

2025 City of Fredericton Audited Financial Statements Report

Adam Kerr, Assistant City Treasurer
March 23, 2026



Fredericton

What We Will Cover Today

- Audit result
- How Public Sector Accounting Standards (PSAS) differs from the City's cash budget
- Financial operational results
- Financial position
- Infrastructure condition & sustainability
- Key risks and how they are being managed



2025 Audit Result

- **Clean audit opinion**

- Independent auditors concluded our 2025 consolidated financial statements present fairly, in all material respects, the financial position, operational results, and cash flows in accordance with PSAS.

- **Why it matters**

- Validates that the financial information provided to Council is reliable for decision making.
- Provides assurance that public funds are being managed responsibly, and appropriate financial practices are being followed.
- Reinforces that our internal controls are working, meaning we have solid processes to prevent errors, detect issues, and safeguard City assets.
- A clean audit and strong financial condition provide confidence that the City is managing long-term growth and challenges responsibly.



2024 Financial Statements Restatement

- Background/Issue
 - During the 2025 audit process, an error was identified that affected the previously issued 2024 financial statements.
 - Costs related to the new Performing Arts Centre were initially capitalized as a tangible capital asset. Upon further review of the agreement terms, these costs were determined to be grant expenditures and have been expensed accordingly.
- What It Impacted
 - 2024 consolidated expenses
 - 2024 PSAS annual surplus
- What It Did Not Impact
 - The City's operating surplus for budgeting purposes in either 2024 or 2025



Understanding the Financial Reporting Framework



Consolidated Funds and Entities

- Funds:
 - General Operating and General Capital Fund
 - Water & Sewer Operating and Capital Funds
 - Operating and Capital Reserve Funds
 - Land Sales Fund, Parking Land Bank Fund
- Subsidiary Entities:
 - e-Novations Comnet Inc.
 - Newmarket Properties Inc.
 - Fredericton Convention Centre



Balanced Budget and 2nd Previous Years Surplus/Deficit

- Municipalities are mandated by GNB to operate with a balanced cash budget (no surplus or deficit)
- Any surplus (or deficit) must be spent in the next available budget cycle, aka 2nd Previous Years Surplus
 - Not permitted to accumulate cash surplus
 - Not permitted to run on-going deficits
 - 2nd Previous Years Surplus/Deficit is carried forward (2025 balance → 2027 Budget)



Cash Budget vs PSAS: Capital & Debt Treatment

- **Capital Spending**
 - Budget (Cash Basis): Capital projects appear as full cash expenditures in the year work is completed.
 - PSAS: Capital projects are recorded as tangible capital assets and expensed gradually through amortization over their useful lives.
- **Debt Repayments**
 - Budget (Cash Basis): Debt principal repayments are recorded as an expense.
 - PSAS: Principal payments reduce the debt balance and only interest is recorded as an expense.
- **Why This Matters**
 - These differences create a gap between the balanced cash budget and PSAS annual surplus.



Cash Budget vs PSAS: Employee Benefits & Subsidiaries

- **Employee Future Benefits**
 - Budget (Cash Basis): Shows only the cash paid for pension contributions.
 - PSAS: Records the full actuarial cost of employee benefits earned during the year, which can differ significantly from the cash paid.
- **Subsidiary Entities**
 - Budget (Cash Basis): Does not include.
 - PSAS: Includes subsidiaries, showing their revenues, expenses, assets, and liabilities.
- **Why this matters**
 - PSAS captures obligations and activities the budget does not show, giving a more complete financial picture of the City.



Cash Budget vs PSAS – At a Glance

Area	Cash Budgeting (Legislation)	PSAS
Capital Expenses	Full cost recorded when cash is spent	Added as asset; expensed over time through amortization
Debt Repayment	Principal payments treated as expense	Principal reduces debt; only interest is expensed
Employee Benefits	Shows cash contributions only	Uses actuarial valuations to recorded full benefit cost
Subsidiaries	Excluded	Included
Bottom Line	Must balance to zero	May show a surplus or deficit due to non-cash items



2025 Financial Results



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2025 Revenue and Expenses



2025 Revenue

- Increase of \$23.9M or 10.2% YoY; driven by:
 - Higher property taxes from assessment growth and new construction
 - Increased sales activity (transit, parking, recreation, utilities)
 - Significant increase in third-party contributions

Revenue (in \$ Millions)	2025	2024	Change
Property Taxes	\$156.3	\$148.2	\$8.1
Sales, Fines and Other Fees	46.6	42.6	4.0
Services to Other Governments	6.0	5.4	0.6
Community Funding Grant	0.8	1.2	(0.4)
Return on Investments	3.7	4.8	(1.1)
Third Party Contributions:			
Funding from other levels of government	41.1	27.0	14.1
Infrastructure from developers & other contributions	5.0	6.4	(1.4)
Total Revenue	\$259.5	\$235.6	\$23.9

Third Party Contributions – \$46.1 Million

- **Canada Community Building Fund \$14.8 M**
 - Performing Arts Centre
- **IBA Funding \$12.6 M**
 - Riverside Dr, Northumberland St, Crocket St, core water & sewer projects
- **Infrastructure Development \$4.1 M**
 - Local improvement sidewalk, subdivision development, developer asset contributions, etc.
- **Housing Funding (CMHC) \$3.1 M**
 - Housing Accelerator, Rapid Housing Initiative
- **Rural Transit Solutions Fund \$2.7 M**
 - Transit hybrid buses and bus technology



Third Party Contributions – \$46.1 Million (Continued)

- **DMAF Funding \$2.5 M**
 - Lincoln Rd, Main St Killarney Brook Culvert, Public Realm improvements
- **Active Transportation Fund \$1.5 M**
 - Nashwaak Bridge redecking, Brookside Dr trail, Lincoln Trail
- **Other Funding \$4.8 M**
 - Grant Harvey Turf Field (RDC)
 - Provincial Municipal Highway Program (GNB)
 - Overnight Outreach Project (Health Canada)
 - Garrison Multi Plaza, Tree Planting (FCM)
 - Building Safer Communities (Public Safety Canada)
 - Various other energy projects, trail upgrades, etc.

Reminder: Third-party funding strengthens capital program and helps limit taxpayer impact but is not a stable revenue source.

2025 Expenses

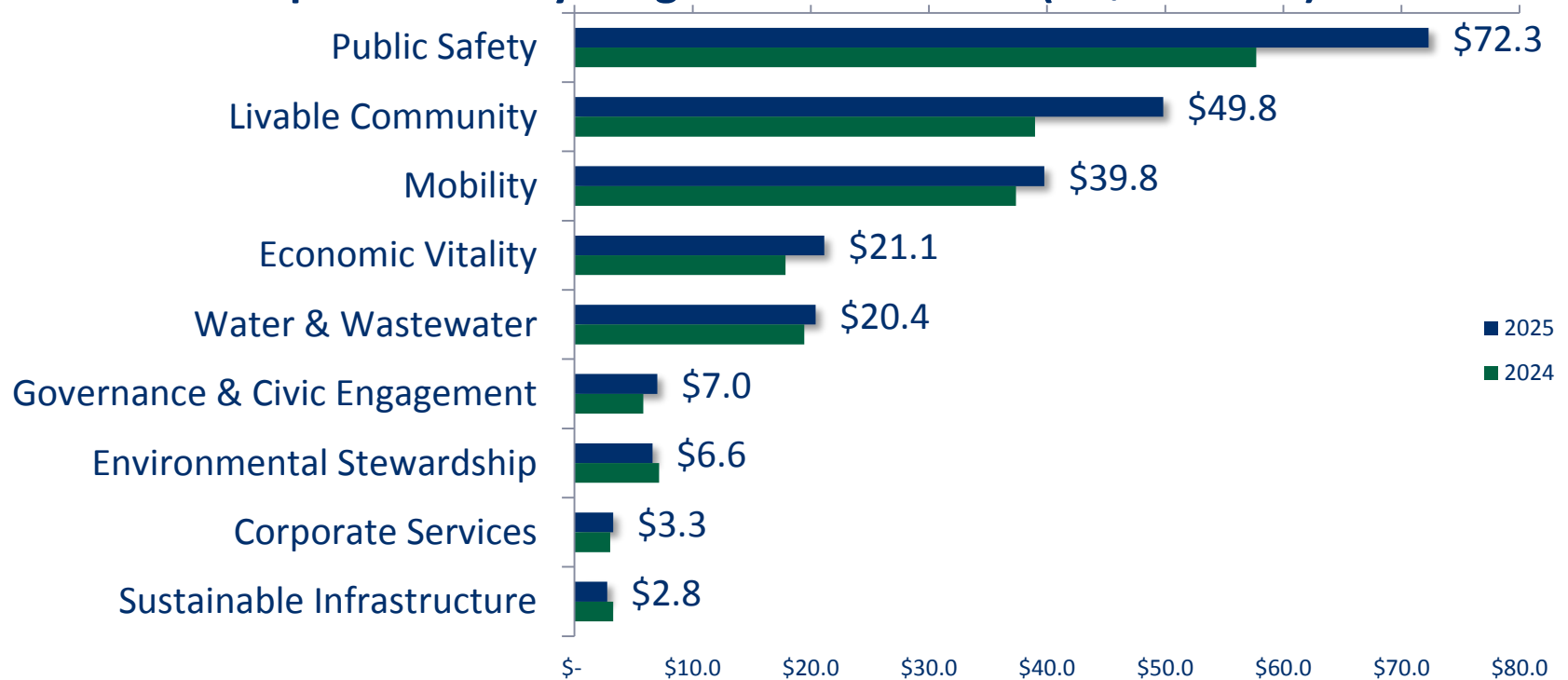
- Increase of \$32.4M or 17.0% YoY; driven by:
 - Higher personnel costs – includes one-time accounting adjustments related to the pension plan transition.
 - Increased spend on goods and services – primarily attributable to PAC funding and contracted public safety services (CEU, CSSU).

Expense (in \$ millions)	2025	2024	Change
Salaries and benefits	\$ 103.7	\$ 89.6	\$ 14.1
Goods and services	90.7	71.4	19.3
Amortization	27.1	25.5	1.6
Interest and other	1.6	4.2	(2.6)
Total	\$ 223.1	\$ 190.7	\$ 32.4



2025 Expenses

Expenditures by Program Results Area (in \$ millions)



2025 Annual Surplus

Revenue	\$259.5 M
Expenses	<u>223.1 M</u>
Surplus	\$ 36.4 M

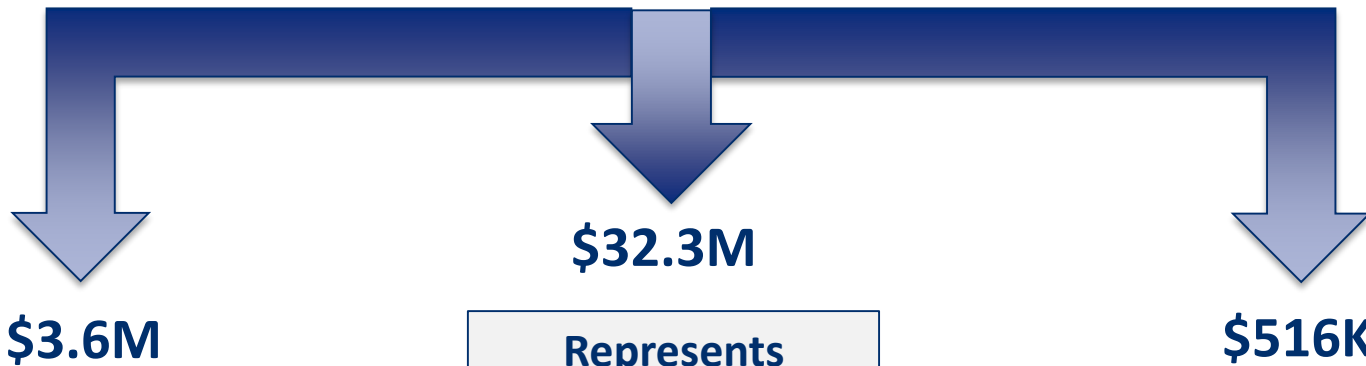
- This surplus is an accounting result under PSAS and does not reflect actual cash surplus.
- Recall items shaping this surplus are:
 - Difference between capital investment and amortization of existing infrastructure
 - Debt principal repayments
 - Adjustments to employee future benefits
 - Performance of all entities, not just operating funds.



2025 Annual Surplus

\$36.4M

What does it represent?



General Operating Fund Surplus

- Will be carried forward into the 2027 budget
- 2026 budget includes \$3.0M from 2024 surplus;
- Net impact is an additional \$0.6M for 2027 budget

Represents investment in assets to sustain service delivery

Utility Operating Fund Surplus

- Will be carried forward into the 2027 budget
- 2026 budget includes \$673K from 2024 surplus;
- Net impact is shortfall of \$157K for 2027 budget

2025 Financial Position and Sustainability



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Consolidated Statement of Financial Position

Shows a snapshot at December 31, 2025 of where the City stands financially in terms of the resources it holds and the debt it owes

Consists of:

- Financial assets
- Liabilities and future obligations
- Investment and value of infrastructure



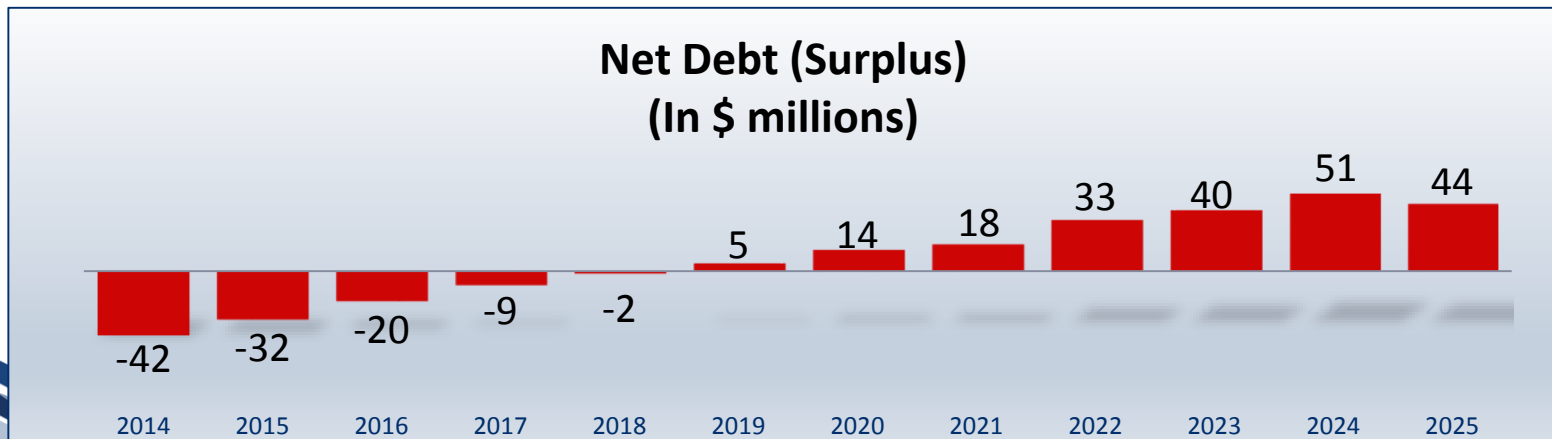
Consolidated Statement of Financial Position

Financial Assets / Liabilities

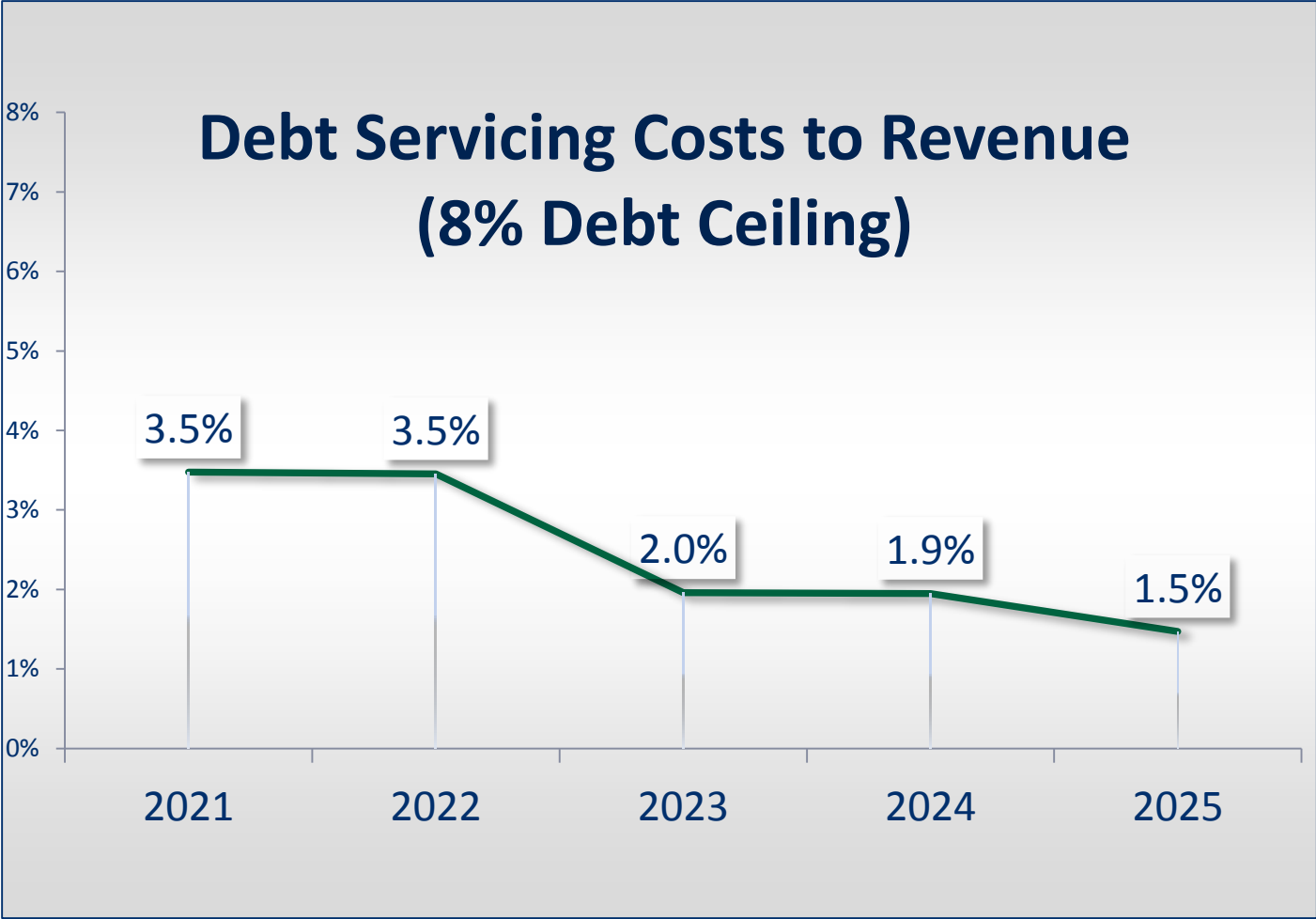
Financial Assets	\$ 103.3M
Liabilities	<u>(59.1)M</u>
Net Surplus	\$ 44.2M

A net surplus indicates that the City has sufficient assets to meet existing liabilities and future obligations.

- Shows strong financial stewardship and intergenerational equity.



Debt Servicing



Consolidated Statement of Financial Position

Non-Financial Assets

Tangible Capital Assets	\$734.3M
Supplies Inventory	\$ 3.6M

- Investment in infrastructure and consumable assets
- Used to sustain quality services
- Includes all infrastructure
 - Buildings
 - Roads
 - Parks
 - Machinery and Equipment



Consolidated Statement of Financial Position

Accumulated Surplus:

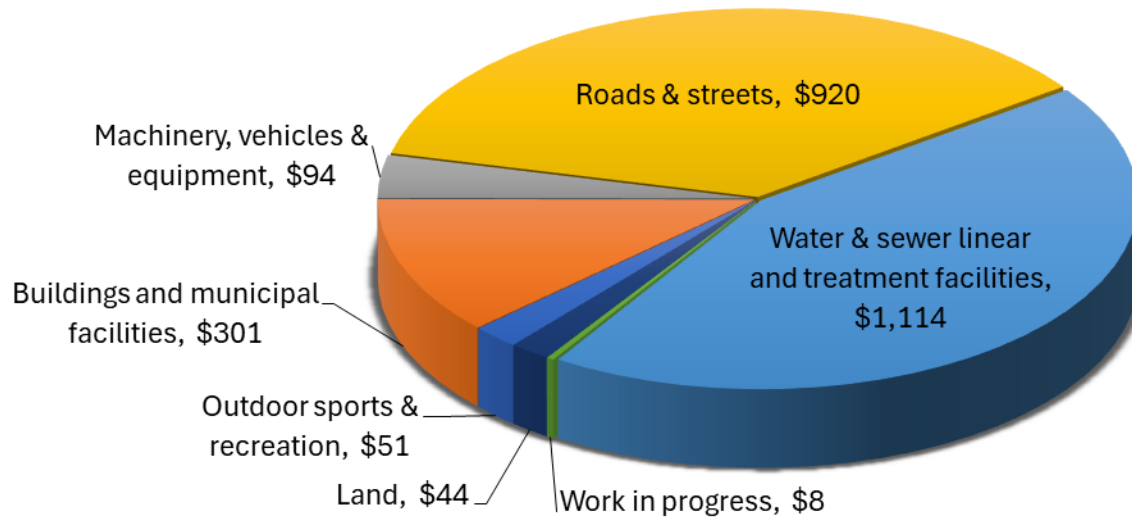
Tangible Capital Assets	\$734.3 M
Supplies Inventory	\$ 3.7 M
Net Surplus	<u>\$ 44.2 M</u>
Accumulated Surplus	\$782.2 M

- Most of this accumulated surplus represents past investment in infrastructure to sustain services — it is not cash.



Infrastructure Investment

Total Replacement Value of Infrastructure \$2,533 Million



Infrastructure Condition

The City’s infrastructure deficit is estimated to be \$354.7M or 14% of the total value of assets; up from \$339.3M in 2024. These are assets that are beyond their expected useful life.

- Why does the deficit continue to grow?
 - Inflation – capital costs continue to outpace regular CPI.
 - Timing – many assets were constructed or acquired during past amalgamations/expansions; these assets are now approaching end of life.

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
	\$ 354.7	\$ 339.3

Infrastructure Sustainability

Are we investing in infrastructure at the same rate as it is being used?

\$40.2M invested in renewal of infrastructure

\$63.2M current replacement cost of infrastructure used

\$40.2 replaced / \$63.2 used = 0.64

Sustainability Ratio

- 2025 – 0.64
- 2024 – 0.62
- 2023 – 0.59
- 2022 – 0.48
- 2021 – 0.73
- 2020 – 0.73



Caution:
investment uses
substantial funding
from Third Parties

Financial Risks and Strategies for Managing Risk



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Financial Risks

- Inflation
- Extreme/different weather events (frequency and magnitude)
- Volatility in fuel costs, interest rates, and the global market
- Increasing cost and demand of infrastructure renewal
- Demand for new infrastructure

These risks influence future budget decisions, capital planning, and service delivery expectations.



Strategies to Mitigate Risks

- Long-term plans
 - Municipal Plan to facilitate infill development and encourage mixed use intensive development
 - Financial plans for General Fund and Water & Sewer Fund
 - Capital Policies, Debt Policies, Sustainable Funding Plans
- Operational Strategies
 - Corporate Management Systems
 - Engineering for efficiency and climate change
 - Investments in infrastructure
- Results based management
 - Focuses on areas that achieve results that matter to the community
 - Creates alignment between the community, Council and staff
 - Flexibility to address challenges within sustainable levels of funding



Key Takeaways for Council

1. The City's financial information is reliable and well-managed.
2. Financial results reflect long-term investment and stewardship.
3. The City remains financially strong while managing long-term infrastructure pressures.



City of Fredericton

Questions?



gordon - playingwithmycamera



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Recommendation

- BE IT RESOLVED THAT the Council of the City of Fredericton adopts the 2025 Audited Consolidated Financial Statements as presented.

