12,330,335
Environmental Stewardship			
Composting	310,009	445,703	269,789
Environmental Strategy	619,070	449,041	478,986
Solid Waste Management	3,665,437	3,691,272	4,392,867
Storm Water Management	831,533	1,077,061	1,252,463
	5,426,049	5,663,077	6,394,105
Livable Community			
Arboriculture	1,466,051	1,822,567	1,637,938
Community Inclusion	1,025,468	1,580,832	1,106,407
Community Special Event Coordination and Support	833,776	765,348	637,618
Cultural Development	2,660,111	21,657,022	10,067,051
Heritage Planning and Conservation	470,522	333,663	249,556
Horticulture	1,096,533	1,119,924	1,218,511
Leisure and Recreation Development and Delivery	5,289,295	5,725,755	4,777,836
Parks and Playground Management	1,984,433	2,310,462	2,466,836
Recreation Facility Scheduling	8,300,821	8,487,978	7,635,171
Sport Field Management	1,479,635	1,289,431	1,214,000
	24,606,645	45,092,982	23,943,697
Mobility [including Transit]			
Fixed Route Scheduled Transit	9,365,218	9,013,381	7,391,616
Para Transit	977,109	976,957	908,224
Parking Management	2,301,331	2,085,534	2,155,864
Roadway Management	6,596,224	6,519,257	6,972,420
Sidewalk Management	2,930,891	2,584,028	2,470,069
Taxi Industry Regulation	109,307	119,130	105,096
Trails Management	1,185,593	1,306,765	1,248,675
Transportation System Management	4,104,552	4,911,631	5,430,926
	\$ 27,570,225	\$ 27,516,683	\$ 26,682,890

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

26. Detailed statement of revenue and expenditure (continued)

General Operating Fund - Consolidated (continued)

	2025		2024
	Budget	Actual	Actual (Restated)
Expenditure from operations (continued)			
Public Safety			
Animal Registration and Control	\$ 255,830	\$ 233,878	\$ 213,927
Building Construction Permission and Enforcement	1,557,823	1,648,093	1,440,224
Bylaw Enforcement	1,630,077	2,245,612	1,369,506
Emergency Preparedness	3,229,825	3,124,531	2,962,669
Fire Emergency Incident Mitigation	19,435,317	18,820,592	17,835,812
Fire Investigation	745,797	780,322	717,813
Fire Prevention and Inspection	1,057,439	1,151,311	980,235
Police - Enforce Federal, Provincial and Municipal Laws	8,773,540	8,854,796	8,020,275
Police - Keeping the Peace	7,123,116	7,549,229	6,354,443
Police - Prevent and Detect Crime	9,323,390	9,579,764	8,967,629
Police - Protect Life and Property	8,546,210	8,794,350	8,176,716
	61,678,364	62,782,478	57,039,249
General Government Services - Corporate			
Communications Management	1,420,676	1,463,702	1,278,553
Continuous Improvement	49,175	42,933	35,494
Facilities Management	7,827,327	7,815,728	7,683,413
Financial Management	2,486,721	2,756,056	2,692,978
Fleet and Equipment Management	4,858,205	4,996,519	5,290,172
Human Resource Management	1,457,143	1,187,633	1,047,096
Information Technology Solution Delivery	1,437,075	1,429,683	1,165,023
Information Technology Support	3,330,246	3,232,667	2,917,721
Insurance Coverage Service	1,369,128	1,495,437	1,351,730
Legal Services	1,025,554	903,345	889,855
Occupational Health and Safety	366,196	296,376	300,545
Public Procurement Management	486,658	396,484	411,966
Public Safety Service Request Management	3,147,957	2,869,152	2,808,136
Real Estate Management	1,813,855	1,702,841	1,649,665
Records Management	117,296	111,765	170,596
Request Management	543,831	746,953	391,714
Corporate overhead allocated to external services	(31,737,043)	(31,447,274)	(30,084,655)
Property assessment and collection [PNB]	2,313,905	2,313,905	2,166,820
	\$ 2,313,905	\$ 2,313,905	\$ 2,166,822

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

26. Detailed statement of revenue and expenditure (continued)

General Operating Fund - Consolidated (continued)

	2025		2024
	Budget	Actual	Actual (Restated)
Expenditure from operations (continued)			
Sustainable Infrastructure			
Capital Asset Management	\$ 244,346	\$ 229,927	\$ 217,813
Capital Planning and Implementation	1,801,878	1,638,045	2,188,892
Capital Prioritization and Investment Service	1,751,183	595,784	577,734
Debt and Affordability Management Service	196,649	210,279	190,262
Debt principal repayment	6,069,058	4,648,690	5,130,078
Interest on capital debt	1,534,950	726,067	819,307
Funding current year's new capital projects	10,114,500	19,015,692	14,008,905
Funding current year's capital renewal projects	17,251,000	26,184,801	24,939,289
	38,963,564	53,249,285	55,139,507
Transfer to General Capital Reserve	-	12,589,290	12,563,949
Transfer to General Operating Reserve	-	2,102,270	2,679,224
Total transfer to reserves	-	14,691,560	15,243,173
Total expenditure from operations	\$ 180,154,363	\$ 232,607,410	\$ 204,706,645
General Operating Fund surplus from operations	\$ -	\$ 1,963,187	\$ 1,695,514
Remeasurement gains and losses			
Unrealized gain (loss) attributable to foreign exchange	\$ -	\$ (91,710)	\$ 256,134
Unrealized gain on investments	-	646,367	278,873
Unrealized surplus from subsidiary entities	-	1,080,959	815,924
Total remeasurement gains	\$ -	\$ 1,635,616	\$ 1,350,931
Consolidated General Fund annual surplus	\$ -	\$ 3,598,803	\$ 3,046,445

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

26. Detailed statement of revenue and expenditure (continued)

Water and Sewerage Operating Fund - Consolidated

	2025		2024
	Budget	Actual	Actual
Revenue			
Water and sewerage rates	\$ 22,519,220	\$ 23,776,920	\$ 22,376,907
Water supply for fire protection	1,000,612	1,000,612	1,000,612
Miscellaneous revenue	196,930	221,216	210,951
Interest	-	116,806	201,818
Transfer from utility reserve	-	3,871,711	3,881,304
Land sales and vehicle auction proceeds	-	102,471	126,096
Third-party contributed capital	-	133,153	288,038
Federal and provincial grant funding	-	7,605,450	7,210,802
Second previous year's surplus	768,755	768,753	815,185
Total revenue	\$ 24,485,517	\$ 37,597,092	\$ 36,111,713
Expenditures			
Water			
Purification and treatment	\$ 486,800	\$ 921,462	\$ 772,619
Source of supply	340,000	284,516	378,189
Transmission and distribution	65,563	256,566	170,218
Plant and equipment maintenance	550,539	1,123,082	1,192,353
Billing and collecting	123,770	206,988	188,483
Water meters	100,000	638,179	618,324
	1,666,672	3,430,793	3,320,186
Sewerage			
Lift stations and system maintenance	769,740	1,088,267	1,108,372
Sewerage treatment and disposal	2,476,225	2,541,844	2,288,495
	3,245,965	3,630,111	3,396,867
Common services			
	8,985,278	7,421,249	6,979,756
Fiscal services			
Funding current year's new capital projects	1,025,000	13,988,771	7,131,209
Funding current year's renewal capital projects	9,562,602	5,914,450	10,074,694
Transfer to water and sewer capital reserve	-	2,695,550	4,535,583
	10,587,602	22,598,771	21,741,486
Total expenditures	\$ 24,485,517	\$ 37,080,924	\$ 35,438,295
Annual surplus	\$ -	\$ 516,168	\$ 673,418

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2025

27. Comparative figures

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

28. Restatement of Financial Statements

Subsequent to the completion of the City's December 31, 2024 financial statements on March 24, 2025, it was discovered that, due to an agreement entered with the Fredericton Playhouse Inc. (the "Playhouse") in July 2024, the Playhouse would own the Performing Arts Centre (PAC). The City's involvement would be through funding of the PAC rather than ownership. The City incurred certain costs associated with the new PAC to be constructed and recognized these costs as a tangible capital asset in the amount of \$10.6M, rather than expensing these costs. The December 31, 2024 financial statements were restated to correct this error, as follows:

	As previously reported	Correction	As restated
Consolidated Statement of Financial Position			
Tangible capital assets	701,926,079	(10,591,151)	691,334,928
Accumulated surplus	756,323,845	(10,591,151)	745,732,694
Accumulated surplus consisting of:			
Accumulated operating surplus	755,580,045	(10,591,151)	744,988,894
Consolidated Statement of Operations and Accumulated Surplus			
Livable Community	28,394,889	10,591,151	38,986,040
Annual surplus	55,532,931	(10,591,151)	44,941,780
Consolidated Statement of Changes in Net Surplus			
Annual operating surplus	55,195,743	(10,591,151)	44,604,592
Acquisition of tangible capital assets	(72,127,693)	7,067,227	(65,060,466)
Disposal of tangible capital assets	1,864,970	3,523,924	5,388,894
Consolidated Statement of Cash Flow			
Annual surplus	55,532,931	(10,591,151)	44,941,780
Loss on sale of tangible capital assets	1,864,970	3,523,924	5,388,894
Acquisition of tangible capital assets	(68,617,199)	7,067,227	(61,549,972)

Consequential amendments have also been made to the related note disclosures.