

MUNICIPAL DISTRICT OF ST. STEPHEN

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

MUNICIPAL DISTRICT OF ST. STEPHEN

DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Municipal District of St. Stephen, which comprise the statement of financial position as at December 31, 2025, 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, 2025, 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.

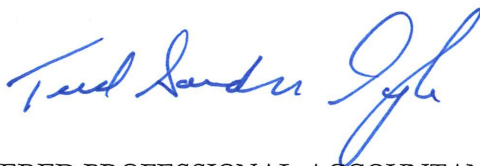
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Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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
May 6, 2026

MUNICIPAL DISTRICT OF ST. STEPHEN

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025 Under (Over)	2025 Budget (Note 21)	2025 Actual	2024 Actual
REVENUE				
Property tax warrant	\$ -	\$ 9,282,964	\$ 9,282,964	\$ 8,975,986
Services provided to other governments (Note 22)	21,189	371,257	350,068	341,310
Sale of services (Note 22)	(64,167)	522,900	587,067	618,347
Other revenue from own sources (Note 22)	(1,595,118)	494,795	2,089,913	1,056,109
Unconditional grant	-	1,557,674	1,557,674	1,678,740
Other	-	-	-	128,231
Conditional transfers	(70,483)	200	70,683	371,260
Water and sewer user fees	125,694	2,539,000	2,413,306	2,635,449
Interest	<u>(119,965)</u>	<u>-</u>	<u>119,965</u>	<u>146,191</u>
	<u>(1,702,850)</u>	<u>14,768,790</u>	<u>16,471,640</u>	<u>15,951,623</u>
EXPENDITURE (Note 22)				
General government services	201,596	1,896,065	1,694,469	1,917,982
Protective services	235,231	4,029,621	3,794,390	3,908,841
Transportation services	777,742	3,352,509	2,574,767	2,361,539
Environmental health services	50,039	796,694	746,655	665,464
Environmental development services	(253,932)	536,869	790,801	526,931
Recreation and cultural services	(160,468)	3,828,184	3,988,652	3,932,888
Water and sewer services	<u>(393,975)</u>	<u>2,982,461</u>	<u>3,376,436</u>	<u>2,808,046</u>
	<u>456,233</u>	<u>17,422,403</u>	<u>16,966,170</u>	<u>16,121,691</u>
ANNUAL DEFICIT FOR THE YEAR (Note 19)	(2,159,083)	(2,653,613)	(494,530)	(170,068)
ACCUMULATED SURPLUS - BEGINNING OF YEAR			<u>51,597,990</u>	<u>51,768,058</u>
ACCUMULATED SURPLUS - END OF YEAR			<u>\$ 51,103,460</u>	<u>\$ 51,597,990</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
FINANCIAL ASSETS		
Cash (Note 4)	\$ 3,545,108	\$ 4,521,845
Accounts receivable		
General	535,686	1,171,790
Insurance	619,491	298,874
Federal Government and its agencies (Note 5)	580,804	1,158,813
Province of New Brunswick (Note 6)	-	30,504
Post employment benefits asset (Note 10)	<u>69,000</u>	<u>-</u>
	<u>\$ 5,350,089</u>	<u>\$ 7,181,826</u>
LIABILITIES		
Short term financing (Note 13)	\$ -	\$ 1,290,409
Accounts payable and accrued liabilities	3,035,204	2,902,356
Deferred revenue (Note 7)	115,942	206,901
Long term debt (Note 8)	6,320,000	6,121,000
Accrued sick leave (Note 9)	561,800	418,300
Post employment benefits payable (Note 10)	<u>-</u>	<u>13,900</u>
	<u>10,032,946</u>	<u>10,952,866</u>
NET DEBT	<u>(4,682,857)</u>	<u>(3,771,040)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	93,292,467	91,989,044
Accumulated amortization (Note 17)	<u>(38,111,095)</u>	<u>(37,018,776)</u>
	55,181,372	54,970,268
Inventory	272,091	243,027
Prepaid expenses	277,980	96,795
Deferred financing charges	<u>54,872</u>	<u>58,939</u>
	<u>55,786,315</u>	<u>55,369,029</u>
ACCUMULATED SURPLUS	<u>\$ 51,103,460</u>	<u>\$ 51,597,989</u>
CONTINGENT LIABILITIES (Note 11)		
COMMITMENTS (Note 12)		
APPROVED BY:		
		
_____ Mayor		
		
_____ Treasurer		

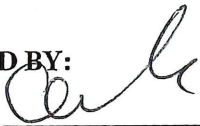
MUNICIPAL DISTRICT OF ST. STEPHEN

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

AS AT DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
Annual deficit	\$ (494,530)	\$ (170,068)
Acquisition of tangible capital assets	(2,565,523)	(1,504,266)
Amortization of tangible capital assets	2,237,360	2,260,882
Loss on disposal of tangible capital assets	<u>117,059</u>	<u>186,948</u>
	(705,634)	773,496
Acquisition of inventories	(272,091)	(243,027)
Acquisition of prepaid expenses	(277,980)	(96,795)
Acquisition of deferred expenses	(54,872)	(58,939)
Consumption of inventories	243,027	292,889
Use of prepaid expenses	96,795	74,755
Use of deferred expenses	<u>58,939</u>	<u>58,939</u>
(Increase) decrease in net debt	(911,816)	801,318
Net debt - beginning of year	<u>(3,771,039)</u>	<u>(4,572,357)</u>
Net debt - end of year	\$ <u>(4,682,855)</u>	\$ <u>(3,771,039)</u>

APPROVED BY:



Mayor



Treasurer

MUNICIPAL DISTRICT OF ST. STEPHEN

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING TRANSACTIONS		
Annual deficit	\$ (494,530)	\$ (170,068)
Loss on disposal of tangible capital assets	117,059	186,948
Amortization of tangible capital assets	2,237,360	2,260,882
Receivable - General	636,104	569,398
Receivable - Insurance	(320,617)	(89,971)
Receivable - Federal Government and its agencies	578,009	(307,451)
Receivable - Province of New Brunswick	30,504	722,498
Accounts payable and accrued liabilities	132,848	(313,671)
Deferred revenue	(90,959)	(13,104)
Accrued sick leave	143,500	139,100
Post employment benefits asset (payable)	(82,900)	(32,600)
Change in inventory/prepaid expenses/deferred expenses	<u>(206,182)</u>	<u>27,822</u>
	<u>2,680,196</u>	<u>2,979,783</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(2,565,523)</u>	<u>(1,504,266)</u>
FINANCING TRANSACTION		
Proceeds from long-term debt	776,000	993,000
Repayment of long-term debt	<u>(577,000)</u>	<u>(698,000)</u>
	<u>199,000</u>	<u>295,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	313,673	1,770,517
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,231,437</u>	<u>1,460,920</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,545,110</u>	<u>\$ 3,231,437</u>
CASH CONSISTS OF:		
Cash	\$ 3,545,108	\$ 4,521,845
Short term financing	<u>-</u>	<u>(1,290,409)</u>
	<u>\$ 3,545,108</u>	<u>\$ 3,231,436</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. PURPOSE OF THE ORGANIZATION

The Municipal District 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 Town. The Town 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 18, 2024 and the Director of Community Finances on January 6, 2025 for the General Operating Fund.

The Water and Sewer Operating Fund budget was approved by Council on December 18, 2024 and the Director of Community of Finances on January 6, 2025.

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 over the life of the instrument.

Cash and Cash Equivalents

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

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 basis.

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.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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. In the year of acquisition the rates used were one half of those noted above.

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

During the year, building and land with a net book value of \$117,059 were sold for \$1. This sale was in the normal course of operations.

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.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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).

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, 2025:

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 a significant portion its accounts receivable consists 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.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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>2025</u>	<u>2024</u>
Cash - unrestricted	\$ 1,240,634	\$ 2,554,227
Cash - restricted - reserves (Note 20)	1,640,275	1,322,413
Cash - restricted - retirement allowance (Notes 2, 3 and 10)	259,918	251,623
Cash - restricted - accrued sick leave (Notes 2, 3 and 9)	<u>404,281</u>	<u>393,582</u>
	<u>\$ 3,545,108</u>	<u>\$ 4,521,845</u>

5. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES

	<u>2025</u>	<u>2024</u>
Canada Revenue Agency (HST refund)	\$ 333,758	\$ 684,486
Canada Community Building Fund	<u>247,046</u>	<u>474,327</u>
	<u>\$ 580,804</u>	<u>\$ 1,158,813</u>

6. DUE FROM PROVINCE OF NEW BRUNSWICK

	<u>2025</u>	<u>2024</u>
Regional Development Corporation	\$ <u>-</u>	\$ <u>30,504</u>

7. DEFERRED REVENUE

Deferred revenue consists of flat rate water fees collected in advance, and civic centre passes, gift cards, and venue bookings.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

8. LONG TERM DEBT

	Balance January 1, <u>2025</u>	Issued during year	Redeemed during year	Balance December 31, <u>2025</u>
New Brunswick Municipal Financing Corporation				
Debentures:				
BR - 24 1.65% - 2.90% series, due 2027	65,000	-	21,000	44,000
BV - 22 2.05% - 3.35% series, due 2039	538,000	-	76,000	462,000
CA - 26 0.855% - 2.762% series, due 2036	500,000	-	37,000	463,000
BH - 30 1.35% - 3.80%, series, due 2032	111,000	-	12,000	99,000
BP - 24 1.20% - 3.80% series, due 2036	2,523,000	-	175,000	2,348,000
CF - 11 4.835% - 4.808% series, due 2039	958,000	-	46,000	912,000
CH - 22 2.85% - 4.67% series, due 2040	-	450,000	-	450,000
CA - 27 0.855% - 2.762% series, due 2036	689,000	-	51,000	638,000
BV- 23 2.05% - 2.85% series, due 2029	659,000	-	125,000	534,000
CF - 12 4.15% - 4.84% series, due 2039	35,000	-	2,000	33,000
BM - 26 0.95% -2.80% series, matured during the year	25,000	-	25,000	-
BO - 29 1.45% - 2.90% series, due 2026	9,000	-	4,000	5,000
BQ - 27 1.20% - 2.70% series, due 2027	9,000	-	3,000	6,000
CH - 23 2.85% - 4.67% series, due 2040	-	326,000	-	326,000
	<u>\$ 6,121,000</u>	<u>\$ 776,000</u>	<u>\$ 577,000</u>	<u>\$ 6,320,000</u>

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:

2026	\$ 610,000
2027	621,000
2028	614,000
2029	630,000
2030	431,000
Thereafter	<u>3,414,000</u>
	<u>6,320,000</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 41 unionized and 14 active non-unionized employees plan in accordance with PS 3255 as at December 31, 2023 (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% (2020 - 3%);
- the discount rate used to determine the accrued benefit obligations is 4.25% (2020 - 1.99%)
- 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 0.4 days (2020 - 1.4 days) per employee per year; and
- estimated net excess utilization of rate of sick leave for unionized employees is assumed to be zero.

The liability was estimated to be \$561,800 on December 31, 2025 (2024 - \$418,300). The Town has restricted \$404,281 (2024 - \$393,582) in cash to fund this future liability (Note 4).

10. POST EMPLOYMENT BENEFITS PAYABLE (ASSET)

The post employment benefits payable (asset) consists of the following:

	Estimated 2025	Estimated 2024
Retirement allowance and other obligation	\$ 55,300	\$ 145,400
Pension obligation - NB MEPP	<u>13,700</u>	<u>(159,300)</u>
	<u>\$ 69,000</u>	<u>\$ (13,900)</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.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

10. POST EMPLOYMENT BENEFITS PAYABLE (ASSET) (cont'd)

An actuarial valuation was performed on the plan for 41 unionized employees, 14 non-unionized employees, and 31 volunteer firefighters in accordance with PS 3250 as at December 31, 2023 (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, 2023:

- the discount rate used to determine the accrued benefit obligation is 4.25% (2020 - 1.99%);
- salary increase rate of 3% (2020 - 3%) per year;
- life insurance premiums increase by 5% (2020 - 3%) per year; and
- health insurance premiums increase by 5% (2020 - 3%) per year.

The Town has restricted \$259,918 (2024 - \$251,623) in cash to fund this future liability (Note 4).

Pension Obligation

The Town and its employees participate in the New Brunswick Municipal Employees Pension Plan ("NB MEPP"). The NB MEPP 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 NB MEPP (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, 2023 and resulted in an overall NBMEPP accrued benefit obligation of \$158,648,800 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, 2024:

- the expected inflation rate is 2.10% (prior 2.10%);
- the discount rate used to determine the accrued benefit obligation is 6.05% (prior 6.05%);
- the expected rate of return on assets is 6.05% (prior 6.05%);
- retirement age varies by age and employment category; and
- estimated average remaining service life (EARSL) is 14.0 years (prior 14.0 years).

The actuarial valuation prepared as at December 31, 2023 indicated that the market value of the net assets available for the accumulated plan benefits were less than the present value of 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 \$9,496,000 a change of \$2,732,600 from the December 31, 2022 deficit of \$12,228,600. Based on the assumptions as at December 31, 2023, the actuary expects the level of employer and employee contributions to be sufficient to fund the current service cost and going concern special payments, as required by the Pensions Benefits Act.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

10. POST EMPLOYMENT BENEFITS PAYABLE (ASSET) (cont'd)

As at December 31, 2023, the NB MEPP provides benefits for 332 retirees. Total benefits payments to retirees and terminating employees during 2025 are estimated to be approximately \$5,705,700 (actual 2024, \$8,265,100) in totality for the NB MEPP.

Employees make contributions using rates that vary by earnings level and employment category, with an overall average contribution rate of approximately 7.93%. 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 participating bodies' contributions for 2025 are estimated to be approximately \$10,714,400 (actual 2024 \$10,407,800 in totality for the NB MEPP).

The following summarizes the NB MEPP data as it relates to the Municipal District of St. Stephen:

- The average age of the 50 active employees covered by the NBMEPP is 48.7 (as at December 31, 2023);
- Benefit payments were \$557,600 in 2024 and were estimated to be \$388,000 in 2025; and
- Combined contributions were \$490,200 in 2024 and were estimated to be \$505,000 in 2025.

In addition to determining the position of the NB MEPP as it relates to the Municipal District of St. Stephen as at December 31, 2023 and December 31, 2024, NB MEPP's actuary performed an extrapolation of the December 31, 2024 accounting valuation to determine the estimated position as at December 31, 2025. The extrapolation assumes assumptions used as at December 31, 2025 remain unchanged from December 31, 2041. The extrapolation also assumes assets return 6.05% 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</u> <u>Dec 31, 2025</u>	<u>Jan 1, 2024 to</u> <u>Dec 31, 2024</u>
Accrued Benefit Liability		
Accrued benefit liability at beginning of period	\$ 116,800	\$ 239,600
Pension expense for the year	122,000	122,300
Employer contributions	<u>(252,500)</u>	<u>(245,100)</u>
Accrued benefit liability (asset) at end of period	<u><u>\$ (13,700)</u></u>	<u><u>\$ 116,800</u></u>

In summary, the accrued benefit asset as it related to the Municipal District of St. Stephen is estimated to be \$(13,700) as at December 31, 2025. The December 31, 2024 liability was estimated in the prior year to be \$159,300. The actual liability was calculated to be \$116,800. The difference of \$(42,500) has been recorded in the current year. This amount is included in the post employment benefits payable on the consolidated statement of financial position.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

10. POST EMPLOYMENT BENEFITS PAYABLE (ASSET) (cont'd)

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:

	Estimated Jan 1, 2025 to Dec 31, 2025	Jan 1, 2024 to Dec 31, 2024
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 9,177,300	\$ 8,664,800
Plan assets	<u>(9,228,300)</u>	<u>(8,588,200)</u>
Plan deficit (surplus)	(51,000)	76,600
Unamortized experience gains	<u>(37,300)</u>	<u>(40,200)</u>
Accrued benefit liability (asset) at end of period	<u>\$ (13,700)</u>	<u>\$ 116,800</u>

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

	Estimated Jan 1, 2025 to Dec 31, 2025	Jan 1, 2024 to Dec 31, 2024
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 8,664,800	\$ 8,301,300
Current service cost	376,600	329,400
Benefit payments	(388,000)	(557,600)
Interest for period	523,900	495,300
Experience loss during period	<u>-</u>	<u>96,400</u>
Accrued benefit obligation at end of period	<u>\$ 9,177,300</u>	<u>\$ 8,664,800</u>

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

	Estimated Jan 1, 2025 to Dec 31, 2025	Jan 1, 2024 to Dec 31, 2024
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 8,588,200	\$ 7,846,300
Employer contributions	252,500	245,100
Employee contributions	252,500	245,100
Benefit payments	(388,000)	(557,600)
Return on plan assets during period	<u>523,100</u>	<u>809,300</u>
Plan assets at end of period	<u>\$ 9,228,300</u>	<u>\$ 8,588,200</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

10. POST EMPLOYMENT BENEFITS PAYABLE (ASSET) (cont'd)

Total expense related to pensions include the following components:

	Estimated Jan 1, 2025 to Dec 31, 2025	Jan 1, 2024 to Dec 31, 2024
Pension Expense		
Employer current service cost	\$ 124,100	\$ 84,300
Interest on accrued benefit obligation	523,900	495,300
Expected return on assets	<u>(523,100)</u>	<u>(472,700)</u>
	<u>124,900</u>	<u>106,900</u>
 Amortization of unrecognized balances		
Experience loss (gain)	<u>(2,900)</u>	<u>15,400</u>
 Pension expense	<u>\$ 122,000</u>	<u>\$ 122,300</u>

The pension expense is included in the statement of operations.

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 - 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 \$297,539 to date.

Developers Incentive - Apartment Complex

In 2025, the Town signed an agreement that provides for a sum of \$300,000 to the development of the project after demolition of the existing structures on the land is complete and an additional amount to a maximum of \$100,000 for repaving of the lands with such payment not occurring before 2027. In addition, the Municipality will provide the infrastructure for connection to the Municipal Water and Sewer system. No payments have been made towards this agreement as of December 31, 2025.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 # 20-0020	\$ 234,000
General Capital Fund, OIC # 21-0011	1,628,000
General Capital Fund, OIC # 23-0012	915,000
General Capital Fund, OIC # 23-0022	810,000
General Capital Fund, OIC # 23-0023	39,000
Water and Sewer Capital Fund, OIC # 20-0020	381,000
Water and Sewer Capital Fund, OIC # 21-0011	555,000
Water and Sewer Capital Fund, OIC # 23-0012	968,000
Water and Sewer Capital Fund, OIC # 23-0022	611,000
Water and Sewer Capital Fund, OIC # 23-0023	<u>29,000</u>
	<u>\$ 6,170,000</u>

Subsequent to year end on March 2, 2026 these outstanding authorities were voided as all projects have been completed and funding finalized.

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 2025, 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.

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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>2025</u>	<u>2024</u>
2025 Deficit	\$ (221,489)	\$ -
2024 Surplus	173,963	173,963
2023 Surplus	14,095	14,095
2022 Surplus	110,745	166,117
2021 Surplus	61,900	123,802
2020 Deficit	<u>-</u>	<u>(19,123)</u>
	<u>\$ 139,214</u>	<u>\$ 458,854</u>

15. GENERAL FUND SURPLUS (DEFICIT)

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>2025</u>	<u>2024</u>
2025 Deficit	\$ (280,419)	\$ -
2024 Surplus	644,369	644,369
2023 Surplus	<u>-</u>	<u>871,459</u>
	<u>\$ 363,950</u>	<u>\$ 1,515,828</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, 2025, there was \$64,921 (2024 - \$76,184) remaining in the trust funds managed by the Town.

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

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

17. SCHEDULE OF TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings and Leasehold Improvements	Vehicles	Machinery and Equipment	Infrastructure Roads and Streets	Treatment Facilities	Water and Sewer	Marine Structures	Assets Under Construction	2025 Total	2024 Total
COST												
Balance - beginning of year	\$ 1,994,094	\$ 2,376,068	\$ 26,184,690	\$ 782,022	\$ 7,340,938	\$ 21,769,372	\$ 5,761,689	\$ 23,739,127	\$ 1,551,300	\$ 489,744	\$ 91,989,044	\$ 91,121,093
Add: net additions during the year	75,330	48,976	579,130	-	271,173	-	-	-	-	1,590,914	2,565,523	1,504,266
Less: disposals during the year	(73,903)	-	(1,172,217)	-	(15,980)	-	-	-	-	-	(1,262,100)	(636,315)
Balance - end of year	<u>1,995,521</u>	<u>2,425,044</u>	<u>25,591,603</u>	<u>782,022</u>	<u>7,596,131</u>	<u>21,769,372</u>	<u>5,761,689</u>	<u>23,739,127</u>	<u>1,551,300</u>	<u>2,080,658</u>	<u>93,292,467</u>	<u>91,989,044</u>
ACCUMULATED AMORTIZATION												
Balance - beginning of year	-	822,415	8,255,872	738,496	5,180,327	11,386,649	2,163,035	7,899,958	572,024	-	37,018,776	35,207,261
Add: amortization during the year	-	119,427	616,468	17,116	303,532	629,995	106,372	404,944	39,506	-	2,237,360	2,260,882
Less: accumulated amortization on disposals	-	-	(1,129,061)	-	(15,980)	-	-	-	-	-	(1,145,041)	(449,367)
Balance - end of year	<u>-</u>	<u>941,842</u>	<u>7,743,279</u>	<u>755,612</u>	<u>5,467,879</u>	<u>12,016,644</u>	<u>2,269,407</u>	<u>8,304,902</u>	<u>611,530</u>	<u>-</u>	<u>38,111,095</u>	<u>37,018,776</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,995,521</u>	<u>\$ 1,483,202</u>	<u>\$ 17,848,324</u>	<u>\$ 26,410</u>	<u>\$ 2,128,252</u>	<u>\$ 9,752,728</u>	<u>\$ 3,492,282</u>	<u>\$ 15,434,225</u>	<u>\$ 939,770</u>	<u>\$ 2,080,658</u>	<u>\$ 55,181,372</u>	<u>\$ 54,970,268</u>
Consists of:												
General Fund Assets	\$ 1,924,069	\$ 1,483,202	\$ 17,797,635	\$ 22,248	\$ 1,983,786	\$ 9,752,728	\$ -	\$ -	\$ 939,770	\$ 118,801	\$ 34,022,239	\$ 34,804,963
Water & Sewer Fund Assets	71,452	-	50,689	4,162	143,061	-	3,492,282	15,434,225	-	1,961,857	21,157,728	20,161,192
St. Croix Public Library Assets	-	-	-	-	1,405	-	-	-	-	-	1,405	4,113
	<u>\$ 1,995,521</u>	<u>\$ 1,483,202</u>	<u>\$ 17,848,324</u>	<u>\$ 26,410</u>	<u>\$ 2,128,252</u>	<u>\$ 9,752,728</u>	<u>\$ 3,492,282</u>	<u>\$ 15,434,225</u>	<u>\$ 939,770</u>	<u>\$ 2,080,658</u>	<u>\$ 55,181,372</u>	<u>\$ 54,970,268</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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>2025 Consolidated</u>	<u>2024 Consolidated</u>
REVENUE									
Property tax warrant	\$ 1,052,911	\$ 2,332,156	\$ 2,255,039	\$ 282,480	\$ 558,195	\$ 2,802,183	\$ -	\$ 9,282,964	\$ 8,975,986
Services provided to other governments	-	57,770	76,177	-	-	216,121	-	350,068	341,310
Sale of services	-	7,092	-	-	-	579,975	-	587,067	618,347
Other revenue from own sources	1,799,246	272,834	-	-	-	17,833	-	2,089,913	1,056,109
Unconditional grant	176,678	391,334	378,394	47,400	93,665	470,203	-	1,557,674	1,678,740
Conditional transfers	-	-	52,481	-	-	18,202	-	70,683	371,260
Other	-	-	-	-	-	-	-	-	128,231
Water and sewer user fees	-	-	-	-	-	-	2,413,306	2,413,306	2,635,449
Interest	<u>27,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,229</u>	<u>119,965</u>	<u>146,191</u>
	<u>3,056,571</u>	<u>3,061,186</u>	<u>2,762,091</u>	<u>329,880</u>	<u>651,860</u>	<u>4,086,684</u>	<u>2,505,535</u>	<u>16,471,640</u>	<u>15,951,623</u>
EXPENDITURE									
Salaries and benefits	1,047,112	770,563	1,416,134	-	-	1,918,191	973,278	6,125,278	5,851,518
Goods and services	602,920	2,839,567	305,838	746,655	734,066	1,174,160	1,165,119	7,568,325	7,502,782
Interest	1,273	44,805	58,590	-	-	118,957	66,208	289,833	319,562
Bad debt	-	-	-	-	-	-	628,315	628,315	-
Loss on disposal of capital assets	-	-	-	-	-	117,059	-	117,059	186,948
Amortization	<u>43,164</u>	<u>139,455</u>	<u>794,205</u>	<u>-</u>	<u>56,735</u>	<u>660,285</u>	<u>543,516</u>	<u>2,237,360</u>	<u>2,260,882</u>
	<u>1,694,469</u>	<u>3,794,390</u>	<u>2,574,767</u>	<u>746,655</u>	<u>790,801</u>	<u>3,988,652</u>	<u>3,376,436</u>	<u>16,966,170</u>	<u>16,121,692</u>
Surplus (deficit) for the year	<u>\$ 1,362,102</u>	<u>\$ (733,204)</u>	<u>\$ 187,324</u>	<u>\$ (416,775)</u>	<u>\$ (138,941)</u>	<u>\$ 98,032</u>	<u>\$ (870,901)</u>	<u>\$ (494,530)</u>	<u>\$ (170,069)</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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>
2025 annual surplus (deficit)	\$ 392,395	\$ (1,750,922)	\$ 16,157	\$ 11,579	\$ 1,396,302	\$ (543,516)	\$ 9,330	\$ (25,856)	\$ (494,531)
Adjustments to annual surplus (deficit) for funding requirements									
Second previous year's surplus	871,460	-	-	-	100,098	-	-	-	971,558
Transfers between funds:									
Transfer from general operating fund to general capital fund	(1,004,596)	1,004,596	-	-	-	-	-	-	-
Transfer from general operating fund to general capital reserve fund	(96,381)	-	-	96,381	-	-	-	-	-
Transfer from general capital reserve fund to general capital fund	-	22,540	-	(22,540)	-	-	-	-	-
Transfer from general operating fund to general operating reserve fund	(395,000)	-	395,000	-	-	-	-	-	-
Transfer to general operating fund from general operating reserve fund	300,000	-	(300,000)	-	-	-	-	-	-
Transfer from water and sewer operating fund to water and sewer capital reserve fund	-	-	-	-	(45,550)	-	45,550	-	-
Transfer from water and sewer capital reserve fund to water and sewer capital fund	-	-	-	-	-	3,595	(3,595)	-	-
Transfer from water and sewer operating fund to water and sewer operating reserve fund	-	-	-	-	(70,000)	-	70,000	-	-
Transfer from water and sewer operating fund to water and sewer capital fund	-	-	-	-	(1,540,053)	1,540,053	-	-	-
Long term debt principal repayment	(367,000)	367,000	-	-	(210,000)	210,000	-	-	-
Post employment benefits recovery	60,600	-	-	-	-	-	-	-	60,600
Accumulated amortization on disposal of capital assets	-	(1,145,041)	-	-	-	-	-	-	(1,145,041)
Amortization expense	-	1,693,844	-	-	-	543,516	-	-	2,237,360
Revenue adjustment	(41,897)	-	-	-	-	-	-	39,190	(2,707)
Total adjustments to 2025 annual surplus (deficit)	(672,814)	1,942,939	95,000	73,841	(1,765,505)	2,297,164	111,955	39,190	2,121,770

MUNICIPAL DISTRICT OF ST. STEPHEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

2025 annual surplus (deficit)	\$ <u>(280,419)</u>	\$ <u>192,017</u>	\$ <u>111,157</u>	\$ <u>85,420</u>	\$ <u>(369,203)</u>	\$ <u>1,753,648</u>	\$ <u>121,285</u>	\$ <u>13,334</u>	\$ <u>1,627,239</u>
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MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

20. STATEMENT OF RESERVES

	General Operating Reserve	General Capital Reserve	Water and Sewer Operating Reserve	Water and Sewer Capital Reserve	2025 Total	2024 Total
ASSETS						
Cash	\$ 671,742	\$ 477,442	\$ 139,895	\$ 351,196	\$ 1,640,275	\$ 1,322,413
TOTAL ASSETS	<u>\$ 671,742</u>	<u>\$ 477,442</u>	<u>\$ 139,895</u>	<u>\$ 351,196</u>	<u>\$ 1,640,275</u>	<u>\$ 1,322,413</u>
ACCUMULATED SURPLUS	<u>\$ 671,742</u>	<u>\$ 477,442</u>	<u>\$ 139,895</u>	<u>\$ 351,196</u>	<u>\$ 1,640,275</u>	<u>\$ 1,322,413</u>
REVENUE						
Transfer from Water and Sewer Operating Fund	\$ -	\$ -	\$ 70,000	\$ 45,550	\$ 115,550	\$ 111,256
Transfers from General Operating Fund	395,000	96,381	-	-	491,381	223,000
Interest	<u>16,157</u>	<u>11,579</u>	<u>1,440</u>	<u>7,890</u>	<u>37,066</u>	<u>64,217</u>
	<u>411,157</u>	<u>107,960</u>	<u>71,440</u>	<u>53,440</u>	<u>643,997</u>	<u>398,473</u>
EXPENDITURE						
Transfer to Water and Sewer Capital Fund	-	-	-	3,595	3,595	176,643
Transfer to General Operating Fund	300,000	-	-	-	300,000	-
Transfer to General Capital Fund	<u>-</u>	<u>22,540</u>	<u>-</u>	<u>-</u>	<u>22,540</u>	<u>254,060</u>
	<u>300,000</u>	<u>22,540</u>	<u>-</u>	<u>3,595</u>	<u>326,135</u>	<u>430,703</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 111,157</u>	<u>\$ 85,420</u>	<u>\$ 71,440</u>	<u>\$ 49,845</u>	<u>\$ 317,862</u>	<u>\$ (32,230)</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

20. STATEMENT OF RESERVES (cont'd)

Council Resolutions regarding transfers to and from reserves:

November 26, 2025:

Moved by Councillor Wright and Seconded by Deputy Mayor Wheaton that the amount of \$300,000.00 (Three hundred thousand dollars) be transferred from the General Operating Reserve Fund to the General Operating Fund to fund a Council approved Environmental Development Incentive Grant.

December 17, 2025:

Moved by Councillor Cornish and Seconded by Councillor Rodas that the amount of \$22,540.39 (Twenty-Two Thousand Five Hundred Forty Dollars and Thirty-Nine Cents) be transferred from the General Capital Reserve Fund to the General Capital Fund for the Budd Avenue Extension Project.

Moved by Councillor Cornish and Seconded by Councillor Rodas that the amount of \$96,381.00 (Ninety-Six Thousand Three Hundred and Eighty-One Dollars) be transferred from the General Operating Fund to the General Capital Reserve Fund.

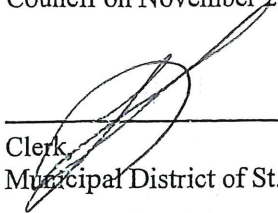
Moved by Councillor Cornish and Seconded by Councillor Rodas that the amount of \$395,000 (Three Hundred and Ninety-Five Thousand Dollars) be transferred from the General Operating Fund to the General Operating Reserve Fund

Moved by Councillor Cornish and Seconded by Councillor Rodas that the amount of \$70,000 (Seventy Thousand Dollars) be transferred from the Water and Sewerage Operating Fund to the Water and Sewerage Operating Reserve Fund.

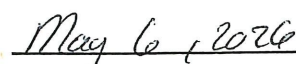
Moved by Councillor Cornish and Seconded by Councillor Rodas that the amount of \$45,550 (Forty-Five Thousand Five Hundred and Fifty-Five Dollars) be transferred from the Water and Sewerage Operating Fund to the Water and Sewerage Capital Reserve Fund.

Moved by Councillor Cornish and Seconded by Councillor Rodas that the amount of \$3,595.18 (Three Thousand Five Hundred and Ninety-Nine Dollars and Eighteen Cents) be transferred from the Water and Sewerage Capital Reserve Fund to the Water and Sewerage Capital Fund.

I hereby certify that the above are true copies of resolutions adopted at the regular meetings of Council on November 26, 2025, and December 17, 2025.



Clerk,
Municipal District of St. Stephen



Date

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

21. OPERATING BUDGET TO PSAS BUDGET

	Operating Budget General	Operating Budget Water and Sewer	Amortization and Long Term Accruals	Controlled Entities	Transfers	Total
REVENUE						
Property tax warrant	\$ 9,282,964	\$ -	\$ -	\$ -	\$ -	\$ 9,282,964
Services provided to other governments	371,257	-	-	-	-	371,257
Sales of services	522,900	-	-	-	-	522,900
Other revenue from own sources	443,695	176,100	-	-	(125,000)	494,795
Unconditional grant	1,557,674	-	-	-	-	1,557,674
Conditional transfers	200	-	-	-	-	200
Other transfers	1,107,900	-	-	-	(1,107,900)	-
Water and sewer user fees	-	2,539,000	-	-	-	2,539,000
Interest	-	-	-	-	-	-
Other	-	-	-	41,897	(41,897)	-
Surplus of second previous year	871,459	119,221	-	-	(990,680)	-
	<u>14,158,049</u>	<u>2,834,321</u>	<u>-</u>	<u>41,897</u>	<u>(2,265,477)</u>	<u>14,768,790</u>
EXPENDITURE						
General government services	1,851,301	-	43,164	-	1,600	1,896,065
Protective services	3,969,031	-	139,455	-	(78,865)	4,029,621
Transportation services	2,437,700	-	794,205	-	120,604	3,352,509
Environmental health services	796,694	-	-	-	-	796,694
Environmental development services	480,134	-	56,735	-	-	536,869
Recreation and cultural services	3,061,341	-	660,285	41,897	64,661	3,828,184
Fiscal services						
Short term interest and bank charges	113,456	150,000	-	-	(263,456)	-
Interest on long term debt	163,502	37,957	-	-	(201,459)	-
Principal payments on long term debt	367,000	210,000	-	-	(577,000)	-
Transfer from General Operating Fund to General Capital Reserve Fund	65,281	-	-	-	(65,281)	-
Transfer from General Operating Fund to General Capital Fund	842,609	-	-	-	(842,609)	-
Transfer from Water and Sewer Operating Fund to Water and Sewer Capital Reserve Fund	-	166,255	-	-	(166,255)	-
Water and Sewer	-	2,250,986	543,516	-	187,959	2,982,461
Deficit of second previous year	-	19,123	-	-	(19,123)	-
Other	10,000	-	-	-	(10,000)	-
	<u>14,158,049</u>	<u>2,834,321</u>	<u>2,237,360</u>	<u>41,897</u>	<u>(1,849,224)</u>	<u>17,422,403</u>
Surplus (deficit)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(2,237,360)</u>	\$ <u>-</u>	\$ <u>(416,253)</u>	\$ <u>(2,653,613)</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

22. REVENUE AND EXPENDITURE SUPPORT

	2025 Under (Over)	2025 Budget	2025 Actual	2024 Actual
REVENUE				
Services provided to other governments				
Fire protection	\$ 1,200	\$ 58,970	\$ 57,770	\$ 54,799
Roads and streets	19,989	96,166	76,177	82,798
Recreation	-	216,121	216,121	203,713
	<u>\$ 21,189</u>	<u>\$ 371,257</u>	<u>\$ 350,068</u>	<u>\$ 341,310</u>
Sale of services				
Fire	\$ 4,008	\$ 11,100	\$ 7,092	\$ 12,123
Recreation - Civic Centre	(54,484)	510,800	565,284	598,515
Recreation - outside	<u>(13,691)</u>	<u>1,000</u>	<u>14,691</u>	<u>7,709</u>
	<u>\$ (64,167)</u>	<u>\$ 522,900</u>	<u>\$ 587,067</u>	<u>\$ 618,347</u>
Other revenue from own sources				
Animal licenses	\$ (30)	\$ 300	\$ 330	\$ 375
Construction permits	(49,296)	31,000	80,296	67,370
Other permits and licenses	550	700	150	450
Building rentals	(9,864)	182,195	192,059	180,456
Insurance recovery	(1,565,664)	-	1,565,664	334,730
Miscellaneous	<u>29,186</u>	<u>280,600</u>	<u>251,414</u>	<u>472,728</u>
	<u>\$ (1,595,118)</u>	<u>\$ 494,795</u>	<u>\$ 2,089,913</u>	<u>\$ 1,056,109</u>
EXPENDITURE (RECOVERY)				
General government services				
Legislative				
Mayor	\$ (1,009)	\$ 41,059	\$ 42,068	\$ 40,895
Councillors	9,567	149,879	140,312	151,317
Other	<u>(3,877)</u>	<u>9,000</u>	<u>12,877</u>	<u>14,011</u>
	<u>4,681</u>	<u>199,938</u>	<u>195,257</u>	<u>206,223</u>
Administrative				
Chief Administrative Officer's office	126,042	384,241	258,199	311,676
Treasurer's office	119,865	634,449	514,584	470,486
Office building	253	9,750	9,497	-
Solicitor	(27,974)	20,000	47,974	22,742
Other	<u>55,801</u>	<u>219,205</u>	<u>163,404</u>	<u>345,121</u>
	<u>273,987</u>	<u>1,267,645</u>	<u>993,658</u>	<u>1,150,025</u>
Financial management				
Audit	<u>4,003</u>	<u>25,000</u>	<u>20,997</u>	<u>10,351</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2025</u> Under (Over)	<u>2025</u> Budget	<u>2025</u> Actual	<u>2024</u> Actual
General government services (cont'd)				
Other				
Common services - training and development	9,149	12,500	3,351	2,196
Common services - conventions	5,250	8,000	2,750	2,250
Common services - liability insurance	1,343	125,000	123,657	182,896
Common services - grants	(36,544)	50,000	86,544	52,105
Common services - regional and collaborative services	-	4,305	4,305	965
Sick leave and post employment benefits	(60,600)	-	60,600	106,500
Cost of assessment	-	158,913	158,913	146,398
Interest on temporary borrowing	327	1,600	1,273	9,585
Amortization	-	43,164	43,164	48,488
	<u>(81,075)</u>	<u>403,482</u>	<u>484,557</u>	<u>551,383</u>
	<u>\$ 201,596</u>	<u>\$ 1,896,065</u>	<u>\$ 1,694,469</u>	<u>\$ 1,917,982</u>
Protective services				
Fire				
Fire fighting force	\$ 48,198	\$ 805,847	\$ 757,649	\$ 764,361
Fire administration	40,091	107,621	67,530	93,850
Fire alarm system	8,456	25,300	16,844	27,410
Fire training	19,480	25,300	5,820	11,335
Fire station and buildings	988	49,500	48,512	41,595
Fire fighting equipment	4,558	76,000	71,442	71,531
Fire regional dispatch	-	55,508	55,508	55,507
	<u>121,771</u>	<u>1,145,076</u>	<u>1,023,305</u>	<u>1,065,589</u>
Police				
Administration and crime control	-	2,357,178	2,357,178	2,277,467
Station and building	<u>(2,037)</u>	<u>42,850</u>	<u>44,887</u>	<u>43,831</u>
	<u>(2,037)</u>	<u>2,400,028</u>	<u>2,402,065</u>	<u>2,321,298</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2025</u> Under (Over)	<u>2025</u> Budget	<u>2025</u> Actual	<u>2024</u> Actual
Protective services (cont'd)				
Other				
Bylaw officer and building inspector	100,782	231,500	130,718	186,819
Animal and pest control	9,062	27,689	18,627	27,089
Crosswalk guards	4,323	39,738	35,415	37,558
Interest on temporary borrowing	(4,880)	3,500	8,380	106,712
Interest on long term debt	6,210	42,635	36,425	313
Amortization	<u>-</u>	<u>139,455</u>	<u>139,455</u>	<u>163,463</u>
	<u>115,497</u>	<u>484,517</u>	<u>369,020</u>	<u>521,954</u>
	<u>\$ 235,231</u>	<u>\$ 4,029,621</u>	<u>\$ 3,794,390</u>	<u>\$ 3,908,841</u>
Transportation services				
Common				
Administration	\$ 812,096	\$ 1,455,807	\$ 643,711	\$ 592,444
General equipment	2,152	354,500	352,348	250,646
Work shop	<u>(16,829)</u>	<u>110,900</u>	<u>127,729</u>	<u>120,488</u>
	797,419	1,921,207	1,123,788	963,578
Roadway surfaces	(23,271)	110,000	133,271	94,881
Storm sewers	7,253	10,000	2,747	38,397
Snow and ice removal	(68,271)	115,000	183,271	114,567
Sidewalk	-	-	-	30,660
Street lighting	(22,003)	170,000	192,003	172,658
Street signs	(442)	4,000	4,442	4,994
Traffic signals	717	8,000	7,283	6,413
Airport	24,326	78,732	54,406	78,383
Interest on temporary borrowing	61,362	90,656	29,294	11,080
Interest on long term debt	652	29,948	29,296	30,498
Regional Service Commission	-	20,761	20,761	761
Loss on disposal of capital assets	-	-	-	68,071
Amortization	<u>-</u>	<u>794,205</u>	<u>794,205</u>	<u>746,598</u>
	<u>\$ 777,742</u>	<u>\$ 3,352,509</u>	<u>\$ 2,574,767</u>	<u>\$ 2,361,539</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2025</u> Under (Over)	<u>2025</u> Budget	<u>2025</u> Actual	<u>2024</u> Actual
Environmental health services				
Landfill costs	\$ 78	\$ 1,350	\$ 1,272	\$ 1,248
Regional landfill and waste pickup	<u>49,961</u>	<u>795,344</u>	<u>745,383</u>	<u>664,216</u>
	<u>\$ 50,039</u>	<u>\$ 796,694</u>	<u>\$ 746,655</u>	<u>\$ 665,464</u>
Environmental development services				
Community development	\$ (201,183)	\$ 434,246	\$ 635,429	\$ 346,915
Tourist promotion	(51,104)	45,888	96,992	123,088
Beautification and land rehabilitation	(1,645)	-	1,645	1,594
Amortization	<u>-</u>	<u>56,735</u>	<u>56,735</u>	<u>55,334</u>
	<u>\$ (253,932)</u>	<u>\$ 536,869</u>	<u>\$ 790,801</u>	<u>\$ 526,931</u>
Recreation and cultural services				
Outside Recreation				
Administration	\$ (78,070)	\$ 21,615	\$ 99,685	\$ 10,976
Swimming pool	4,965	98,950	93,985	89,190
Parks and playgrounds	<u>27,242</u>	<u>373,896</u>	<u>346,654</u>	<u>365,991</u>
	<u>(45,863)</u>	<u>494,461</u>	<u>540,324</u>	<u>466,157</u>
Recreational Facilities				
Civic Center	(5,311)	2,275,430	2,280,741	2,283,348
Libraries	(4,333)	71,897	76,230	64,816
Recreation cost sharing	-	195,053	195,053	193,101
Training	24,500	24,500	-	-
Interest on temporary borrowing	2,064	17,700	15,636	16,139
Interest on long term debt	(14,466)	88,856	103,322	125,587
Loss of disposal of capital assets	(117,059)	-	117,059	69,578
Amortization	<u>-</u>	<u>660,287</u>	<u>660,287</u>	<u>714,162</u>
	<u>\$ (160,468)</u>	<u>\$ 3,828,184</u>	<u>\$ 3,988,652</u>	<u>\$ 3,932,888</u>

MUNICIPAL DISTRICT OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Water and sewer services

Water system

Administration	\$ (29,497)	\$ 256,581	\$ 286,078	\$ 240,580
Transmission and distribution	118,374	737,474	619,100	654,180
Power and pumping	64,626	323,525	258,899	326,922
Billing and collection	1,050	4,500	3,450	4,273
Interest on temporary borrowing	64,815	75,000	10,185	-
Interest on long term debt	(5,701)	28,545	34,246	16,923
Amortization	-	300,045	300,045	297,831
	<u>213,667</u>	<u>1,725,670</u>	<u>1,512,003</u>	<u>1,540,709</u>

Sewer system

Administration	(12,427)	256,255	268,682	237,068
Collection system	11,007	48,051	37,044	49,770
Lift stations	41,047	146,795	105,748	161,310
Treatment and disposal	(87,639)	468,306	555,945	527,886
Billing and collection	1,050	4,500	3,450	4,273
Interest on temporary borrowing	64,809	75,000	10,191	-
Interest on long term debt	(2,174)	9,412	11,586	2,725
Amortization	-	243,472	243,472	235,006
Provision for doubtful accounts	(623,315)	5,000	628,315	-
Loss on disposal of capital assets	-	-	-	49,299
	<u>\$ (393,975)</u>	<u>\$ 2,982,461</u>	<u>\$ 3,376,436</u>	<u>\$ 2,808,046</u>