

TOWN OF ST. STEPHEN
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

TOWN OF ST. STEPHEN

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To His Worship The Mayor and Members of Council
Town of St. Stephen, New Brunswick

Opinion

We have audited the consolidated financial statements of the Town of St. Stephen, which comprise the statement of financial position as at December 31, 2020, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2020, and the results of its operations and its 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

We communicated 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.



CHARTERED PROFESSIONAL ACCOUNTANTS

Saint John, NB
October 22, 2021

TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF OPERATIONS

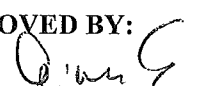

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> Under (Over)	<u>2020</u> Budget (Note 21)	<u>2020</u> Actual	<u>2019</u> Actual
REVENUE				
Property tax warrant	\$ -	\$ 5,402,445	\$ 5,402,445	\$ 5,350,179
Services provided to other governments (Note 22)	39,767	264,617	224,850	243,854
Sale of services (Note 22)	384,598	696,230	311,632	547,254
Other revenue from own sources (Note 22)	(51,624)	199,750	251,374	269,859
Unconditional grant	(39,627)	1,608,894	1,648,521	1,636,652
Conditional transfers	(1,452,078)	4,200	1,456,278	1,693,356
Water and sewer user fees	107,912	2,122,590	2,014,678	1,954,648
Interest	(11,930)	106,900	118,830	160,030
Other	<u>(8,263)</u>	<u>-</u>	<u>8,263</u>	<u>11,734</u>
	<u>(1,031,245)</u>	<u>10,405,626</u>	<u>11,436,871</u>	<u>11,867,566</u>
EXPENDITURE (Note 22)				
General government services	(303,019)	896,288	1,199,307	843,675
Protective services	76,385	2,300,919	2,224,534	2,195,175
Transportation services	231,892	2,188,887	1,956,995	2,076,369
Environmental health services	(23,188)	230,320	253,508	241,028
Environmental development services	(32,280)	365,680	397,960	413,125
Recreation and cultural services	408,071	2,994,071	2,586,000	2,738,414
Water and sewer services	20,952	2,474,034	2,453,082	2,444,777
Other	<u>-</u>	<u>33,441</u>	<u>33,441</u>	<u>-</u>
	<u>378,813</u>	<u>11,483,640</u>	<u>11,104,827</u>	<u>10,952,563</u>
ANNUAL SURPLUS (DEFICIT) FOR THE YEAR (Note 19)	\$ <u>(1,410,058)</u>	(1,078,014)	332,044	915,003
ACCUMULATED SURPLUS - BEGINNING OF YEAR		<u>-</u>	<u>47,069,656</u>	<u>46,154,653</u>
ACCUMULATED SURPLUS - END OF YEAR		\$ <u>(1,078,014)</u>	\$ <u>47,401,700</u>	\$ <u>47,069,656</u>

TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash (Note 4)	\$ 3,260,506	\$ 3,808,436
Accounts receivable		
General	1,411,072	1,282,072
Private Developers	427,830	196,566
Federal Government and its agencies (Note 5)	612,086	911,556
Province of New Brunswick (Note 6)	<u>613,475</u>	<u>385,384</u>
	<u>\$ 6,324,969</u>	<u>\$ 6,584,014</u>
LIABILITIES		
Short term financing (Note 13)	\$ 2,142,557	\$ 1,666,014
Accounts payable and accrued liabilities	3,176,250	3,504,076
Deferred revenue (Note 7)	109,209	107,292
Long term debt (Note 8)	6,459,000	7,218,000
Accrued sick leave (Note 9)	237,900	237,900
Post employment benefits payable (Note 10)	<u>558,300</u>	<u>660,600</u>
	<u>12,683,216</u>	<u>13,393,882</u>
NET DEBT	<u>(6,358,247)</u>	<u>(6,809,868)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	82,807,527	81,100,267
Accumulated amortization (Note 17)	<u>(29,521,643)</u>	<u>(27,655,980)</u>
	53,285,884	53,444,287
Inventory	234,992	199,924
Prepaid expenses	166,782	153,800
Deferred expenses	<u>72,289</u>	<u>81,513</u>
	<u>53,759,947</u>	<u>53,879,524</u>
ACCUMULATED SURPLUS	<u>\$ 47,401,700</u>	<u>\$ 47,069,656</u>
CONTINGENT LIABILITY (Note 11)		
COMMITMENTS (Note 12)		
APPROVED BY:		
		Mayor
		Treasurer

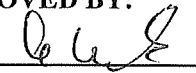
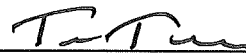
TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Annual surplus	\$ 332,044	\$ 915,003
Acquisition of tangible capital assets	(2,240,284)	(2,972,649)
Proceeds on disposal of tangible capital assets	119,002	40,000
Amortization of tangible capital assets	2,015,255	1,940,847
Loss on disposal of tangible capital assets	<u>264,430</u>	<u>91,408</u>
	490,447	14,609
Acquisition of inventories	(234,992)	(199,924)
Acquisition of prepaid expenses	(166,782)	(153,800)
Acquisition of deferred expenses	(72,289)	(81,513)
Consumption of inventories	199,924	202,452
Use of prepaid expenses	153,800	143,854
Use of deferred expenses	<u>81,513</u>	<u>72,022</u>
Decrease (increase) in net debt	451,621	(2,300)
Net debt - beginning of year	<u>(6,809,868)</u>	<u>(6,807,568)</u>
Net debt - end of year	<u>\$ (6,358,247)</u>	<u>\$ (6,809,868)</u>

APPROVED BY:


 _____ Mayor

 _____ Treasurer

TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING TRANSACTIONS		
Annual surplus	\$ 332,044	\$ 915,003
Loss on disposal of tangible capital assets	264,430	91,408
Amortization of tangible capital assets	2,015,259	1,940,847
Receivable - General	(129,000)	34,934
Receivable - Private Developers	(231,264)	203,434
Receivable - Federal Government and its agencies	299,470	(296,450)
Receivable - Province of New Brunswick	(228,091)	(219,529)
Accounts payable and accrued liabilities	(327,828)	700,170
Deferred revenue	1,917	2,622
Post employment benefits payable (receivable)	(102,300)	15,900
Change in inventory/prepaid expenses/deferred expenses	<u>(38,826)</u>	<u>(16,909)</u>
	<u>1,855,811</u>	<u>3,371,430</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,240,286)	(2,972,649)
Proceeds on disposal of tangible capital assets	<u>119,002</u>	<u>40,000</u>
	<u>(2,121,284)</u>	<u>(2,932,649)</u>
FINANCING TRANSACTION		
Long term debt	<u>(759,000)</u>	<u>468,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,024,473)	906,781
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,142,422</u>	<u>1,235,641</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,117,949</u>	<u>\$ 2,142,422</u>
CASH CONSISTS OF:		
Cash	\$ 3,260,506	\$ 3,808,436
Short term financing	<u>(2,142,557)</u>	<u>(1,666,014)</u>
	<u>\$ 1,117,949</u>	<u>\$ 2,142,422</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. PURPOSE OF THE ORGANIZATION

The Town of St. Stephen (the "Town") was incorporated by the Province of New Brunswick on May 17, 1871. As a municipality, the Town is exempt from income tax under section 149(1)(c) of the Canadian Income Tax Act. The Town has the following vision statement, "the Town of St. Stephen will strive to increase its population and prosperity through proactively pursuing boundary expansion, economic development and diversification, and revitalization of its downtown and infrastructure all while capitalizing on its location and quality of life."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local government, as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada.

The focus of Public Sector Accounting Standards ("PSAS") financial statements is on the financial position of the Town and the changes thereto. The consolidated statement of financial position includes all of the assets and liabilities of the Town.

Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net debt and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Town and which are owned or controlled by the Town.

Interdepartmental and organizational transactions and balances are eliminated.

The St. Croix Public Library has been consolidated into these financial statements.

Budget

The budget figures contained in these consolidated financial statements were approved by Council on December 16, 2019 and the Director of Community Finances on January 10, 2020 for the General Operating Fund.

The Water and Sewer Operating Fund budget was approved by Council on December 16, 2019 and the Director of Community of Finances on January 10, 2020.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments with actively traded markets are reported at fair value, with any unrealized gains and losses reported in annual surplus. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

Unrestricted revenue is recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Other revenue is recorded when it is earned.

Expenditure Recognition

Expenditures are recorded on an accrual basis.

Measurement Uncertainty

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenditures during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results may differ from those estimates.

Examples of significant estimates include:

- allowance for doubtful accounts;
- providing for amortization of tangible capital assets;
- the estimated useful lives of tangible capital assets;
- the recoverability of tangible capital assets; and
- sick leave and post employment benefits liability.

Inventory

Inventory consists of sand, salt, civic center canteen merchandise and various other items and is valued at the lower of cost and net realizable value using a first in first out ("FIFO") inventory method.

Capital Reserves

The use of the Capital Reserve Funds is restricted to capital expenditures. The intention is to use these funds for future expenditures and reduce future borrowing requirements.

Operating Reserves

The use of these funds is restricted to payment of operating expenditures.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital asset, less any residual value when applicable, is amortized on a straight-line basis over the estimated useful lives as follows:

<u>Asset Type</u>	<u>Estimated Useful Life</u>
Land improvements	10-25 years
Buildings and leasehold improvements	25-40 years
Light vehicles	5 years
Machinery and equipment	5-25 years
Road and streets	15-60 years
Water and sewer	30-60 years
Treatment facilities	15-100 years
Marine structures	30 years

Assets under construction are not amortized until the asset is available for productive use.

The Town regularly reviews its capital assets to eliminate obsolete items.

Segmented Information

The Town is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Town's operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments as follows:

General Government Services

This department is responsible for the overall governance and financial administration of the Town. This includes council functions, general and financial management, legal matters and compliance with legislation, as well as civic relations.

Protective Services

This department is responsible for the provision of policing services, fire protection, emergency measures, animal control and other protective measures.

Transportation Services

This department is responsible for common services, roads and streets maintenance, street lighting, traffic services, parking and other transportation related functions.

Environmental Health Services

This department is responsible for the provision of waste collection and disposal.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Segmented Information (cont'd)

Environmental Development Services

This department is responsible for planning and zoning, community development, tourism and other municipal development and promotion services.

Recreation and Cultural Services

This department is responsible for the maintenance and operation of recreational and cultural facilities, including the swimming pool, civic center, parks and playgrounds and other recreational and cultural facilities.

Water and Sewer Systems

This department is responsible for the provision of water and sewer services including the maintenance and operation of the underground networks, treatment plants, reservoirs and lagoons.

The Town has documented a schedule of segmented disclosure in Note 18.

Sick Leave and Post Employment Benefits

The Town recognizes its obligations under sick leave and post employment benefit plans and the related costs, net of plan assets. The Town has a sick leave benefit (Note 9), a retirement allowance and pension plan (Note 10). The Town has restricted \$571,950 to assist in the funding of these benefits as at December 31, 2020 (2019 - \$567,272).

3. FINANCIAL INSTRUMENTS

The Town is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Town's risk exposure and concentration as of December 31, 2020:

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Town is exposed to credit risk from its accounts receivable. The Town's credit risk is mitigated by the fact that its accounts receivable consist primarily of funds due from the Federal Government and the Province of New Brunswick. The other accounts receivable consists of many customers, therefore there is not a large concentration of risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt, accounts payable and accrued liabilities and other obligations.

Currency Risk

Currency risk is the risk to the Town's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Town is not exposed to foreign currency risk as it does not hold foreign currencies.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

3. FINANCIAL INSTRUMENTS (cont'd)

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town is exposed to interest rate risk as its interim borrowing has a variable interest rate.

4. CASH

	<u>2020</u>	<u>2019</u>
Cash - unrestricted	\$ 1,094,590	\$ 1,271,438
Cash - restricted - reserves (Note 20)	1,593,966	1,969,726
Cash - restricted - retirement allowance (Notes 2, 3 and 10)	223,060	221,236
Cash - restricted - accrued sick leave (Notes 2, 3 and 9)	<u>348,890</u>	<u>346,036</u>
	<u>\$ 3,260,506</u>	<u>\$ 3,808,436</u>

5. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES

	<u>2020</u>	<u>2019</u>
Canada Revenue Agency (HST refund)	\$ 551,876	\$ 523,934
Clean Water and Wastewater Fund	-	270,225
Small Communities Fund	<u>60,210</u>	<u>117,397</u>
	<u>\$ 612,086</u>	<u>\$ 911,556</u>

6. DUE FROM PROVINCE OF NEW BRUNSWICK

	<u>2020</u>	<u>2019</u>
Small Communities Fund	\$ 60,210	\$ 117,397
Designated Highway Fund	541,339	-
Clean Water and Wastewater Fund	-	135,113
Dennis Weston LSD	<u>11,926</u>	<u>132,874</u>
	<u>\$ 613,475</u>	<u>\$ 385,384</u>

7. DEFERRED REVENUE

Deferred revenue consists of flat rate water fees collected in advance, and civic centre passes and gift cards that relate to 2021.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

8. LONG TERM DEBT

	Balance January 1, <u>2020</u>	Issued during <u>year</u>	Redeemed during <u>year</u>	Balance December 31, <u>2020</u>
New Brunswick Municipal Financing Corporation				
Debtentures:				
BQ - 26 1.20% - 1.85% series, due 2022	\$ 104,000	\$ -	\$ 34,000	\$ 70,000
BR - 24 1.65% - 2.90% series, due 2027	164,000	-	19,000	145,000
BV- 22 2.05% - 3.35% series, due 2039	894,000	-	68,000	826,000
BC - 20 1.50% - 4.55% series, due 2020	61,000	-	61,000	-
BD - 29 1.50% - 3.85% series, due 2020	17,000	-	17,000	-
BH - 30 1.35% - 3.80%, series, due 2032	239,000	-	34,000	205,000
BK - 16 1.15% - 3.45% series, due 2024	187,000	-	35,000	152,000
BP - 24 1.20% - 3.80% series, due 2036	3,341,000	-	157,000	3,184,000
BV-23 2.05% - 2.85% series, due 2029	1,246,000	-	113,000	1,133,000
BC - 21 1.50% - 4.55% series, due 2020	54,000	-	54,000	-
BI - 27 1.35% - 3.25% series, due 2023	45,000	-	11,000	34,000
BK - 17 1.15% - 3.45% series, due 2024	676,000	-	128,000	548,000
BM - 26 0.95% -2.80% series, due 2025	141,000	-	22,000	119,000
BO - 29 1.45% - 2.90% series, due 2026	29,000	-	4,000	25,000
BQ - 27 1.20% - 2.70% series, due 2027	<u>20,000</u>	<u>-</u>	<u>2,000</u>	<u>18,000</u>
	<u>\$ 7,218,000</u>	<u>\$ -</u>	<u>\$ 759,000</u>	<u>\$ 6,459,000</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

8. LONG TERM DEBT (cont'd)

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

Principal payments required during the next five years are as follows:

2021	\$ 640,000
2022	656,000
2023	612,000
2024	612,000
2025	441,000

9. ACCRUED SICK LEAVE

The Town provides sick leave that accumulates at 1.5 days per month for all full-time employees. All employees can accumulate a maximum of 210 sick leave days. An employee can take a leave with pay for an amount of time equal to the accumulated sick leave. Upon retirement, due to age or disability, or upon death, the plan provides to the unionized employees who are members of the New Brunswick Municipal Employee Pension Plan, a payout of any accumulated sick days at the then current rate of pay.

An actuarial valuation was performed on the 34 unionized and 13 active and 1 eligible retired non-unionized employees plan in accordance with PS 3255 as at December 31, 2020 (valuations are completed every three years). The actuarial method used was the Projected Unit Credit pro-rated on service to expected usage (non-unionized) and Projected Unit Credit pro-rated on service to retirement (unionized). The valuation was based on a number of assumptions about future events, such as interest rates, wage and salary increases and employee turnover and retirement. The assumptions used reflect the Town's best estimates.

The following summarizes the major assumptions in the valuation:

- annual salary increase is 3% (2017 - 3%);
- the discount rate used to determine the accrued benefit obligations is 1.99% (2017 - 3.07%)
- retirement age is 60 or one year after the valuation date if employee is already over 60 years old;
- estimated net excess utilization of rate of sick leave for non-unionized employees is 1.40 days (2017 - 2.17 days) per employee per year; and
- estimated net excess utilization of rate of sick leave for unionized employees is assumed to be zero.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

9. ACCRUED SICK LEAVE (cont'd)

The liability was estimated to be \$237,900 on December 31, 2020 (2019 - \$237,900). The Town has restricted \$348,890 (2019 - \$346,036) in cash to fund this future liability (Note 4).

10. POST EMPLOYMENT BENEFITS PAYABLE

The post employment benefits payable consists of the following:

	<u>Estimated 2020</u>	<u>Estimated 2019</u>
Retirement allowance and other obligation	\$ 115,100	\$ 115,100
Pension obligation - NBMEPP	<u>443,200</u>	<u>545,500</u>
	<u>\$ 558,300</u>	<u>\$ 660,600</u>

Retirement Allowance and Other

Retirement allowance benefit is for the Town management employees after attaining at least 10 years of continuous service. The benefit is equal to ten days' pay for each full year of continuous service. The number of days should not exceed 260 days, and is paid at the employee's regular rate of total compensation at retirement. A severance gift is also provided for the Town employees paid upon retirement. The gift is \$1,000 for management employees, \$500 for unionized employees and \$50 to \$1,000 for volunteer firefighters depending on years of service at severance. Finally, management employees have 50% of their health and life insurance premiums paid by the Town upon retirement up to age 65 to a maximum coverage period of 5 years.

An actuarial valuation was performed on the plan for 34 unionized employees, 13 non-unionized employees, 1 eligible retired management employee, and 25 volunteer firefighters in accordance with PS 3250 as at December 31, 2020 (valuations are completed every three years). The actuarial method used was the Projected Unit Credit method.

The actuarial valuation for accounting purposes was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimates. The following summarizes the major assumptions in the valuation as at December 31, 2020:

- the discount rate used to determine the accrued benefit obligation is 1.99% (2017 - 3.07%);
- salary increase rate of 3% per annum;
- life insurance premiums increase by 3% per year; and
- health insurance premiums increase by 5% per annum.

The Town has restricted \$223,060 (2019 - \$221,236) in cash to fund this future liability (Note 4).

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

10. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

Pension Obligation

The Town and its employees participate in the New Brunswick Municipal Employees Pension Plan ("NBMEPP"). The NBMEPP is a multiple-employer defined benefit pension plan administered by a board elected by the members under the provisions of the Municipalities Act of New Brunswick. The NBMEPP provides pensions based on length of service and best average earnings.

Actuarial valuations for funding purposes are performed either annually or triennially depending on the financial position of the NBMEPP (currently annually). In turn, the actuarial valuations for accounting purposes are based on these figures (with adjustments). The most recent actuarial valuation was prepared as at December 31, 2018 and resulted in an overall NBMEPP accrued benefit obligation of \$125,249,500 based on the accounting basis.

The actuarial valuation for accounting purposes was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimates. The following summarizes the major assumptions in the valuation as at December 31, 2019:

- the expected inflation rate is 2.10% (prior 2.25%);
- the discount rate used to determine the accrued benefit obligation is 5.75% (prior 5.5%);
- the expected rate of return on assets is 5.75% (prior 5.5%);
- retirement age varies by age and employment category; and
- estimated average remaining service life (EARSL) is 14.0 years (prior 13.0 years).

The actuarial valuation prepared as at December 31, 2018 indicated that the present value of the accumulated plan benefits exceeded the market value of the net assets available for these benefits. The pension plan has been granted a solvency deficiency exemption by the Province of New Brunswick. On a going concern valuation basis, the actuarial valuation indicated a plan deficit of \$7,538,000, a change of \$7,581,100 from the December 31, 2017 surplus of \$43,100. Based on the assumptions as at December 31, 2018, the actuary expected the level of employer and employee contributions to be sufficient to fund the deficit in less than fifteen years, as allowed by the Pensions Benefits Act.

As at December 31, 2018, the NBMEPP provides benefits for 258 retirees. Total benefits payments to retirees and terminating employees during 2020 are estimated to be approximately \$4,313,800 (actual 2019, \$5,759,400) in totality for the NBMEPP.

Employees make contributions using rates that vary by earnings level and employment category, with an overall average contribution rate of approximately 8.00%. Each municipality contributes an amount that equals their employees contributions amounts. Pension fund assets are invested in short term securities, bonds, Canadian equities and foreign equities. Combined employees and municipalities contributions for 2020 are estimated to be approximately \$6,940,000 (actual 2019, \$6,775,300) in totality for the NBMEPP.

The following summarizes the NBMEPP data as it relates to the Town of St. Stephen:

- The average age of the 40 active employees covered by the NBMEPP is 49.8 (as at December 31, 2018);
- Benefit payments were \$296,900 in 2019 and are estimated to be \$275,600 in 2020; and
- Combined contributions were \$349,200 in 2019 and were estimated to be \$359,600 in 2020.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

10. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

In addition to determining the position of the NBMEPP as it relates to the Town of St. Stephen as at December 31, 2018 and December 31, 2019, NBMEPP's actuary performed an extrapolation of the December 31, 2019 accounting valuation to determine the estimated position as at December 31, 2020. The extrapolation assumes assumptions used as at December 31, 2020 remain unchanged from December 31, 2019. The extrapolation also assumes assets return 5.75% net of all fees and expenses. If experience is different than assumed, amounts will be adjusted to reflect actual experience. Results of the extrapolation are as follows:

	<u>Estimated Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Accrued Benefit Liability		
Accrued benefit liability at beginning of period	\$ 532,200	\$ 532,100
Pension expense for the year	90,800	174,700
Employer contributions	<u>(179,800)</u>	<u>(174,600)</u>
Accrued benefit liability at end of period	<u>\$ 443,200</u>	<u>\$ 532,200</u>

In summary, the accrued benefit liability as it related to the Town of St. Stephen is estimated to be \$443,200 as at December 31, 2020. The December 31, 2019 liability was estimated in the prior year to be \$545,500. The actual liability was calculated to be \$532,200. The difference of \$13,300 has been recorded in the current year. This amount is included in the post employment benefits payable on the consolidated statement of financial position.

The financial position as it relates to the accrued benefit liability is shown as follows and illustrates the unamortized amounts being recognized in pension expense over time:

	<u>Estimated Jan 1, 2020 to Dec 31, 2020</u>	<u>Jan 1, 2019 to Dec 31, 2019</u>
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 7,779,600	\$ 7,349,800
Plan assets	<u>(7,627,300)</u>	<u>(7,130,900)</u>
Plan deficit	152,300	218,900
Unamortized experience gains	<u>(290,900)</u>	<u>(313,300)</u>
Accrued benefit liability at end of period	<u>\$ 443,200</u>	<u>\$ 532,200</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

10. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

The following illustrates the reconciliation of accrued benefit obligation from the beginning of period to the end of period:

	Estimated	
	Jan 1, 2020 to	Jan 1, 2019 to
	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 7,349,800	\$ 7,136,700
Current service cost	282,600	288,700
Benefit payments	(275,600)	(296,900)
Interest for period	422,800	392,300
Experience gain during period	<u> -</u>	<u> (171,000)</u>
Accrued benefit obligation at end of period	<u>\$ 7,779,600</u>	<u>\$ 7,349,800</u>

The following illustrates the reconciliation of plan assets from the beginning of period to the end of period:

	Estimated	
	Jan 1, 2020 to	Jan 1, 2019 to
	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 7,130,900	\$ 6,354,600
Employer contributions	179,800	174,600
Employee contributions	179,800	174,600
Benefit payments	(275,600)	(296,900)
Return on plan assets during period	<u>412,400</u>	<u>724,000</u>
Plan assets at end of period	<u>\$ 7,627,300</u>	<u>\$ 7,130,900</u>

Total expense related to pensions include the following components:

	Estimated	
	Jan 1, 2020 to	Jan 1, 2019 to
	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Pension Expense		
Employer current service cost	\$ 102,800	\$ 114,100
Interest on accrued benefit obligation	422,800	392,300
Expected return on assets	<u>(412,400)</u>	<u>(350,900)</u>
	<u>113,200</u>	<u>155,500</u>
Amortization of unrecognized balances		
Experience loss (gain)	<u>(22,400)</u>	<u>19,200</u>
Pension expense	<u>\$ 90,800</u>	<u>\$ 174,700</u>

The pension expense is included in the statement of operations.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

11. CONTINGENT LIABILITY

In the normal course of operations, the Town becomes involved in various claims and legal proceedings. The Town maintains insurance coverage in amounts considered appropriate to cover applicable claims.

12. COMMITMENTS

Developers Incentive - Multi-Residential Development

In 2009, the Town committed \$48,000 to a local developer to aid in the cost of expanding a multi-residential building. The commitment is payable in annual contributions of \$4,000 over a twelve year period commencing upon completion of construction. In 2010, the project was completed and the Town has paid \$44,000 to date.

Developers Incentive - Retirement Community Apartment Complex

In 2010, the Town committed \$185,160 to a local developer to aid in the cost of construction of a thirty-five unit senior housing complex. The commitment is for waived building permit fees, a lump sum payment of \$27,500 in the year following the completion of the project, and \$353 per unit for twelve years. In 2011, the project was completed and the Town has paid \$138,695 to date.

Developers Incentive - Manufacturing Company

In 2014, the Town committed \$200,000 under its "Major Industry and Economic Incentive Policy No 57-A" to a local manufacturing company to aid with developmental capital and operating expenses. The commitment is conditionally payable in annual contributions of \$10,000 over a twenty year period. The Town has paid \$30,000 to date.

Developers Incentive - Retail and Hotel Development

In 2018, the Town committed \$495,899 under its "Major Industry and Economic Incentive Policy No 57-A" to a developer, to aid with developmental capital and operating expenses of lands for commercial uses including retail operations and a hotel. The commitment is conditionally payable in annual contributions over a five to ten year period commencing one year from substantial completion. The development was complete in 2019 excluding the hotel. The Town has paid \$49,590 to date.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

13. SHORT TERM BORROWING

Interim Borrowing Capital Funds

The Town has arranged a revolving operating facility bearing interest at prime less 0.50% for the General Fund and Water and Sewerage Fund. The facility is used to provide interim financing for capital expenditures.

The Town has remaining outstanding authority for short-term borrowings as follows:

General Capital Fund, OIC # 17-0031	\$ 613,000
General Capital Fund, OIC # 14-0060	761,000
General Capital Fund, OIC # 18-0024	1,105,000
General Capital Fund, OIC # 20-0020	234,000
Water and Sewerage Capital Fund, OIC # 17-0031	847,000
Water and Sewerage Capital Fund, OIC # 18-0024	204,000
Water and Sewerage Capital Fund, OIC # 20-0020	<u>381,000</u>
	<u>\$ 4,145,000</u>

13. SHORT TERM BORROWING

Operating Borrowing

As prescribed in the Local Governance Act, borrowing to finance General Operating Fund operations is limited to 4% of the Municipality's budget. Borrowing to finance Water and Sewer Fund operations is limited to 50% of the operating budget for the year. In 2020, the Town has complied with these restrictions.

Inter-fund Borrowing

The Municipal Financing Reporting Manual requires that short term inter-fund borrowings be repaid in the next year unless the borrowing is for a capital project. The amounts payable between Funds are in compliance with the requirements.

14. WATER AND SEWER FUND SURPLUS (DEFICIT)

The Local Governance Act requires Water and Sewer Fund surplus (deficit) amounts to be absorbed into one or more of four Operating Budgets commencing with the second next ensuing year; the balance of the surplus (deficit) at the end of the year consists of:

	<u>2020</u>	<u>2019</u>
2020 Deficit	\$ (76,492)	\$ -
2019 Deficit	(138,099)	(138,099)
2018 Deficit	(44,979)	(67,469)
2017 Deficit	(5,286)	(10,573)
2016 Surplus	<u>-</u>	<u>30,973</u>
	<u>\$ (264,856)</u>	<u>\$ (185,168)</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

15. GENERAL FUND SURPLUS

The Municipalities Act requires the General Fund surplus amounts to be absorbed into the Operating Budgets of the second ensuing year; the balance of the surplus at the end of the year consists of:

	<u>2020</u>	<u>2019</u>
2020 Surplus	\$ 390,805	\$ -
2019 Surplus	466,658	466,658
2018 Surplus	<u>-</u>	<u>280,156</u>
	<u>\$ 857,463</u>	<u>\$ 746,814</u>

16. CHARLES F. TODD TRUST

The Charles F. Todd Trust consists of annual payments to the Town from the Estate of Charles F. Todd. By virtue of a court order dated June 7, 2004, the annual payment from the Trust is to be disbursed as follows: \$200 to the Poppy Fund of the Milltown Branch No. 48 of the Royal Canadian Legion; Fifty percent of the remaining funds to the Volunteer Centre of Charlotte County Inc; the remaining balance awarded in two scholarships to students of St. Stephen High School.

As of December 31, 2020, there was \$15,201 (2019 - \$19,454) remaining in the trust.

The activity of the Charles F. Todd Trust has been excluded from these financial statements.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

17. SCHEDULE OF TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings and Leasehold Improvements	Vehicles	Machinery and Equipment	Infrastructure				Assets Under Construction	2020 Total	2019 Total
						Roads and Streets	Treatment Facilities	Water and Sewer	Marine Structures			
COST												
Balance - beginning of year	\$ 1,815,379	\$ 977,886	\$ 25,158,972	\$ 696,440	\$ 5,079,993	\$ 18,016,239	\$ 5,919,650	\$ 21,576,789	\$ 1,303,698	\$ 555,221	\$ 81,100,267	\$ 78,721,157
Add: net additions during the year	81,768	701,302	628,647	-	230,048	671,044	7,473	281,334	169,746	(531,076)	2,240,286	3,569,516
Less: disposals during the year	(5,471)	-	(416,240)	-	(13,653)	(86,978)	-	(10,682)	-	-	(533,024)	(1,190,406)
Balance - end of year	<u>1,891,676</u>	<u>1,679,188</u>	<u>25,371,379</u>	<u>696,440</u>	<u>5,296,388</u>	<u>18,600,305</u>	<u>5,927,123</u>	<u>21,847,441</u>	<u>1,473,444</u>	<u>24,145</u>	<u>82,807,529</u>	<u>81,100,267</u>
ACCUMULATED AMORTIZATION												
Balance - beginning of year	-	438,699	5,384,269	612,043	3,636,991	9,019,620	1,963,856	6,222,397	378,105	-	27,655,980	26,177,263
Add: amortization during the year	-	45,189	593,800	30,796	285,869	549,469	109,995	362,498	37,643	-	2,015,259	1,940,847
Less: accumulated amortization on disposals	-	-	(47,154)	-	(4,778)	(86,978)	-	(10,682)	-	-	(149,592)	(462,130)
Balance - end of year	<u>-</u>	<u>483,888</u>	<u>5,930,915</u>	<u>642,839</u>	<u>3,918,082</u>	<u>9,482,111</u>	<u>2,073,851</u>	<u>6,574,213</u>	<u>415,748</u>	<u>-</u>	<u>29,521,647</u>	<u>27,655,980</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS												
	<u>\$ 1,891,676</u>	<u>\$ 1,195,300</u>	<u>\$ 19,440,464</u>	<u>\$ 53,601</u>	<u>\$ 1,378,306</u>	<u>\$ 9,118,194</u>	<u>\$ 3,853,272</u>	<u>\$ 15,273,228</u>	<u>\$ 1,057,696</u>	<u>\$ 24,145</u>	<u>\$ 53,285,882</u>	<u>\$ 53,444,287</u>
Consists of:												
General Fund Assets	\$ 1,820,224	\$ 1,195,300	\$ 19,382,040	\$ 45,559	\$ 1,213,528	\$ 9,118,195	\$ -	\$ -	\$ 1,057,696	\$ -	\$ 33,832,542	\$ 33,835,403
Water & Sewer Fund Assets	71,452	-	58,423	8,043	143,436	-	3,853,273	15,273,228	-	24,145	19,432,000	19,593,096
St. Croix Public Library Assets	-	-	-	-	21,342	-	-	-	-	-	21,342	15,788
	<u>\$ 1,891,676</u>	<u>\$ 1,195,300</u>	<u>\$ 19,440,463</u>	<u>\$ 53,602</u>	<u>\$ 1,378,306</u>	<u>\$ 9,118,195</u>	<u>\$ 3,853,273</u>	<u>\$ 15,273,228</u>	<u>\$ 1,057,696</u>	<u>\$ 24,145</u>	<u>\$ 53,285,884</u>	<u>\$ 53,444,287</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

18. SCHEDULE OF SEGMENT DISCLOSURE

	<u>General</u>	<u>Protective</u>	<u>Transportation</u>	<u>Environmental Health</u>	<u>Environmental Development</u>	<u>Recreation and Culture</u>	<u>Water and Sewer</u>	<u>2020 Consolidated</u>	<u>2019 Consolidated</u>
REVENUE									
Property tax warrant	\$ 769,769	\$ 1,389,075	\$ 1,222,015	\$ 158,299	\$ 248,500	\$ 1,614,787	\$ -	\$ 5,402,445	\$ 5,350,179
Services provided to other governments	-	151,836	73,014	-	-	-	-	224,850	243,854
Sale of services	-	39,426	628	-	-	271,578	-	311,632	547,254
Other revenue from own sources	60,551	190,823	-	-	-	-	-	251,374	269,859
Unconditional grant	234,890	423,867	372,890	48,304	75,828	492,742	-	1,648,521	1,636,652
Conditional transfers	1,121,014	-	-	-	-	-	335,264	1,456,278	1,693,356
Water and sewer user fees	-	-	-	-	-	-	2,014,678	2,014,678	1,954,648
Interest	31,736	-	-	-	-	-	87,094	118,830	160,030
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	8,263	-	8,263	11,734
	<u>2,217,960</u>	<u>2,195,027</u>	<u>1,668,547</u>	<u>206,603</u>	<u>324,328</u>	<u>2,387,370</u>	<u>2,437,036</u>	<u>11,436,871</u>	<u>11,867,566</u>
EXPENDITURE									
Salaries and benefits	520,405	701,892	577,092	-	(2,273)	726,767	705,890	3,229,773	3,392,139
Goods and services	421,096	1,425,984	630,337	253,508	391,687	1,045,885	1,117,913	5,286,410	5,168,080
Interest	5,307	467	55,115	-	6	117,070	107,824	285,789	345,543
Other	11,646	-	1,155	-	-	1,181	9,184	23,166	23,254
Loss (gain) on disposal of capital assets	261,581	-	-	-	(6,025)	-	8,874	264,430	82,701
Amortization	12,713	96,191	693,296	-	14,565	695,097	503,397	2,015,259	1,940,846
	<u>1,232,748</u>	<u>2,224,534</u>	<u>1,956,995</u>	<u>253,508</u>	<u>397,960</u>	<u>2,586,000</u>	<u>2,453,082</u>	<u>11,104,827</u>	<u>10,952,563</u>
Surplus (deficit) for the year	<u>\$ 985,212</u>	<u>\$ (29,507)</u>	<u>\$ (288,448)</u>	<u>\$ (46,905)</u>	<u>\$ (73,632)</u>	<u>\$ (198,630)</u>	<u>\$ (16,046)</u>	<u>\$ 332,044</u>	<u>\$ 915,003</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

19. RECONCILIATION OF ANNUAL SURPLUS

	<u>General Operating Fund</u>	<u>General Capital Fund</u>	<u>General Operating Reserve Fund</u>	<u>General Capital Reserve Fund</u>	<u>Water and Sewer Operating Fund</u>	<u>Water and Sewer Capital Fund</u>	<u>Water and Sewer Oper/Capital Reserve Fund</u>	<u>St. Croix Public Library</u>	<u>Total</u>
2020 annual surplus (deficit)	\$ 961,798	\$ (702,212)	\$ 1,650	\$ 12,428	\$ (216,856)	\$ 311,709	\$ 781	\$ (37,254)	\$ 332,044
Adjustments to annual surplus (deficit) for funding requirements									
Second previous year's surplus	280,156	-	-	-	3,196	-	-	-	283,352
Transfers between funds									
Transfers from general operating fund to general capital reserve fund	(107,985)	-	-	107,985	-	-	-	-	-
Transfer from general capital reserve fund to general capital fund	-	683,325	-	(683,325)	-	-	-	-	-
Transfer from general operating fund to general operating reserve fund	(223,000)	-	223,000	-	-	-	-	-	-
Transfers to general operating fund from general operating reserve fund	41,736	-	(41,736)	-	-	-	-	-	-
Transfer from water and sewer operating fund to water and sewer capital reserve fund	-	-	-	-	(10,000)	-	10,000	-	-
Transfers from water and sewer capital reserve fund to water and sewer capital fund	-	-	-	-	-	15,132	(15,132)	-	-
Transfer from water and sewer operating fund to water and sewer operating reserve fund	-	-	-	-	(8,589)	-	8,589	-	-
Long term debt principal repayment	(425,000)	425,000	-	-	(334,000)	334,000	-	-	-
Revenue adjustment	(48,240)	-	-	-	-	-	-	42,867	(5,373)
Post employment benefits recovery	(88,660)	-	-	-	(13,640)	-	-	-	(102,300)
Accumulated amortization on disposal of capital assets	-	(149,592)	-	-	-	-	-	-	(149,592)
Amortization expense	-	1,511,862	-	-	503,397	-	-	-	2,015,259
Total adjustments to 2020 annual surplus (deficit)	<u>(570,993)</u>	<u>2,470,595</u>	<u>181,264</u>	<u>(575,340)</u>	<u>140,364</u>	<u>349,132</u>	<u>3,457</u>	<u>42,867</u>	<u>2,041,346</u>
2020 annual surplus (deficit)	<u>\$ 390,805</u>	<u>\$ 1,768,383</u>	<u>\$ 182,914</u>	<u>\$ (562,912)</u>	<u>\$ (76,492)</u>	<u>\$ 660,841</u>	<u>\$ 4,238</u>	<u>\$ 5,613</u>	<u>\$ 2,373,390</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

20. STATEMENT OF RESERVES

	<u>General</u>	<u>General</u>	<u>Water</u>	<u>Water</u>	<u>2020</u>	<u>2019</u>
	<u>Operating</u>	<u>Capital</u>	<u>and Sewer</u>	<u>and Sewer</u>	<u>Total</u>	<u>Total</u>
	<u>Reserve</u>	<u>Reserve</u>	<u>Operating</u>	<u>Capital</u>		
	<u>Reserve</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Reserve</u>		
ASSETS						
Cash	\$ <u>402,586</u>	\$ <u>955,617</u>	\$ <u>23,867</u>	\$ <u>211,896</u>	\$ <u>1,593,966</u>	\$ <u>1,969,726</u>
TOTAL ASSETS	\$ <u>402,586</u>	\$ <u>955,617</u>	\$ <u>23,867</u>	\$ <u>211,896</u>	\$ <u>1,593,966</u>	\$ <u>1,969,726</u>
ACCUMULATED SURPLUS	\$ <u>402,586</u>	\$ <u>955,617</u>	\$ <u>23,867</u>	\$ <u>211,896</u>	\$ <u>1,593,966</u>	\$ <u>1,969,726</u>
REVENUE						
Transfer from Water and Sewer Operating Fund	\$ -	\$ -	\$ 8,589	\$ 10,000	\$ 18,589	\$ 40,000
Transfers from General Operating Fund	223,000	107,985	-	-	330,985	169,751
Interest	<u>1,650</u>	<u>12,428</u>	<u>52</u>	<u>729</u>	<u>14,859</u>	<u>45,810</u>
	<u>224,650</u>	<u>120,413</u>	<u>8,641</u>	<u>10,729</u>	<u>364,433</u>	<u>255,561</u>
EXPENDITURE						
Transfer to Water and Sewer Capital Fund	-	-	-	15,132	15,132	26,540
Transfer to General Operating Fund	41,736	-	-	-	41,736	27,684
Transfer to General Capital Fund	<u>-</u>	<u>683,325</u>	<u>-</u>	<u>-</u>	<u>683,325</u>	<u>766,770</u>
	<u>41,736</u>	<u>683,325</u>	<u>-</u>	<u>15,132</u>	<u>740,193</u>	<u>820,994</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>182,914</u>	\$ <u>(562,912)</u>	\$ <u>8,641</u>	\$ <u>(4,403)</u>	\$ <u>(375,760)</u>	\$ <u>(565,433)</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

20. STATEMENT OF RESERVES (cont'd)

Council Resolutions regarding transfers to and from reserves:

Moved by Councillor Chisholm and Seconded by Deputy Mayor Carr that the amount of \$11,709.23 (eleven thousand, seven hundred and nine dollars and twenty-three cents) be transferred from the Water and Sewerage Capital Reserve Fund to the Water and Sewerage Capital Fund for a SCADA System upgrade.

Moved by Councillor Wheaton and Seconded by Councillor Parker that the amount of \$15,056.12 (fifteen thousand, fifty six dollars and twelve cents) be transferred from the General Operating Reserve Fund to the General Operating Fund.

Moved by Councillor Wheaton and Seconded by Deputy Mayor Carr that council approve the transfer of \$10,000 (ten thousand dollars) from the General Capital Reserve Fund to the General Capital Fund for the purpose of funding the installation of handrails within the Quartermain Arena.

Moved by Councillor Hyslop and Seconded by Councillor Wheaton that Three Hundred and Seven Thousand dollars (\$307,000) be transferred from the General Capital Reserve Fund to the General Capital Fund for the Town Hall Reallocation to the Garcelon Civic Center Design and Construction.

Moved by Deputy Mayor Carr and Seconded by Councillor Hyslop that Three Thousand Four Hundred and Twenty-three dollars and Nineteen cents (\$3,423.19) be transferred from the Water and Sewerage Capital Reserve Fund to the Water and Sewerage Capital Fund a SCADA system upgrade.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that Thirty Nine Thousand Eight Hundred and Ninety-six dollars and Thirty-three cents (\$39,896.33) be transferred from the General Capital Reserve Fund to the General Capital Fund for Wharf Revitalization.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that Ninety Three Thousand Three Hundred and Seventy-six dollars (\$93,376) be transferred from the General Capital Reserve Fund to the General Capital Fund for Town Hall reallocation.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that One Hundred Seventy Thousand One Hundred and Sixty-eight dollars and Thirty-nine cents (\$170,168.39) be transferred from the General Capital Reserve Fund to the General Capital Fund for Boundary to Hill street improvements.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that Twenty Six Thousand Six Hundred and Eighty dollars (\$26,680) be transferred from the General Operating Reserve Fund to the General Operating Fund for website redesign.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that Sixty Two Thousand Eight Hundred and Eighty-four dollars and Forty-three cents (\$62,884.43) be transferred from the General Capital Reserve Fund to the General Capital Fund for land purchase (163 King Street).

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

20. STATEMENT OF RESERVES (cont'd)

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that Eight Thousand Five Hundred and Eighty-nine dollars (\$8,589) be transferred from the Water and Sewerage Operating Fund to the Water and Sewerage Operating Reserve Fund for future needs.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that Ten Thousand dollars (\$10,000) be transferred from the Water and Sewerage Operating Fund to the Water and Sewerage Capital Reserve Fund for future capital needs.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that Two Hundred and Twenty-three thousand dollars (\$223,000) be transferred from the General Operating Fund to the General Operating Reserve Fund for future needs.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that One Hundred Seven Thousand Nine Hundred and Eight-five dollars (\$107,985) be transferred from the General Operating Fund to the General Capital Reserve Fund for future needs.

I hereby certify that the above are true copies of resolutions adopted at the regular meetings of Council on May 25, 2020, June 22, 2020, September 28, 2020, November 25, 2020 and December 16, 2020.

Clerk,
Town of St. Stephen

Date

Oct 22, 2021

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

21. OPERATING BUDGET TO PSAS BUDGET

	Operating Budget <u>General</u>	Operating Budget <u>Water and Sewer</u>	Amortization and Long Term <u>Accruals</u>	Controlled <u>Entities</u>	<u>Transfers</u>	<u>Total</u>
REVENUE						
Property tax warrant	\$ 5,402,445	\$ -	\$ -	\$ -	\$ -	\$ 5,402,445
Services provided to other governments	224,617	-	-	-	40,000	264,617
Sales of services	736,230	-	-	-	(40,000)	696,230
Other revenue from own sources	198,550	126,200	-	-	(125,000)	199,750
Unconditional grant	1,608,894	-	-	-	-	1,608,894
Conditional transfers	4,200	-	-	-	-	4,200
Other transfers	923,011	-	-	-	(923,011)	-
Water and sewer user fees	-	2,122,590	-	-	-	2,122,590
Interest	22,020	84,880	-	-	-	106,900
Other	-	-	-	38,647	(38,647)	-
Surplus of second previous year	<u>280,156</u>	<u>30,973</u>	<u>-</u>	<u>-</u>	<u>(311,129)</u>	<u>-</u>
	<u>9,400,123</u>	<u>2,364,643</u>	<u>-</u>	<u>38,647</u>	<u>(1,397,787)</u>	<u>10,405,626</u>
EXPENDITURE						
General government services	1,105,702	-	12,713	-	(222,127)	896,288
Protective services	2,342,901	-	96,191	-	(138,173)	2,300,919
Transportation services	2,154,100	-	693,296	-	(658,509)	2,188,887
Environmental health services	230,320	-	-	-	-	230,320
Environmental development services	353,382	-	14,565	-	(2,267)	365,680
Recreation and cultural services	2,223,274	-	695,097	38,647	37,053	2,994,071
Fiscal services						
Short term interest and bank charges	34,380	71,450	-	-	(105,830)	-
Interest on long term debt	151,638	58,456	-	-	(210,094)	-
Principal payments on long term debt	425,000	334,000	-	-	(759,000)	-
Transfer from General Operating Fund to General Capital Reserve Fund	107,985	-	-	-	(107,985)	-
Transfer from General Operating Fund to General Operating Reserve Fund	230,000	-	-	-	(230,000)	-
Transfer from Water and Sewer Operating Fund to Water and Sewer Capital Reserve Fund	-	18,589	-	-	(18,589)	-
Water and Sewer	-	1,853,371	503,397	-	117,266	2,474,034
Deficit of second previous year	-	27,777	-	-	(27,777)	-
Other	<u>41,441</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>(9,000)</u>	<u>33,441</u>
	<u>9,400,123</u>	<u>2,364,643</u>	<u>2,015,259</u>	<u>38,647</u>	<u>(2,335,032)</u>	<u>11,483,640</u>
Surplus (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,015,259)</u>	<u>\$ -</u>	<u>\$ 937,245</u>	<u>\$ (1,078,014)</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

22. REVENUE AND EXPENDITURE SUPPORT

	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	Under (Over)	Budget	Actual	Actual
REVENUE				
Services provided to other governments				
Fire protection	\$ 1	\$ 151,837	\$ 151,836	\$ 151,075
Roads and streets	(234)	72,780	73,014	72,779
Recreation	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>20,000</u>
	<u>\$ 39,767</u>	<u>\$ 264,617</u>	<u>\$ 224,850</u>	<u>\$ 243,854</u>
Sale of services				
Fire	\$ 964	\$ 40,390	\$ 39,426	\$ 42,231
Roads and streets	(528)	100	628	209
Recreation - Civic Centre	380,171	650,030	269,859	499,371
Recreation - outside	<u>3,991</u>	<u>5,710</u>	<u>1,719</u>	<u>5,443</u>
	<u>\$ 384,598</u>	<u>\$ 696,230</u>	<u>\$ 311,632</u>	<u>\$ 547,254</u>
Other revenue from own sources				
Animal licenses	\$ 385	\$ 625	\$ 240	\$ 535
Construction permits	(5,124)	15,000	20,124	33,374
Other permits and licenses	(169)	750	919	1,275
Fines	275	500	225	825
Building rentals	12,500	179,675	167,175	176,683
Hydrant and sprinkler system rental	(1,040)	1,100	2,140	-
Miscellaneous	<u>(58,451)</u>	<u>2,100</u>	<u>60,551</u>	<u>57,167</u>
	<u>\$ (51,624)</u>	<u>\$ 199,750</u>	<u>\$ 251,374</u>	<u>\$ 269,859</u>
EXPENDITURE (RECOVERY)				
General government services				
Legislative				
Mayor	\$ 1,216	\$ 19,614	\$ 18,398	\$ 19,052
Councillors	4,545	58,364	53,819	52,861
Other	<u>2,408</u>	<u>8,500</u>	<u>6,092</u>	<u>5,110</u>
	<u>8,169</u>	<u>86,478</u>	<u>78,309</u>	<u>77,023</u>
Administrative				
Chief Administrative Officer's office	(4,958)	184,894	189,852	120,675
Clerk's office	(21,351)	42,331	63,682	59,231
Treasurer's office	13,358	188,280	174,922	197,229
Office building	(23,840)	30,870	54,710	60,274
Solicitor	(30,554)	10,000	40,554	27,559
Other	<u>(19,081)</u>	<u>117,880</u>	<u>136,961</u>	<u>71,165</u>
	<u>(86,426)</u>	<u>574,255</u>	<u>660,681</u>	<u>536,133</u>
Financial management				
Audit	<u>(150)</u>	<u>14,185</u>	<u>14,335</u>	<u>14,006</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2020</u> Under (Over)	<u>2020</u> Budget	<u>2020</u> Actual	<u>2019</u> Actual
General government services (cont'd)				
Other				
Common services - training and development	879	3,000	2,121	-
Common services - conventions	3,600	3,600	-	2,493
Common services - liability insurance	3,441	76,084	72,643	73,590
Common services - grants	830	50,000	49,170	59,218
Common services - regional and collaborative services	-	11,549	11,549	-
Sick leave and post employment benefits	-	(13,640)	(13,640)	2,783
Cost of assessment	-	66,334	66,334	65,692
Interest on temporary borrowing	(1,577)	3,730	5,307	4,161
Other services	29,796	8,000	(21,796)	(1,464)
Loss on disposal of capital assets	(261,581)	-	261,581	-
Amortization	-	12,713	12,713	10,040
	<u>(224,612)</u>	<u>221,370</u>	<u>445,982</u>	<u>216,513</u>
	<u>\$ (303,019)</u>	<u>\$ 896,288</u>	<u>\$ 1,199,307</u>	<u>\$ 843,675</u>
Protective services				
Fire				
Fire fighting force	\$ 41,909	\$ 696,753	\$ 654,844	\$ 672,229
Fire administration	150	9,700	9,550	7,839
Fire alarm system	4,469	19,400	14,931	13,549
Fire training	7,674	20,000	12,326	12,290
Fire station and buildings	7,819	37,500	29,681	36,267
Fire fighting equipment	8,373	68,563	60,190	56,263
	<u>70,394</u>	<u>851,916</u>	<u>781,522</u>	<u>798,437</u>
Police				
Administration and crime control	-	1,187,254	1,187,254	1,166,154
Station and building	2,065	35,460	33,395	32,665
	<u>2,065</u>	<u>1,222,714</u>	<u>1,220,649</u>	<u>1,198,819</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2020</u> Under (Over)	<u>2020</u> Budget	<u>2020</u> Actual	<u>2019</u> Actual
Protective services (cont'd)				
Other				
Bylaw officer and building inspector	1,173	98,100	96,927	81,559
Animal and pest control	(45)	18,290	18,335	18,246
Crosswalk guards	2,798	26,881	24,083	24,558
Sick leave and post employment benefits	-	(13,640)	(13,640)	2,385
Interest on long term debt	-	467	467	1,485
Amortization	-	96,191	96,191	69,686
	<u>3,926</u>	<u>226,289</u>	<u>222,363</u>	<u>197,919</u>
	<u>\$ 76,385</u>	<u>\$ 2,300,919</u>	<u>\$ 2,224,534</u>	<u>\$ 2,195,175</u>
 Transportation services				
Common				
Administration	\$ 143,827	\$ 740,422	\$ 596,595	\$ 650,401
General equipment	24,271	257,468	233,197	251,014
Work shop	<u>22,981</u>	<u>113,310</u>	<u>90,329</u>	<u>97,690</u>
	191,079	1,111,200	920,121	999,105
Roadway surfaces	11,524	70,000	58,476	65,027
Storm sewers	7,818	5,000	(2,818)	2,195
Snow and ice removal	21,336	90,000	68,664	75,606
Street lighting	(7,334)	135,000	142,334	137,265
Street signs	454	4,000	3,546	4,148
Traffic signals	49	5,510	5,461	5,715
Airport	(1,510)	30,596	32,106	53,153
Sick leave and post employment benefits	-	(20,460)	(20,460)	3,975
Interest on temporary borrowing	9,631	30,650	21,019	36,510
Interest on long term debt	-	34,095	34,095	34,335
Other services	<u>(1,155)</u>	<u>-</u>	<u>1,155</u>	<u>10,911</u>
	<u>231,892</u>	<u>1,495,591</u>	<u>1,263,699</u>	<u>1,427,945</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2020</u> Under (Over)	<u>2020</u> Budget	<u>2020</u> Actual	<u>2019</u> Actual
Transportation services (cont'd)				
Amortization	-	693,296	693,296	648,424
	<u>\$ 231,892</u>	<u>\$ 2,188,887</u>	<u>\$ 1,956,995</u>	<u>\$ 2,076,369</u>
Environmental health services				
Landfill costs	\$ (14)	\$ 320	\$ 334	\$ 318
Regional landfill and waste pickup	(23,174)	230,000	253,174	240,710
	<u>\$ (23,188)</u>	<u>\$ 230,320</u>	<u>\$ 253,508</u>	<u>\$ 241,028</u>
Environmental development services				
Community development	\$ (17,129)	\$ 311,622	\$ 328,751	\$ 244,466
Tourist promotion	3,783	15,370	11,587	17,296
Beautification and land rehabilitation	(24,959)	26,390	51,349	53,014
Sick leave and post employment benefits	-	(2,273)	(2,273)	795
Interest on long term debt	-	6	6	6
Provision (recovery)for doubtful accounts	-	-	-	(9,502)
Loss (gain) on disposal of capital assets	6,025	-	(6,025)	91,408
Amortization	-	14,565	14,565	15,642
	<u>\$ (32,280)</u>	<u>\$ 365,680</u>	<u>\$ 397,960</u>	<u>\$ 413,125</u>
Recreation and cultural services				
Outside Recreation				
Administration	\$ 9,725	\$ 16,280	\$ 6,555	\$ 19,042
Swimming pool	8,870	118,020	109,150	92,697
Parks and playgrounds	88,652	338,541	249,889	315,985
	<u>107,247</u>	<u>472,841</u>	<u>365,594</u>	<u>427,724</u>
Recreational Facilities				
Arena	3,302	8,110	4,808	5,962
Civic Center	289,426	1,674,796	1,385,370	1,403,868
	<u>292,728</u>	<u>1,682,906</u>	<u>1,390,178</u>	<u>1,409,830</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2020</u> Under (Over)	<u>2020</u> Budget	<u>2020</u> Actual	<u>2019</u> Actual
Recreation and cultural services (cont'd)				
Libraries	9,277	64,804	55,527	50,134
Sick leave and post employment benefits	-	(38,647)	(38,647)	4,373
Interest on temporary borrowing	-	-	-	4,061
Interest on long term debt	-	117,070	117,070	117,850
Other services	(1,181)	-	1,181	828
Provision (recovery) for doubtful accounts	-	-	-	(2,366)
Amortization	-	695,097	695,097	725,980
	<u>\$ 408,071</u>	<u>\$ 2,994,071</u>	<u>\$ 2,586,000</u>	<u>\$ 2,738,414</u>
Water and sewer services				
Water system				
Administration	\$ (3,595)	\$ 149,116	\$ 152,711	\$ 157,092
Transmission and distribution	36,768	732,482	695,714	651,052
Power and pumping	(36,830)	249,581	286,411	252,818
Billing and collection	(48)	3,410	3,458	3,300
Interest on temporary borrowing	11,054	35,730	24,676	34,858
Interest on long term debt	-	32,889	32,889	47,754
Sick leave and post employment benefits	-	(9,093)	(9,093)	1,193
Amortization	-	277,989	277,989	251,731
	<u>7,349</u>	<u>1,472,104</u>	<u>1,464,755</u>	<u>1,399,798</u>
Sewer system				
Administration	(1,582)	149,116	150,698	155,777
Collection system	10,572	37,600	27,028	42,684
Lift stations	(32,415)	116,840	149,255	113,818
Treatment and disposal	43,105	411,816	368,711	429,794
Billing and collection	(48)	3,410	3,458	3,300
Interest on temporary borrowing	11,029	35,720	24,691	34,854
Interest on long term debt	-	25,567	25,567	29,671
Sick leave and post employment benefits	-	(4,547)	(4,547)	398
Amortization	-	225,408	225,408	219,340
	<u>30,661</u>	<u>1,000,930</u>	<u>970,269</u>	<u>1,029,636</u>
Provision for doubtful accounts	(8,184)	1,000	9,184	15,343
Loss (gain) on disposal of capital assets	(8,874)	-	8,874	-
	<u>(17,058)</u>	<u>1,000</u>	<u>18,058</u>	<u>15,343</u>
	<u>\$ 20,952</u>	<u>\$ 2,474,034</u>	<u>\$ 2,453,082</u>	<u>\$ 2,444,777</u>