

DISTRICT OF STEWART

STATEMENT OF FINANCIAL INFORMATION **For the year ended December 31, 2019**

General – Section One

See Appendix 1 - audited financial statement

Statement of Assets & Liabilities – Section Two

See Appendix 1 - audited financial statement

Operational Statement – Section Three

See Appendix 1 - audited financial statement

Statement of Debts – Section Four

See Appendix 1 - audited financial statement

Debts – Note 6

Reserves – Schedule 3

Schedule of Guarantee and Indemnity Agreements – Section Five

This municipality has not given any guarantees or indemnities under the Guarantees and Indemnities Regulation.

Schedule of Remuneration and Expenses – Section Six**1. Elected Officials**

Name	Position	Remuneration	Expenses
G. McKay	Mayor	17,195.96	2,524.27
P. Lynn	Councillor	3,103.14	-0-
E. Riemann	Councillor	10,730.00	2,062.13
N. Rowe	Councillor	9,930.00	-0-
M. Tarrant	Councillor	10,890.00	2,150.64
J. Hill	Councillor	9,930.00	
S. Howe	Councillor	4,468.50	-0-
J. Hyslop	Councillor	10,570.00	625.68
TOTAL		<u>76,817.60</u>	<u>7,362.72</u>

2. Employees (excluding those listed in Part 1 above)

Name	Remuneration	Expenses
(list all employees, alphabetically, with remuneration and expenses exceeding \$75,000, excluding those listed in Section 1 above)		
S. Hopkins	87,827.35	1,833.17
J. Larson	74,354.75	1,535.05
Consolidated total of other employees with remuneration and expenses of \$75,000 or less	795,674.94	40,336.85
Total: Other Employees	<u>957,857.04</u>	<u>51,067.79</u>

3. Reconciliation

Total remuneration – elected officials, employees appointed by Cabinet and members of the Board of Directors	76,817.60
Total remuneration – other employees	957,857.04
Subtotal	1,034,674.64
Reconciling Items*	
Less: Council Remuneration	(76,817.60)
Plus:	
Medical Services Plan Premiums	8,437.50
Municipal Pension Plan Contrib.	72,957.01
Pacific Blue Cross Premiums	50,780.27
Receiver General Premiums	58,139.72
Workers Compensation	22,951.86
Other benefits	24,120.25
Total per Audited Statement of Revenue and Expenditure (Auditors' Note 12- does not include Council Remuneration)	<u>1,195,243.65</u>
Variance	\$ 0

Schedule of Suppliers of Goods and Services – Schedule Seven

1. Alphabetical list of suppliers who received aggregate payments exceeding \$25,000

Supplier name	Aggregate amount paid to supplier
Arctic Construction Ltd.	906,526.47
BC Hydro	218,232.28
Brian Gould Consulting Inc.	51,818.80
Capri Insurance Services Ltd	55,868.00
Frostbite Contracting	33,683.08
Gillis, Ralph	69,305.21
Granmac Services	99,441.37
HBH Land Surveying Inc.	28,495.43
Howie, Gord	68,872.26
Lidstone & Company	64,101.05
MTR Utility Maintenance	177,410.36
Nilex Inc.	684,866.64
Pacific Blue Cross	50,780.27
Raine Mountain Hardware Ltd.	51,681.55
Rollins Machinery Ltd.	354,706.14
Soucie Construction Ltd.	121,319.43
Sperling Hanson Associates	180,498.14
Urban Systems Ltd.	224,395.67
West Fraser Concrete Ltd.	429,142.80
Total aggregate amount paid to suppliers	3,921,293.53

2. Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less

	359,737,17
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3. Total of payments to suppliers for grants and contributions exceeding \$25,000

Consolidated total of grants exceeding \$25,000	\$ 65,000
Consolidated total of contributions \$25,000 or less	\$ 15,000
Consolidated total of all grants and contributions exceeding \$25,000	\$ 65,000

4. Reconciliation

Total of aggregate payments exceeding \$25,000 paid to suppliers	\$3,921,293
Consolidated total of payments of \$25,000 or less paid to suppliers	\$ 359,737
Consolidated total of all grants and contributions exceeding \$25,000	\$ 65,000
Consolidated total of all grants and contributions less than \$25,000	\$ 15,000

Subtotal **\$4,361,030**

Reconciling items*

Plus:

Closing payables	\$ 499,294
Opening prepaids	21,926

Less:

GST	(\$ 225,716)
Decrease in landfill liability	(1,376,199)
Acquisition of TCA	(1,394,189)
Opening payables	(473,022)
Closing prepaids	(27,357)

\$2,975,262

Total per Audited Statement of Revenue and Expenditure
(Schedule 1 – Goods and Services) **\$ 1,385,769**

Variance \$ -0-

Inactive Corporations – Schedule Eight

Not Applicable

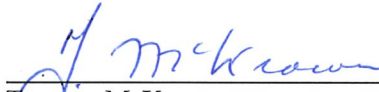
Approval of Financial Information – Schedule Nine

DISTRICT OF STEWART

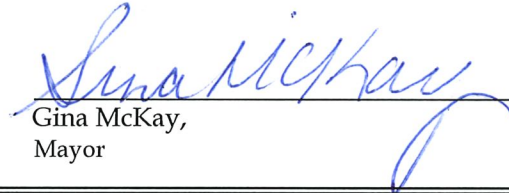
STATEMENT OF FINANCIAL INFORMATION APPROVAL*

The undersigned, as authorized by the *Financial Information Regulation, Schedule 1*, subsection 9(2), approves all the statements and schedules included in this **Statement of Financial Information**, produced under the *Financial Information Act*.

Dated this 22 day of May 2020.



Tammy McKeown
Chief Administrative Officer



Gina McKay,
Mayor

Access to the Financial Information – Schedule Ten**Reasonable Accommodation**

Reasonable accommodation will be provided to any individual who makes a request to examine the SOFI. Copies of the financial information will be kept for a minimum of three years following the fiscal year reported on.

Members of the public are not required to pay the fee if they are willing to view the SOFI on the premises of the corporation. If the individual requests copies by mail it will be mailed to them on payment of the fee.

Severing Information - FIR, Schedule 1, subsection10(3)

Under this section, the corporation may supply only the part of the SOFI that the member of the public desires, if that person is satisfied with this. The charge for a part of the SOFI is determined, in part, by the duplication fees as stated in the Freedom of Information and Protection of Privacy Regulation. The fee will not exceed \$5, which is the current fee under the FIR.

For instance, a common request is for the remuneration and expenses of a particular person. A photocopied page is less expensive for the member of the public. Excerpts will be accompanied by the approval page from the SOFI.

Legislative Library - Minister of Finance Directive, section 3.3

SOFIs are to be forwarded to the Legislative Library by the ministry responsible

APPENDIX I – AUDITED FINANCIAL STATEMENTS

DISTRICT OF STEWART
Financial Statements
As at December 31, 2019

**DISTRICT OF STEWART
COUNCIL - 2019**

MAYOR
Gina McKay

COUNCILLORS

Jason Hill
Jim Hyslop
Patty Lynn

Eike Riemann
Neal Rowe
Maureen Tarrant

APPOINTED OFFICIALS

Chief Administrative Officer
Chief Financial Officer

T. McKeown
J. Larson

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Management's Report

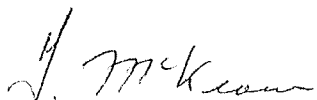
Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Councillors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Council. The Councillors review internal financial statements on a regular basis and external audited financial statements annually.

The external auditors, MNP LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to management and Council of the District of Stewart and meet when required.



Tammy McKeown
Chief Administrative Officer

April 14, 2020

Independent Auditor's Report

To the Mayor and Members of Council of the District Of Stewart:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the District Of Stewart (the "District"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, accumulated surplus, changes in net financial assets (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 accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2019, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the District for the year ended December 31, 2018 were audited by Carlyle Shepherd & Co. of Terrace, BC, Canada. Carlyle Shepherd & Co. expressed an unmodified opinion on those statements on May 13, 2019.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 District'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 District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Terrace, British Columbia

April 14, 2020

MNP LLP

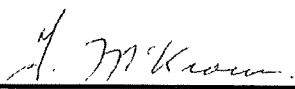
Chartered Professional Accountants

DISTRICT OF STEWART
 STATEMENT OF FINANCIAL POSITION
 As at December 31, 2019


	2019	2018
Financial Assets		
Cash and short-term investments (Note 3)	\$ 3,535,167	\$ 2,452,266
Taxes receivable (Note 4)	287,492	354,660
Accounts receivable (Note 5)	1,323,915	1,009,774
	5,146,575	3,816,700
Liabilities		
Accounts payable and accrued liabilities (Note 6)	499,294	473,022
Deferred revenue (Note 7)	313,918	187,514
Performance bonds and environmental deposits	150,439	148,251
Landfill closure liability (Note 9)	-	1,376,199
Landfill post-closure liability (Note 9)	621,575	621,575
Equipment financing (Note 10)	553,126	249,671
	2,138,353	3,056,232
Net financial assets	3,008,222	760,468
Non-financial assets		
Tangible capital assets -Schedule 2	10,420,018	9,550,825
Prepaid expenses	27,357	21,926
	10,447,375	9,572,751
Accumulated Surplus	13,455,597	10,333,219

Commitments and contingent liabilities (Note 17)

Approved by:



 Tammy McKeown
 Chief Administrative Officer



 Gina McKay
 Mayor

The accompanying notes are an integral part of these financial statements.

DISTRICT OF STEWART
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2019

	2019	Budget (Note 15)	2018
Revenues			
Taxes for municipal purposes (Note 13)	\$ 2,189,119	\$ 2,056,086	\$ 2,084,765
Government Grants and transfers (Note 14)	2,890,560	8,061,940	2,438,094
Log handling and port royalty revenues	344,488	310,000	355,280
Rental	376,442	360,000	396,406
User fees and sale of goods and services	198,044	29,610	347,530
Independent power producer rebate	98,789	100,000	99,696
Investments	44,499	-	19,206
Other	52,915	42,950	76,711
Gain (loss) on disposal of tangible capital assets	2,823	-	261,223
	6,197,680	10,960,586	6,078,911
Expenses			
General government services	804,264	761,015	792,969
Public works and transportation	1,123,296	898,613	1,137,512
Protective services	146,145	115,837	128,605
Waste management	(159,212)	72,820	165,327
Development services	223,534	269,522	305,877
Recreation and cultural services	475,375	422,517	395,385
Water operations	114,479	121,800	114,337
Sewer operations	347,422	108,857	697,137
	3,075,303	2,770,981	3,737,149
Annual surplus	3,122,378	8,189,605	2,341,762
Accumulated surplus at the beginning of the year	10,333,219	10,333,219	7,991,457
Accumulated surplus at the end of the year (Note 12)	\$ 13,455,597	\$ 18,522,824	\$ 10,333,219

The accompanying notes are an integral part of these financial statements.

DISTRICT OF STEWART
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
For the Year Ended December 31, 2019

	2019	Budget (Note 15)	2018
Annual Surplus	\$ 3,122,378	\$ 8,189,605	\$ 2,341,762
Acquisition of tangible capital assets	(1,394,189)	(7,692,786)	(1,593,216)
Amortization of tangible capital assets	483,151	-	429,176
Loss (gain) on disposal of tangible capital assets	(2,823)	-	(261,223)
Proceeds on sale of tangible capital asset	44,666	-	312,571
Other adjustments	(5,429)	-	-
Increase (decrease) in net financial assets	2,247,754	496,819	1,229,070
Net financial assets (debt) - beginning of year	760,468	760,468	(468,602)
Net financial assets (debt) - end of year	\$ 3,008,222	\$ 1,257,287	\$ 760,468

The accompanying notes are an integral part of these financial statements.

DISTRICT OF STEWART
STATEMENT OF CASH FLOW
For the Year Ended December 31, 2019

	2019	2018
Operating transactions		
Annual operating surplus	\$ 3,122,378	\$ 2,341,762
Non-Cash items:		
Amortization	483,151	429,176
(Gain) loss on disposal of tangible capital assets	(2,823)	(261,223)
(Increase) decrease in prepaid expenses	(5,429)	-
Changes to financial assets / liabilities:		
Decrease (increase) in taxes receivable	67,168	(56,432)
Decrease (increase) in accounts receivable	(314,141)	(820,689)
Increase (decrease) in accounts payable	26,272	45,966
Increase (decrease) in performance bonds	2,188	(2,238)
Increase (decrease) in landfill closure liability	(1,376,199)	(553,941)
Increase (decrease) in deferred revenue	126,404	(185,847)
Cash provided (used) by operating transactions	2,128,968	936,534
Capital transactions		
Acquisition of tangible capital assets	(1,394,189)	(1,593,216)
Proceeds from the disposal of tangible capital assets	44,666	312,570
Cash provided (used) by capital transactions	(1,349,522)	(1,280,646)
Financing and investing transactions		
Proceeds from issuance of debt	400,000	-
Debt repayment	(96,545)	(76,381)
Cash provided (used) by financial and investing transactions	303,455	(76,381)
Increase (decrease) in cash position	1,082,901	(420,493)
Cash and short term investments - beginning of year (Note 3)	2,452,266	2,872,759
Cash and short term investments - end of year (Note 3)	\$ 3,535,167	\$ 2,452,266

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations

The District of Stewart (the "District") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The District provides municipal services such as public works, protective services, planning, parks, recreation and other general government services to the residents of the District.

2. Significant Accounting Policies:

a) Basis of presentation:

The financial statements of the District are prepared by management in accordance with Canadian generally accepted accounting principals for local governments as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The financial statements reflect the assets, liabilities, revenues and expenses of the District's activities and funds. The District does not control any external entities and accordingly no entities have been consolidated into the financial statements.

b) Revenue recognition

The District follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

Taxation

Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal services in the year they are levied. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Through the British Columbia Assessment appeal process, taxes may be adjusted by way of supplementary roll adjustments. The affects of these adjustments on taxes levied are recognized at the time they are reasonably anticipated.

Government transfers

Government transfers without stipulations are recognized as revenue in the period which the events giving rise to the transfer occur, when the transfer is authorized and all eligibility criteria, if any, have been met, and reasonable estimates of the amount can be made. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability (deferred revenue). In such circumstances, the District recognized the revenue as the criteria are met or decreases the liability when repayment is made.

Investment income

Investment income is recognized when earned. Income generated on reserve funds held in separate investment accounts is allocated to the reserve fund on which it was earned.

2. Significant Accounting Policies (continued):

b) Revenue recognition (continued)

Other revenue

Revenue from the sale of services or user fees is recognized when the service or product is rendered by the District. Revenue from property rentals is recognized as revenue in the period in which the property is occupied by the tenant or in accordance with the lease agreement.

c) Short-term Investments

Short-term Investments are carried at cost, which approximates market value due to the nature of the investments.

d) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put into service. Work-in-progress is recorded at cost. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

Land improvements	12-60 years
Buildings	25-60 years
Motor vehicles	5-35 years
Furniture, equipment and technology	5-25 years
Transportation infrastructure	30-65 years
Water infrastructure	50 years
Sewer infrastructure	50 years
Storm sewer	60 years

e) Deferred revenue from non-government sources

Deferred revenue includes amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired, thereby extinguishing the related liability.

2. Significant Accounting Policies (continued):

f) Fund accounting

The operating fund, consisting of the general, water, and sewer operating funds comprises the operating costs of the services provided by the District.

The reserves funds have been established to hold assets for specific future purposes as approved by the District Council. Allowable transfers to and from these funds are defined in reserve fund establishment bylaws.

g) Segmented information

The District of Stewart is a municipal government that provides a wide range of services to its residents and taxpayers. The District operations and activities are organized and reported by segments in Schedule 1. Property taxation revenue which funds many of the operations is not allocated to a specific segment and is reported as unallocated.

Protective Services

Protective services includes fire protection, first responders and emergency planning and management.

Recreation and Cultural Services

The District operates and maintains the arena, parks, trails, open spaces and leisure services. Support for the Raine Creek Municipal Campground, Stewart Public Library, and Stewart Museum are also reported under this segment.

Transportation Services

The public works department provides transportation services including street maintenance, snow removal, building maintenance, street lighting, fleet maintenance, airport maintenance, dyke maintenance, and storm sewers.

Development Services

Economic development activities including planning and land management, as well as revenues and related expenditures from commercial services are reported in this segment.

General Government Services

General government operations include legislative services, general administration, finance and information technology functions.

2. Significant Accounting Policies (continued):

g) Segmented information continued:

Waste Management

Waste management services are provided by the Public Works department and include the collection and treatment/disposal of solid waste, yard waste and recyclables.

Water Operations

This segment includes all operating activities related to pumping, testing and distributing water throughout the District and operates under the Public Works Department.

Sewer Operations

This segment includes all operating activities related to collection and treatment of wastewater throughout the District and operates under the Public Works Department.

h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Circumstances may arise that cause actual results to differ from management estimates, however, management does not believe it is likely that such differences will materially affect the District's financial position. Adjustments, if any, will be reflected in operations in the period of settlement.

Significant areas requirement the use of management estimates relate to the determination of the landfill closure and post-closure liability, useful lives of tangible capital assets, sick pay liability, and allowance for doubtful accounts receivable including property tax receivable and tax sale receivable.

j) Financial instruments

The District's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, performance bonds and environmental deposits and equipment financing. Unless otherwise indicated, it is management's opinion that the District is not exposed to any significant interest, credit, or currency risks arising from these financial instruments.

2. Significant Accounting Policies (continued):

k) Employee future benefits

The District and its employees make contributions to the Municipal Pension Plan, and the employees accrue benefits under this plan based on service. The District's contributions are expensed as incurred.

l) Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the District:
 - is directly responsible; or
 - accepts responsibility; and
- a reasonable estimate of the amount can be made

Management has not identified any contaminated sites at this time and therefore no liability is recognized in these financial statements.

DISTRICT OF STEWART
Notes to the Financial Statements
For the Year Ended December 31, 2019

3. Cash and short-term investments

Cash and short-term investments are comprised of cash on deposit and investments as follows:

	2019	2018
Municipal Finance Authority of B.C. Investments		
- Money market fund	\$ 67,500	\$ 66,267
- Short-term bond fund	531,232	515,035
	598,733	581,302
Cash	2,936,435	1,870,964
	\$ 3,535,167	\$ 2,452,266

The District has established an operating line of credit with its bank which carries a maximum credit limit of \$473,000 and bears interest at prime. At December 31, 2019 the District had utilized \$0.00 on the line of credit.

4. Taxes receivable

	2019	2018
Current	\$ 130,539	\$ 251,620
Arrears	114,611	48,670
Taxes due on properties sold at tax sale	42,342	54,370
	\$ 287,492	\$ 354,660

5. Accounts receivable

	2019	2018
Government grants/reimbursements receivable		
- Federal	\$ 418,356	\$ 353,155
- Provincial	145,331	357,855
- Regional District of Kitimat Stikine	397,684	-
- Northern Development Initiative Trust	65,470	57,826
Rock quarry reclamation bond	-	4,000
GST receivable (payable)	151,876	103,084
Log throughput receivable	89,350	46,997
Other receivables	55,849	86,856
	\$ 1,323,915	\$ 1,009,774

DISTRICT OF STEWART
Notes to the Financial Statements
For the Year Ended December 31, 2019

6. Accounts payable and accrued liabilities

	2019	2018
Trade accounts payable	\$ 316,949	\$ 383,375
Other government agencies	23,740	17,826
Accrued salary, wages and employee benefits	32,474	37,580
Tax sale proceeds held for redemption or transfer of title	126,130	34,241
	\$ 499,294	\$ 473,022

7. Deferred revenue

	2019	2018
Federal Gas Tax - Community Works Fund (<i>note 9</i>)	\$ 165,871	\$ 122,697
Grant funds	105,000	29,700
Rent received in advance	5,884	4,045
Carbon Action Plan fund	15,038	8,945
Old Firehall fund	22,126	22,126
	\$ 313,918	\$ 187,514

8. Federal Gas Tax Agreement

Gas tax funding is provided by the Government of Canada and the use of the funding is restricted by the terms of a funding agreement between the District of Stewart and the Union of British Columbia Municipalities. Gas tax funding may be used towards certain public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreement.

	2019	2018
Opening balance of unspent funds	\$ 122,697	\$ 223,074
Add: Amounts received during the year	148,957	76,953
Interest earned	5,520	7,318
Less: Amount spent on eligible project costs	(111,304)	(184,647)
Closing balance of unspent funds	\$ 165,871	\$ 122,697

DISTRICT OF STEWART
Notes to the Financial Statements
For the Year Ended December 31, 2019

9. Landfill closure liability

	2019	2018
Landfill closure liability (estimated), opening balance	\$ 1,376,199	\$ 1,930,140
Current year expenditures	(1,058,813)	(553,941)
Change in estimate (note 3)	(317,386)	
Landfill closure liability, closing balance	\$ -	\$ 1,376,199
Landfill Post-closure costs (estimated at \$24,863 yr for 25 years)	\$ 621,575	\$ 621,575

In 2013, the Sperling Hansen Associates prepared a conceptual design of the landfill closure and waste transfer station plan and related cost estimate. The Sperling report estimated a 25 year period for post-closure activity. The cost estimates from this report were used as a basis for the recording of the closure and post-closure cost liability in the prior year financial statements.

In 2015, the District received approval for funding of 2/3 of the cost of the landfill closure to a maximum of \$1,312,000 under the New Building Canada Fund - Small Communities Fund of the Ministry of Community, Sport and Cultural Development. This funding covers the landfill closure deficit with the balance of the closure costs and the estimated \$620,000 in post-closure costs (approximately \$25,000 per year over the 25 year estimated post-closure activity period) having already been funded through operations.

In 2018 the first phase of the landfill closure was completed along with a temporary transfer station with the expectation that the project would be completed in the summer of 2019. The District received approval to extend the deadline for completion of the project to March 31, 2020.

The landfill closure was completed in 2019 at an actual cost of \$1,058,813. Actual cost was less than previously estimated because some of the costs of site preparation were shared with the construction of the new transfer station which is the financial responsibility of the Regional District of Kitimat-Stikine.

The estimate for the landfill closure liability was initially recorded in 2012 as \$1,056,000 and has been re-evaluated each year based on current information on the expected cost to close the landfill. As at December 31, 2018 this estimate was \$1,938,153 less expenditures to that date of \$561,954 leaving a balance of \$1,376,199.

The difference of \$317,386 between the previously recorded estimate and the actual expenses has been reported on the Statement of Operations in the current year.

DISTRICT OF STEWART
Notes to the Financial Statements
For the Year Ended December 31, 2019

10. Equipment Financing

	2019	2018
Capital demand loan obligations - Municipal Finance Authority		
Payable at \$2,492 per month including interest at a current rate of 2.5775% and maturing May 2020, secured by equipment with a net book value of \$72,426 (2018 - \$86,911)	12,978	44,547
Capital demand loan obligations - Municipal Finance Authority		
Payable at \$4,412 per month including interest at a current rate of 2.5775% and maturing Nov 2022, secured by equipment with a net book value of \$177,703 (2018 - \$203,089)	152,719	205,125
Capital demand loan obligations - Municipal Finance Authority		
Payable at \$3,545 per month including interest at a current rate of 2.5775% and maturing August 2024, secured by equipment with a net book value of \$295,474.	187,430	-
Capital demand loan obligations - Municipal Finance Authority		
Payable at \$3,546 per month including interest at a current rate of 2.5775% and maturing December 2024, secured by equipment with a net book value of \$233,410.	200,000	
	\$ 553,126	\$ 249,671

Minimum demand loan payments net of estimated interest required to end of loan terms are as follows:

2020	\$ 138,544
2021	128,880
2022	132,260
2023	82,108
2024	71,334
	<u>\$ 553,126</u>

DISTRICT OF STEWART
Notes to the Financial Statements
As at December 31, 2019

11. Equity in tangible capital assets

Equity in tangible capital assets represents the net book value of total capital assets less long term debt assumed to acquire those assets. The change in equity in tangible capital assets is as follows:

	2019	2018
Increases:		
Capital acquisitions	\$ 1,394,189	\$ 1,593,216
Retirement of debt - principal repayment	96,545	178,484
Decreases:		
Amortization	(483,151)	(429,176)
Proceeds from issuance of long-term debt	(400,000)	-
Dispositions, at net book value	(41,844)	(51,348)
Change in equity in tangible capital assets	565,738	1,291,176
Equity in tangible capital assets - beginning of year	9,301,153	8,009,977
Equity in tangible capital assets - end of year	\$ 9,866,891	\$ 9,301,153

12. Accumulated Surplus

	2019	2018
Operating fund surplus	699,690	699,690
Landfill closure deficit (Note 9)	-	(1,058,645)
Reserve funds - Schedule 3	2,889,016	1,391,021
Equity in tangible capital assets (Note 11)	9,866,891	9,301,153
	\$ 13,455,597	\$ 10,333,219

13. Taxes for municipal purposes

	2019	2018
Taxes collected:		
Property taxes	\$ 2,609,506	\$ 2,566,764
Frontage assessments	392,549	388,970
Grants in lieu of taxes	124,623	44,425
	3,126,678	3,000,159
Less transfers to other governments:		
School District	389,249	402,547
Regional District of Kitimat-Stikine	257,948	221,227
Regional Hospital District	187,172	184,391
Police Tax	71,152	73,802
BC Assessment Authority	31,980	33,369
Municipal Finance Authority	57	57
	937,559	915,393
Net taxes available for municipal purposes	\$ 2,189,119	\$ 2,084,765

DISTRICT OF STEWART
Notes to the Financial Statements
As at December 31, 2019

14. Government grants and transfers

		2019	2018
Federal:	Conditional transfers	\$ 728,907	\$ 641,314
	Unconditional transfers	-	-
		728,907	641,314
Provincial:	Conditional transfers	1,736,008	1,121,836
	Unconditional transfers	259,043	248,982
		1,995,050	1,370,817
Regional Other	Conditional transfers	154,603	393,963
	Unconditional transfers	12,000	32,000
		166,603	425,963
		\$ 2,890,560	\$ 2,438,094

15. Annual Budget

The budget amounts presented on the Statement of Operations represent the Financial Plan Bylaw adopted by Council on May 13, 2019 plus or minus those amounts not conforming to financial statement presentation.

The Financial Plan is presented on a cash basis where the purchase of tangible capital assets are expensed rather than capitalized, amortization is not included, proceeds from borrowing is included in revenue and transfers (to) and from reserves are reported in the net surplus (deficit).

The following shows how the financial plan reconciles to the budget on the financial statements.

Net surplus (deficit) per Financial Plan	\$ -
Add back	
principal portion of debt repayments	\$ 67,274
capital expenditures	\$ 7,692,786
transfer to reserves	\$ 1,577,349
Deduct	
transfer from reserves	\$ (787,804)
proceeds from borrowing	\$ (360,000)
Net budgeted surplus (deficit) per Financial Statements	\$ 8,189,605

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

17. Commitments and contingent liabilities

Capital requirements

District Council has approved a 2019 - 2023 capital expenditure financial plan which includes expenditures of \$12,539,711 for 2019 - 2023. This is to be funded through government grants and transfers of \$9,565,408, reserves of \$1,384,304, financing of \$1,050,000 and the balance of \$539,999 from operating funds.

Third party claims

Management is not aware of any third party claims against the District.

Pension Plan

The municipality and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, are responsible for administering the plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2018, the Plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation of the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The District of Stewart paid \$72,957 (2018 - \$67,008) for employer contributions to the Plan in fiscal 2019. The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets, and cost to the individual employers participating in the Plan.

18. B.C. Assessment Authority appeals

Due to the uncertainty of the outcome of appeals to the B.C. Assessment Authority, it is not possible to accurately estimate any liability to repay taxes or any asset for taxes receivable. It is the policy of the District to record the effect of any tax adjustments relating to outstanding appeals in the year the taxes are repaid or received.

DISTRICT OF STEWART
Notes to the Financial Statements
For the Year Ended December 31, 2019

19. Reciprocal Insurance Exchange Agreement

The District of Stewart is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement, the District is assessed a premium and specific deductible for its claims based on population. The obligation of the District with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, and not joint and several. The District irrevocably and unconditionally undertakes and agrees to indemnify and save the other harmless subscribers against liability losses and costs which the other subscriber may suffer.

20. Subsequent Events

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the District of Stewart as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause short-term staff shortages, supply chain disruptions, increased government regulations, and ability of taxpayers to remit taxes as they become due, all of which may negatively impact the District's cash flow and ability to provide non-essential services.

DISTRICT OF STEWART
Schedule of Segmented Revenue and Expenses
For the Year Ended December 31, 2019

Schedule 1

	2019						2018				
	General Government Services	Public Works and Transportation	Protective Services	Waste Management	Development Services	Recreation and Cultural Services	Water Operations	Sewer Operations	Unallocated	2019 Budget	2018
Revenue											
Net taxes available for municipal purposes	815,404	705,937	115,837	72,820	57,420	223,500	99,550	98,611	-	2,189,119	2,084,765
User fees and sale of goods and services	14,889	149	-	-	174,931	5,775	1,550	750	-	198,044	347,530
Government grants and transfers	268,061	764,910	89,665	111,304	34,280	-	224,167	104,172	1,294,000	2,890,560	2,438,094
Independent power producer rebate	98,789	-	-	-	-	-	-	-	-	98,789	100,000
Investment income	44,499	-	-	-	-	-	-	-	-	44,499	99,696
Log handling and port royalty revenues	-	-	-	-	344,488	-	-	-	-	344,488	355,280
Rental revenues	-	-	-	-	376,442	-	-	-	-	376,442	396,406
Other revenue	-	-	-	-	52,915	-	-	-	-	52,915	76,711
Gain on disposal of tangible capital assets	-	-	-	-	2,823	-	-	-	-	2,823	261,223
	1,241,642	1,470,996	205,502	184,124	1,043,300	229,275	325,307	203,594	1,294,000	6,197,680	6,078,911
Expenses											
Salaries, wages and benefits	335,274	512,587	5,051	105,923	25,023	125,619	44,488	41,279	-	1,195,244	1,243,503
Goods and services	451,536	369,680	101,671	(292,588)	197,135	284,129	48,502	225,297	-	1,385,769	1,515,308
Interest and bank charges	3,994	6,937	-	208	-	-	-	-	-	11,139	12,170
Amortization	13,460	234,092	39,423	27,239	1,375	65,628	21,089	80,846	-	483,151	10,331
	804,264	1,123,296	146,145	(159,212)	223,534	475,375	114,479	347,422	-	3,075,303	429,176
Annual surplus (deficit)	437,378	347,700	59,357	343,336	819,767	(246,100)	210,828	(143,888)	1,294,000	3,122,378	3,737,149
										8,189,605	2,341,762

The accompanying notes are an integral part of these financial statements.

DISTRICT OF STEWART
Schedule of Segmented Revenue and Expenses
For the year ended December 31, 2018

Schedule 1

	General Government Services	Public Works and Transportation	Protective Services	Waste Management	Development Services	Recreation and Cultural Services	Water Operations	Sewer Operations	Unallocated	2018		2017
										Budget	Actual	
Revenue												
Net taxes available for municipal purposes	363,425	738,467	148,816	137,106	179,972	319,922	98,991	98,066	-	2,084,765	2,009,920	2,038,879
User fees and sale of goods and services	5,318	149	-	250,373	69,487	12,506	6,049	5,648	-	347,530	37,879	95,117
Government grants and transfers	332,003	372,181	862,320	184,647	87,031	37,118	2,144	560,649	-	2,438,094	4,950,210	681,264
Independent power producers rebate	99,696	-	-	-	-	-	-	-	-	99,696	100,000	100,707
Investment income	19,206	-	-	-	-	-	-	-	-	19,206	-	7,974
Log handling and port royalty revenues	-	-	-	-	355,280	-	-	-	-	355,280	310,000	353,559
Rental revenues	-	-	-	-	396,406	-	-	-	-	396,406	240,000	276,956
Other revenue	-	-	-	-	76,711	-	-	-	-	76,711	252,602	60,928
Gain on disposal of tangible capital assets	-	-	-	-	264,223	-	-	-	-	264,223	-	15,409
	817,647	1,110,797	1,011,136	572,126	1,426,111	369,546	107,185	664,362	-	6,078,910	7,900,611	3,630,793
Expenses												
Salaries, wages and benefits	286,443	487,481	1,222	126,676	36,672	86,373	37,848	43,961	-	1,106,676	1,200,664	1,049,509
Goods and services	491,492	426,147	95,103	37,346	267,829	247,137	55,400	570,511	-	2,190,965	3,488,409	1,700,599
Interest and bank charges	3,854	6,477	-	-	-	-	-	-	-	10,331	-	5,259
Amortization	11,179	217,407	32,281	1,305	1,375	61,874	21,089	82,665	-	429,176	-	377,585
	792,969	1,137,512	128,605	165,327	305,877	395,385	114,337	697,137	-	3,737,149	4,689,073	3,132,952
Annual surplus (deficit)	24,679	(26,715)	882,531	406,799	1,120,234	(25,839)	(7,153)	(32,775)	-	2,341,761	3,211,538	497,841

The accompanying notes are an integral part of these financial statements.

DISTRICT OF STEWART
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2019

Schedule 2

Cost	Land		Land Improvements		Buildings	Motor Vehicles	Furniture, Equipment and Technology	Transportation Infrastructure	Water Infrastructure	Sewer Infrastructure	Storm Sewer	Work in Progress	2019 Total	2018 Total
Opening Balance	\$ 1,192,012	\$	2,197,837	\$ 4,700,115	\$ 2,145,384	\$ 872,509	\$ 4,988,190	\$ 372,674	\$ 303,057	\$ 602,404	76,976	\$ 17,451,158	\$ 15,918,048	
Additions	-	-	-	-	647,177	100,639	400,799	-	-	-	-	245,574	1,394,189	1,593,216
Disposals	(578)	-	-	-	(45,850)	-	-	-	-	-	-	-	(46,428)	(60,106)
Closing balance	1,191,434	2,197,837	4,700,115	2,746,711	973,148	5,388,989	372,674	303,057	602,404	322,550	18,798,919	17,451,158		
Accumulated Amortization														
Opening Balance	-	1,068,971	2,462,456	1,276,905	460,239	1,814,095	366,772	292,471	158,424	-	7,900,333	7,479,915		
Amortization	-	37,743	94,700	168,032	74,612	90,737	843	2,115	14,369	-	483,151	429,176		
Effects of disposals and write downs	-	-	-	(4,584)	-	-	-	-	-	-	(4,584)	(8,758)		
Closing balance	-	1,106,714	2,557,156	1,440,353	534,851	1,904,832	367,615	294,586	172,793	-	8,378,900	7,900,333		
Net book value, December 31, 2019	\$ 1,191,434	\$ 1,091,123	\$ 2,142,959	\$ 1,306,358	\$ 438,297	\$ 3,484,156	\$ 5,059	\$ 8,471	\$ 429,611	\$ 322,550	\$ 10,420,018	\$ 9,550,825		
Net book value, December 31, 2018	\$ 1,192,012	\$ 1,128,866	\$ 2,237,559	\$ 868,479	\$ 412,270	\$ 3,174,095	\$ 5,902	\$ 10,586	\$ 443,980	\$ 76,976	\$ 9,550,825			

The accompanying notes are an integral part of these financial statements.

DISTRICT OF STEWART
 Schedule of Reserve Fund Activities
 For the Year Ended December 31, 2019
 (unaudited)

Schedule 3

	Land and Building	Capital Works	Capital and Planning	Log Facility Capital	Conservancy	2019 Total	2018 Total
Balance, beginning of the year	\$ 324,690	\$ 1,027,887	\$ -	\$ -	\$ 38,444	\$ 1,391,021	\$ 953,865
Transfers in	-	627,277	1,294,000	30,000	8,430	1,959,707	425,123
Investment income	5,163	15,327	15,263	237	675	36,666	12,032
Transfers out	-	(498,379)	-	-	-	(498,379)	-
Balance, end of the year	\$ 329,853	\$ 1,172,113	\$ 1,309,263	\$ 30,237	\$ 47,549	\$ 2,889,016	\$ 1,391,021

The accompanying notes are an integral part of these financial statements.

DISTRICT OF STEWART
 Schedule of Expenses
 For the Year Ended December 31, 2019
 (unaudited)

Schedule 4

	2019	2018
General Government Services		
Administration	\$ 704,624	\$ 695,957
Legislative services	99,640	97,012
	\$ 804,264	\$ 792,969
Public Works and Transportation Services		
Roads and streets	\$ 744,609	\$ 739,085
Shop and general	245,075	228,183
Street lighting	46,619	43,581
Dyke and gravel extraction	21,550	4,763
Other	65,443	121,900
	\$ 1,123,296	\$ 1,137,512
Protective Services		
Fire department	\$ 76,090	\$ 73,894
First responders / rescue truck	13,292	12,430
Emergency management	56,763	42,281
	\$ 146,145	\$ 128,605
Development Services		
Planning and zoning	\$ 103,544	\$ 131,212
Economic and community development	42,398	27,395
Leased buildings	58,851	66,977
Log handling facilities	15,813	75,887
Other	2,928	4,406
	\$ 223,534	\$ 305,877
Recreation and Cultural Services		
Arena	\$ 138,915	\$ 134,794
Library	66,101	46,107
Parks and boardwalk	203,491	117,250
Museum	14,112	40,872
Other	52,755	56,362
	\$ 475,375	\$ 395,385
Waste Management		
Garbage collection and landfill operations	\$ 158,173	\$ 165,327
Change in accounting estimate for landfill closure	(317,385)	-
	\$ (159,212)	\$ 165,327
Water Operations		
	\$ 114,479	\$ 114,337
Sewer Operations		
	\$ 347,422	\$ 697,137
	\$ 3,075,303	\$ 3,737,149

The accompanying notes are an integral part of these financial statements.