

Consolidated Financial Statements of the

VILLAGE OF NAKUSP

December 31, 2012

VILLAGE OF NAKUSP
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December 31, 2012

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April 22, 2013

Nelson, B.C.

Responsibility For Financial Reporting

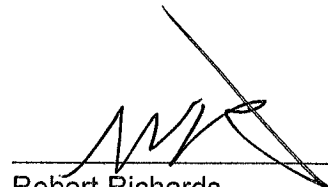
Management is responsible for the preparation of the accompanying consolidated financial statements. The financial statements have been prepared in accordance with Canadian public sector accounting standards and include amounts that are based on estimates and judgments. Management believes that the financial statements fairly present the Village of Nakusp's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. The financial statements have been approved by Council.

Management has established and maintained appropriate systems of internal control including policies and procedures, which are designed to provide reasonable assurance that the Village of Nakusp's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of the financial statements.

The independent external auditors, Berg Lehmann, Chartered Accountants, have been appointed by Council to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Village of Nakusp's financial position, results of operations, and changes in financial position in accordance with Canadian public sector accounting standards. The report of Berg Lehmann, Chartered Accountants, follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



Linda Tynan
Chief Administrative Officer



Robert Richards
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
Village of Nakusp

We have audited the accompanying consolidated financial statements of Village of Nakusp, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements 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 Village's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT (continued)

To the Mayor and Council
Village of Nakusp

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Nakusp as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

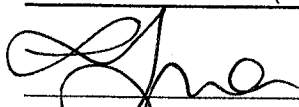
April 22, 2013

Nelson, B.C.

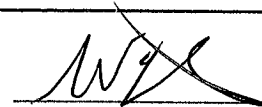
VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and equivalents	\$ 758,423	\$ 981,181
Investments (note 2)	1,260,864	55,511
Accounts receivable (note 3)	536,760	1,154,221
MFA debt reserve cash deposits (note 4)	16,575	16,089
Investment in NACFOR (note 5)	605,257	279,531
	3,177,879	2,486,533
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	337,977	539,835
Deferred revenue (note 7)	818,801	442,239
Deposits	1,250	2,276
Capital lease obligation (note 8)	39,700	57,461
Long-term debt (note 9)	1,074,118	1,132,284
	2,271,846	2,174,095
NET FINANCIAL ASSETS	906,033	312,438
NON-FINANCIAL ASSETS		
Prepaid expenses	44,331	99,248
Inventory of materials and supplies	73,851	50,718
Tangible capital assets (schedule)	15,381,560	14,502,005
	15,499,742	14,651,971
ACCUMULATED SURPLUS	\$16,405,775	\$14,964,409
Represented by:		
Unappropriated surplus (note 10)	\$ 1,057,532	\$ 930,721
Statutory reserves (note 10)	475,244	441,898
Equity in tangible capital assets (note 10)	14,267,742	13,312,259
Investment in NACFOR (note 5)	605,257	279,531
	\$16,405,775	\$14,964,409

CONTINGENCIES (note 16)



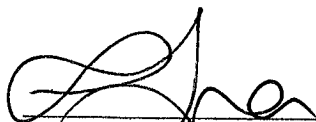
Linda Tyman
Chief Administrative Officer

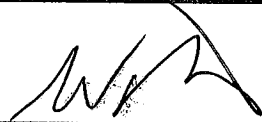


Robert Richards
Chief Financial Officer

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2012

	2012 Budget (note 15)	2012 Actual	2011 Actual
REVENUE			
Municipal property taxes	\$ 878,947	\$ 878,881	\$ 857,570
Interest and penalties on taxes	22,500	32,076	23,272
Utility taxes and grants in lieu of taxes	69,453	74,049	62,842
General fees and charges	253,060	294,078	253,205
Hot Springs fees and other revenue	481,754	423,648	435,872
Sewer user fees and charges	264,049	269,844	227,526
Water user fees and charges	359,310	361,746	356,452
Permits and licences	18,950	22,556	20,798
Interest income	2,000	16,355	14,314
Conditional transfers from other governments	2,497,171	1,247,020	1,208,180
Unconditional transfer - Province of BC	366,986	500,152	485,424
Gain on sale of tangible capital assets	-	3,400	31,113
Contributed tangible capital assets (note 11)	-	221,570	-
Equity income (loss) from NACFOR (note 5)	-	325,726	(37,175)
	5,214,180	4,671,101	3,939,393
EXPENDITURES (note 12)			
General government	677,654	592,662	786,105
Protective services	268,622	247,434	241,647
Transportation and public works	412,958	438,077	419,304
Waste disposal	74,001	65,481	64,006
Cemetery services	29,993	25,999	32,068
Economic development and promotion	66,060	39,551	57,241
Parks, recreation and cultural services	590,041	671,965	583,823
Hot Springs	500,261	464,024	462,706
Sewer services	301,675	295,322	297,613
Water services	392,161	389,220	362,074
	3,313,426	3,229,735	3,306,587
ANNUAL SURPLUS	1,900,754	1,441,366	632,806
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,964,409	14,964,409	14,331,603
ACCUMULATED SURPLUS, END OF YEAR	\$16,865,163	\$16,405,775	\$14,964,409


Linda Tynan
Chief Administrative Officer


Robert Richards
Chief Financial Officer

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2012

	2012	2011
ANNUAL SURPLUS	\$ 1,441,366	\$ 632,806
Acquisition of tangible capital and assets	(1,503,449)	(1,253,319)
Amortization of tangible capital assets	623,894	587,473
Gain on sale of tangible capital assets	(3,400)	(31,113)
Proceeds on sale of tangible capital assets	3,400	35,928
	<u>561,811</u>	<u>(28,225)</u>
Net change in inventory and prepaid expenses	31,784	(20,440)
	<u>593,595</u>	<u>(48,665)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	593,595	(48,665)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	312,438	361,103
	<u>312,438</u>	<u>312,438</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ 906,033	\$ 312,438

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	2012	2011
OPERATING TRANSACTIONS		
Annual surplus	\$ 1,441,366	\$ 632,806
Non-cash items included in annual surplus		
Amortization	623,894	587,473
Actuarial gain on MFA long-term debt	(9,185)	(10,297)
Gain on sale of tangible capital assets	(3,400)	(31,113)
Investment (income) loss from NACFOR	(325,726)	37,175
Contributed tangible capital assets	(221,570)	-
Changes in non-cash operating balances		
Accounts receivable	617,461	14,330
MFA debt reserve cash deposits	(486)	(7,542)
Prepaid expenses and inventory	31,784	(20,440)
Accounts payable and accrued liabilities	(201,858)	(202,195)
Deferred revenue and deposits	375,536	3,568
Cash provided by operating transactions	2,327,816	1,003,765
CAPITAL TRANSACTIONS		
Cash paid for purchase of tangible capital assets	(1,281,879)	(1,253,319)
Proceeds from disposal of capital assets	3,400	35,928
Cash applied to capital transactions	(1,278,479)	(1,217,391)
FINANCING TRANSACTIONS		
Proceeds from long-term debt	-	820,000
Repayment of long-term debt	(66,743)	(345,881)
Cash received from (applied to) financing transactions	(66,743)	474,119
INVESTING TRANSACTIONS		
Decrease (increase) in investments	(1,205,352)	632
INCREASE (DECREASE) IN CASH	(222,758)	261,125
CASH, BEGINNING OF YEAR	981,181	720,056
CASH, END OF YEAR	\$ 758,423	\$ 981,181

Village of Nakusp
 Consolidated Financial Statements Schedule - Tangible Capital Assets
 For the Year Ended December 31, 2012

	Land	Park Improvements & Other	Buildings	Equipment, Furniture & Vehicles	Transportation System	Sewer System	Water System	Assets Under Construction	2012 Total	2011 Total
COST										
Opening Balance	1,368,606	357,549	8,183,534	1,954,170	2,748,800	3,666,516	3,614,648	1,374,384	23,266,207	22,319,294
Add: Additions	-	-	31,147	121,830	18,777	-	25,946	1,327,971	1,525,671	3,216,493
Less: Disposals	-	-	-	13,009	-	-	-	22,222	35,231	2,267,580
Closing Balance	1,368,606	357,549	8,214,681	2,062,991	2,767,577	3,666,516	3,640,594	2,680,133	24,756,647	23,266,207
ACCUMULATED AMORTIZATION										
Opening Balance		21,928	3,068,616	812,418	1,495,770	1,600,828	1,766,644		8,766,202	8,478,319
Add: Amortization		7,680	218,823	154,712	67,658	93,502	81,519		623,894	587,473
Less: Acc. Amortization on Disposals		-	-	13,009	-	-	-		13,009	299,590
Closing Balance		29,608	3,287,439	954,121	1,563,428	1,694,328	1,848,163		9,377,087	8,766,202
Net Book Value, year ended December 31, 2012	1,368,606	327,941	4,927,242	1,108,870	1,204,149	1,972,188	1,792,431	2,680,133	15,381,560	14,502,005
Net Book Value, year ended December 31, 2011	1,368,606	335,621	5,114,918	1,141,752	1,253,030	2,065,690	1,848,004	1,374,384	14,502,005	

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Village of Nakusp.

Basis of Presentation

The consolidated financial statements of the Village of Nakusp (the Village) are the representations and responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Budget information has been aggregated to comply with these reporting standards.

Basis of Accounting

The resources and operations of the Village are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the stewardship of the assets allocated to it. The Village has general, water and sewer operating and capital funds. The Village also has reserve funds that have been established for specific future requirements. The use of these funds is governed by the Community Charter and Municipal resolutions and by-laws. All interfund transfers have been eliminated. Supplementary statements for each fund on a segregated basis have been presented under "Other Financial Information".

Items recognized in the financial statements are accounted for in accordance with the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which they occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Liabilities are recognized until the obligation or condition(s) underlying the liability is partly or wholly satisfied. Assets are recognized until the future economic benefit underlying the asset is partly or wholly used or lost.

Investment in Government Business Enterprise

The Village's wholly owned subsidiary, the Nakusp & Area Community Forest Inc. (NACFOR), is a government business enterprise, accounted for using the modified equity method. Under this method, the business enterprise's accounting principles are not adjusted to conform with those of the Village. The equity income for the year is recorded as revenue in the Village's consolidated statements of operations and the investment in NACFOR is adjusted accordingly.

Cash & Equivalents

Cash and equivalents include liquid investments with maturities of three months or less at acquisition.

Investments

Investments are recorded at cost with the exception that Municipal Finance Authority (MFA) Pooled Investment Funds are recorded at market value. The carrying value of investments is reduced to their net realizable value if in management's opinion there is a permanent decline in value.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Non-financial assets include tangible capital assets, inventory and prepaid expenses.

Tangible capital assets, comprised of capital assets and capital work-in-progress, 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 in to service. Estimated useful lives are as follows:

Land	not amortized
Buildings and building components	15 to 50 years
Machinery and equipment	5 to 20 years
Furniture and equipment	5 to 20 years
Information technology	3 to 5 years
Vehicles and mobile equipment	5 to 25 years
Infrastructure	15 to 50 years

Contributed tangible capital assets are reported at fair value at the time of donation and are also recorded as revenue.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the year in which it is used for the specified purpose.

Revenue Recognition

Municipal Property Taxation

Taxation levies for Village services are recognized as revenue at the time of issuing the property tax notices for the fiscal year. Taxation levies imposed by other taxing authorities are not included in these statements.

Fees and Charges (including permits and licences)

Fees and charges are recognized as revenue when the service or product is provided by the Village. Fees include charges for water and sewer usage.

Government Transfers (conditional and unconditional grants)

Unconditional transfer revenue is recognized when it has been authorized by the transferor. Conditional transfer revenue is recognized when the transfer has been authorized by the transferor and the Village has met all the eligibility criteria, unless the transfer creates a liability (conditions on the use of the funds that have not yet been fulfilled by the Village). Conditional transfers for capital expenditures revenue are recognized when eligible expenditures are incurred by the Village.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget Figures

The budget figures are based on the Five-Year Financial Plan for the year 2012, per bylaw #641 adopted May 9, 2012.

Financial Instruments

The Village's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, capital lease obligation, and long-term debt. It is management's opinion that the Village is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring estimates include the useful life of tangible capital assets for amortization, the determination of accrued liabilities and the provision for contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. INVESTMENTS

	2012	2011
MFA Money Market and CIBC Flexible GIC Funds	\$ 1,255,516	\$ 50,265
MFA Intermediate Fund	2,232	2,203
MFA Short Term Bond Fund	<u>3,116</u>	<u>3,043</u>
	<u>\$ 1,260,864</u>	<u>\$ 55,511</u>

All funds bear interest at variable rates and can be accessed on demand.

3. ACCOUNTS RECEIVABLE

	2012	2011
Municipal property taxes	\$ 217,890	\$ 250,854
Government and agency grants	171,733	678,382
Sewer user fees	26,420	23,206
Water user fees	29,605	30,167
HST rebate	29,400	96,354
Other	<u>61,712</u>	<u>75,258</u>
	<u>\$ 536,760</u>	<u>\$ 1,154,221</u>

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

4. MUNICIPAL FINANCE AUTHORITY (MFA) DEBT RESERVE DEPOSITS

The Municipal Finance Authority of British Columbia ("MFA") provides capital financing for regional districts and their member municipalities. The MFA is required to establish a Debt Reserve Fund. The MFA must then use this fund if at any time there are insufficient funds to meet payments on its obligations; this event has not occurred since the inception of MFA in 1970. If this occurs, the regional districts may be called upon to restore the fund.

Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the Debt Reserve Fund certain amounts set out in the financing agreements. The interest earned on the Debt Reserve Fund Cash Deposit, less administrative expenses, becomes an obligation of MFA to the member municipalities through the regional districts. Upon the maturity of a debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the municipality, including interest earned. Use of the Cash Deposit is restricted by legislation. The detail of the cash deposits and demand notes at year end are as follows:

	Demand Notes	Cash Deposits	2012	2011
General Fund	\$ 24,927	\$ 9,209	\$ 34,136	\$ 33,866
Sewer Fund	14,181	7,366	21,547	21,331
	<u>\$ 39,108</u>	<u>\$ 16,575</u>	<u>\$ 55,683</u>	<u>\$ 55,197</u>

Only the cash portion of the Debt Reserve Fund is reported in the financial statements.

5. INVESTMENT IN NAKUSP & AREA COMMUNITY FOREST INC. (NACFOR)

NACFOR is a wholly owned subsidiary that was created for the purpose of managing a timber license in the Nakusp area. The Village accounts for its investment in this government business enterprise using the modified equity method. The condensed financial information of this investment for the year ending December 31, 2012 with comparative figures for December 31, 2011 are as follows:

	December 31, 2012	December 31, 2011
Assets		
Current assets	\$ 1,043,584	\$ 162,982
Long-term assets (logging roads)	-	146,157
	<u>1,043,584</u>	<u>309,139</u>
Liabilities		
Current liabilities	246,327	3,648
Silviculture accrual	192,000	25,960
	<u>438,327</u>	<u>29,608</u>
Shareholder's equity	<u>\$ 605,257</u>	<u>\$ 279,531</u>
Results of operations, net income (loss) for year	<u>\$ 325,726</u>	<u>\$ (37,175)</u>

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Payroll related	\$ 78,829	\$ 74,121
Trade accounts payable	168,639	402,635
Accrued liabilities	<u>90,509</u>	<u>63,079</u>
	<u>\$ 337,977</u>	<u>\$ 539,835</u>

7. DEFERRED REVENUE

These funds are externally restricted for the purposes for which they were collected.

	Balance, Beginning of Year	Contributions Received	Interest	Eligible Expenditures	Balance, End of Year
Federal Gas Tax Grant	\$ 17,183	\$ 111,435	\$ 260	\$(15,557)	\$ 113,321
Provincial grant - water	267,834	-	-	(62,227)	205,607
Provincial grant - recreation	-	340,000	-	(26,884)	313,116
Columbia Basin Trust grants	-	62,500	-	(10,994)	51,506
Municipal insurance grant	3,002	-	-	(3,002)	-
RDCK grants	23,269	27,989	-	(31,138)	20,120
Parkland acquisition	13,272	-	-	-	13,272
Prepaid taxes	117,679	101,859	-	(117,679)	101,859
	<u>\$ 442,239</u>	<u>\$ 643,783</u>	<u>\$ 260</u>	<u>\$(267,481)</u>	<u>\$ 818,801</u>

Federal gas tax funding is provided by the Government of Canada and use of the funding is restricted by the terms of the funding agreement between the local government 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.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

8. CAPITAL LEASE OBLIGATION

	2012	2011
Municipal Finance Authority lease obligation for dump truck, with blended monthly payments of \$1,563 including interest of 1.25% per annum, secured by the leased asset, maturing January, 2015.	<u>\$ 39,700</u>	<u>\$ 57,461</u>

The required minimum lease payments over the next three years are as follows:

2013	\$ 18,751
2014	18,751
2015	<u>3,093</u>
Total minimum lease payments	40,595
Less amount representing interest	<u>895</u>
	<u>\$ 39,700</u>

9. LONG-TERM DEBT

	Balance, Beginning of Year	Additions	Principal	Actuarial Adjustment	Balance, End of Year
General Capital Fund					
MFA issue 117 bylaw 637	\$ 710,000	\$ -	\$ 23,843	\$ 209	\$ 685,948
MFA issue 117 bylaw 638	110,000	-	3,694	32	106,274
MFA issue 110 bylaw 573	49,328	-	11,244	793	37,291
	<u>869,328</u>	-	<u>38,781</u>	<u>1,034</u>	<u>829,513</u>
Sewer System Capital Fund					
MFA issue 63 bylaw 419	49,657	-	4,573	5,219	39,865
MFA issue 79 bylaw 546	213,299	-	5,627	2,932	204,740
	<u>262,956</u>	-	<u>10,200</u>	<u>8,151</u>	<u>244,605</u>
Total Long-term Debt	<u>\$1,132,284</u>	\$ -	<u>\$ 48,981</u>	<u>\$ 9,185</u>	<u>\$1,074,118</u>

Interest rates range from 3.0% to 5.49%. Actuarial adjustments represent interest earned on sinking funds held by the Municipal Finance Authority. Such interest is used to reduce the principal amount of outstanding debt.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

9. LONG-TERM DEBT (continued)

The Village's requirements for future repayments of principal on existing debt for the next five years excluding any actuarial gains that may be realized are as follows:

	General Capital	Sewer Capital	Total
2013	\$ 39,801	\$ 10,201	\$ 50,002
2014	\$ 39,801	\$ 10,201	\$ 50,002
2015	\$ 39,801	\$ 10,201	\$ 50,002
2016	\$ 27,537	\$ 10,201	\$ 37,738
2017	\$ 27,537	\$ 5,628	\$ 33,165

10. ACCUMULATED SURPLUS

Accumulated surplus is represented by:

	2012	2011
Unappropriated surplus (deficit)		
General Operating Fund	\$ 220,882	\$(50,710)
Water Operating Fund	824,974	812,171
Sewer Operating Fund	11,676	169,260
	<u>1,057,532</u>	<u>930,721</u>
Reserve Funds		
Operations Equipment	351,227	324,862
General Capital	13,852	39,246
Fire Services Equipment	110,165	77,790
	<u>475,244</u>	<u>441,898</u>
Investment in NACFOR	<u>605,257</u>	<u>279,531</u>
Equity in tangible capital assets		
General Capital Fund	8,310,560	8,309,358
Water Capital Fund	3,102,264	2,521,840
Sewer Capital Fund	2,854,918	2,481,061
	<u>14,267,742</u>	<u>13,312,259</u>
Total Accumulated Surplus	<u>\$ 16,405,775</u>	<u>\$ 14,964,409</u>

The Unappropriated Surplus is the amount of Accumulated Surplus remaining after deducting the other appropriated surplus balances (see below). It is available to temporarily finance operations until planned revenues (i.e. property taxes, grants etc.) are received, or for other operating or capital purposes as determined by Council.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

10. ACCUMULATED SURPLUS (continued)

The Statutory Reserves are Accumulated Surplus that has been set-aside by decision of Council for a specified purpose. The Statutory Reserves have been established by bylaw in accordance with the Community Charter and their use is restricted by the legislation. In the normal course of operations, these funds will be used to finance the future services or capital works for which they have been appropriated.

The Investment in NACFOR is equal to the NACFOR investment value on an equity basis. In the normal course of operations this investment will not be available to finance operations, but will be maintained in support of the purposes of the investment.

Investment in Tangible Capital Assets is equal to the tangible capital assets less related long-term debt. In the normal course of operations the non-financial assets will not be available to finance operations, but will be used to provide services, and the debt will be repaid by future period revenues.

11. CONTRIBUTED TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2012, the Village's work-in-progress tangible capital assets include contributions with a total cost of \$221,570 for the expansion of the Centennial Building. These contributed tangible capital assets are made through the fund raising efforts of the Arrow Lakes Historical Society, a tenant of the building.

12. EXPENDITURES BY OBJECT

	2012	2011
Interest and bank charges	\$ 48,980	\$ 39,503
Goods and services	1,082,095	1,225,746
Wages and benefits	1,491,674	1,501,060
Amortization of tangible capital assets	623,894	587,473
Less labour included in tangible capital additions	<u>(16,908)</u>	<u>(47,195)</u>
 Total operating expenditures	 <u>\$ 3,229,735</u>	 <u>\$ 3,306,587</u>

13. PENSION LIABILITY

The Village and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

13. PENSION LIABILITY (continued)

The most recent actuarial valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to the individual entities participating in the Plan.

The Village paid \$93,208 (2011 - \$87,904) for employer contributions to the Plan in fiscal 2012.

14. COLLECTION FOR OTHER GOVERNMENTS

The Village collected and remitted the following taxes on behalf of other Governments.

Provincial Government - School Taxes	\$ 663,922
Provincial Government - Police Tax Levy	70,827
Regional District Central Kootenay	383,720
Regional Hospital District	50,453
British Columbia Assessment Authority	15,518
Municipal Finance Authority	<u>48</u>
	<u>\$ 1,184,488</u>

These amounts are not included in the Village's revenues and expenditures in the financial statements.

15. BUDGET RECONCILIATION

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the budget as presented in bylaw #641 adopted May 9, 2012.

Budgeted surplus as presented	\$ 1,900,754
Proposed borrowing proceeds	400,000
Budgeted transfers from reserves	221,000
Budgeted transfers to reserves	(111,442)
Amortization	575,000
Budgeted debt principal payments	(61,234)
Budgeted capital expenditures	(3,063,331)
Budgeted use of prior year surplus	163,301
Budgeted increase in surplus	<u>(24,048)</u>
	<u>\$ -</u>

16. CONTINGENT LIABILITIES

Regional District Debt

The Village, as a member of the Regional District of Central Kootenay, is jointly and severally liable for the future capital liabilities of the Regional District. The loan agreements with the Municipal Finance Authority provide that if the Authority does not have sufficient funds to meet its payments and obligations, it shall make payments from the debt reserve fund which is in turn established by a similar debt reserve fund of the Village and all other borrowing participants. If the debt reserve fund is deficient, the Authority's obligations become a liability of the Regional District, and may become a liability of the participating municipalities.

17. CEMETERY CARE TRUST FUND

The Village operates the Catholic, Hillcrest, Women's Institute, Glenbank, and Legion cemeteries and maintains a Cemetery Care Fund in accordance with the Cremation, Interment and Funeral Services Act and related Regulations. In accordance with Act and Regulations, the Village must transfer a specified minimum percentage of certain cemetery fees into the Cemetery Care Fund. The resulting equity balance in the fund is restricted in use; interest earnings are available to the Village to fund ongoing maintenance of the cemetery as required.

The condensed financial information for the period ended December 31, 2012 with 2011 comparative figures are as follows:

	2012	2011
Assets		
Short-term investments	\$ 28,443	\$ 26,236
Accrued interest	<u>18</u>	<u>310</u>
Equity	<u>\$ 28,461</u>	<u>\$ 26,546</u>
Operations		
Contributions	\$ 1,550	\$ 1,549
Interest	<u>365</u>	<u>1,116</u>
Change in equity	<u>\$ 1,915</u>	<u>\$ 2,665</u>

The Cemetery Trust Fund is not included in the Village's financial statements.

VILLAGE OF NAKUSP
GENERAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2012

FINANCIAL ASSETS	2012	2011
ASSETS		
Cash	\$ 758,423	\$ 981,181
Investments - MFA	1,260,864	55,511
Investment in NACFOR	605,257	279,531
Accounts receivable	91,111	171,612
Government and other grants receivable	9,353	216,745
Taxes receivable	217,890	250,854
MFA debt reserve cash deposits	9,209	8,939
Due from Sewer Fund	124,537	-
	3,076,644	1,964,373
LIABILITIES		
Accounts payable and accrued liabilities	337,978	539,836
Deferred revenue	805,528	428,967
Deposits	1,250	2,276
Capital lease obligation	39,700	57,461
Long-term debt	829,513	869,328
Due to Sewer Fund	-	36,764
Due to Water Fund	735,415	422,506
Due to Reserve Funds	488,516	455,170
	3,237,900	2,812,308
NET DEBT	(161,256)	(847,935)
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	73,851	50,718
Inventory of materials and supplies	44,331	99,248
Tangible capital assets	9,179,773	9,236,148
	9,297,955	9,386,114
ACCUMULATED SURPLUS	\$ 9,136,699	\$ 8,538,179
Represented by:		
Unappropriated surplus (deficit)	\$ 220,882	\$(50,710)
Equity in tangible capital assets	8,310,560	8,309,358
Equity in NACFOR	605,257	279,531
	\$ 9,136,699	\$ 8,538,179

VILLAGE OF NAKUSP
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2012

	2012	2011
REVENUE		
General taxation	\$ 869,093	\$ 847,783
Interest and penalties on taxes	32,076	23,272
Utility taxes and grants-in-lieu of taxes	74,049	62,842
General fees and charges	294,078	253,205
Hot Springs fees and other revenue	423,648	435,872
Permits and licences	22,556	20,798
Conditional transfers from other governments	402,720	612,613
Unconditional transfer - Province of BC	500,152	485,424
Investment interest	6,313	6,825
Equity income (loss) in NACFOR	325,726	(37,175)
Proceeds on sale of tangible capital assets	3,400	35,928
Contributed tangible capital assets	221,570	-
	3,175,381	2,747,387
EXPENDITURES		
General government	582,664	772,927
Protective services	162,328	164,941
Transportation services	287,826	288,887
Waste disposal services	55,443	53,968
Cemetery services	22,589	28,658
Economic development and promotion	39,551	57,241
Parks, recreation and cultural services	500,249	423,479
Hot Springs	445,670	444,743
Amortization	448,873	416,871
	2,545,193	2,651,715
TOTAL REVENUES OVER EXPENDITURES	630,188	95,672
Transfers from Reserve Funds	95,432	252,401
Transfers to Reserve Funds	(127,102)	(378,902)
General Capital expenditures	(392,496)	(544,129)
General Capital debt principal repayments	(57,577)	(46,725)
(Increase) decrease in investment in NACFOR	(325,726)	37,175
Prior year transfer from internal borrowing	-	253,000
Amortization transferred to equity in tangible capital assets	448,873	416,871
	(358,596)	(10,309)
ANNUAL SURPLUS	271,592	85,363
UNAPPROPRIATED DEFICIT, BEGINNING OF YEAR	(50,710)	(136,073)
UNAPPROPRIATED SURPLUS (DEFICIT), END OF YEAR	\$ 220,882	\$(50,710)

VILLAGE OF NAKUSP
WATER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2012

FINANCIAL ASSETS	2012	2011
ASSETS		
Water fees receivable	\$ 29,606	\$ 30,167
Grants receivable	59,953	359,498
Due from General Operating and Capital Fund	735,415	422,506
NET FINANCIAL ASSETS	824,974	812,171
TANGIBLE CAPITAL ASSETS	3,102,264	2,521,840
ACCUMULATED SURPLUS	\$ 3,927,238	\$ 3,334,011
Represented by:		
Unappropriated surplus	\$ 824,974	\$ 812,171
Equity in tangible capital assets	3,102,264	2,521,840
	\$ 3,927,238	\$ 3,334,011

VILLAGE OF NAKUSP
WATER UTILITY OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2012

	2012	2011
REVENUE		
User fees	\$ 361,746	\$ 356,452
Conditional transfers from other governments	620,702	487,971
	<u>982,448</u>	<u>844,423</u>
EXPENSES		
Water services	307,701	279,380
Amortization	81,519	82,694
	<u>389,220</u>	<u>362,074</u>
NET OPERATING REVENUES OVER EXPENDITURES	593,228	482,349
Amortization to equity in tangible capital assets	81,519	82,694
Water capital expenditures	(661,944)	(521,632)
Transfer from internal borrowing	-	100,000
	<u>12,803</u>	<u>143,411</u>
ANNUAL SURPLUS	12,803	143,411
UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR	812,171	668,760
UNAPPROPRIATED SURPLUS, END OF YEAR	\$ 824,974	\$ 812,171

VILLAGE OF NAKUSP
SEWER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2012

FINANCIAL ASSETS	2012	2011
ASSETS		
Sewer fees receivable	\$ 26,420	\$ 23,206
Grants receivable	102,427	102,139
Due from General Fund	-	36,764
MFA debt reserve cash deposits	7,366	7,151
	<u>136,213</u>	<u>169,260</u>
LIABILITIES		
Due to General Fund	124,537	-
Long-term debt	244,605	262,956
	<u>369,142</u>	<u>262,956</u>
NET DEBT	(232,929)	(93,696)
TANGIBLE CAPITAL ASSETS	3,099,523	2,744,017
ACCUMULATED SURPLUS	\$ 2,866,594	\$ 2,650,321
Represented by:		
Unappropriated surplus	\$ 11,676	\$ 169,260
Equity in tangible capital assets	2,854,918	2,481,061
	<u>\$ 2,866,594</u>	<u>\$ 2,650,321</u>

VILLAGE OF NAKUSP
SEWER UTILITY OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2012

	2012	2011
REVENUE		
Parcel and specified area taxes	\$ 9,788	\$ 9,788
User fees	269,844	227,526
Interest income	8,366	7,487
Conditional transfers from other governments	223,598	107,596
	<u>511,596</u>	<u>352,397</u>
EXPENSES		
Sewer Service	201,820	204,888
Amortization	93,502	92,723
	<u>295,322</u>	<u>297,611</u>
TOTAL REVENUES OVER EXPENSES	<u>216,274</u>	<u>54,786</u>
Amortization to equity in tangible capital assets	93,502	92,723
Sewer capital expenditures	(449,009)	(187,557)
Sewer capital debt principal repayments	(18,351)	(17,453)
Transfer from internal borrowing	-	175,000
	<u>(373,858)</u>	<u>62,713</u>
ANNUAL SURPLUS (DEFICIT)	<u>(157,584)</u>	117,499
UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR	<u>169,260</u>	<u>51,761</u>
UNAPPROPRIATED SURPLUS, END OF YEAR	<u>\$ 11,676</u>	<u>169,260</u>

VILLAGE OF NAKUSP
RESERVE FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Due from General Operating Fund	\$ 488,516	\$ 455,170
LIABILITIES		
Deferred revenue - parkland acquisition	13,272	13,272
	\$ 475,244	\$ 441,898
RESERVES		
Equipment Reserve	\$ 351,227	\$ 324,862
Fire Equipment Reserve	110,165	77,790
General Capital Reserve	13,852	39,246
	\$ 475,244	\$ 441,898

VILLAGE OF NAKUSP
RESERVE FUND
STATEMENT OF TRANSACTIONS
For the Year Ended December 31, 2012

	Balance, Beginning of Year	Contributions	Transfers to Other Funds	Interest Earned	Balance, End of Year
Equipment Reserve	\$ 324,862	\$ 95,102	\$(69,932)	\$ 1,195	\$ 351,227
Fire Equipment Reserve	77,790	32,000	-	375	110,165
General Capital Reserve	39,246	-	(25,500)	106	13,852
	<u>\$ 441,898</u>	<u>\$ 127,102</u>	<u>\$(95,432)</u>	<u>\$ 1,676</u>	<u>\$ 475,244</u>