

*Consolidated Financial Statements of the*

**VILLAGE OF NAKUSP**

*December 31, 2016*

**VILLAGE OF NAKUSP**  
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**December 31, 2016**

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May 8, 2017

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 Professional 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 Professional Accountants, follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



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Laurie Taylor  
Chief Administrative Officer

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## INDEPENDENT AUDITORS' REPORT

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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, 2016, 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)

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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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



**Chartered Professional Accountants**

May 8, 2017

Nelson, B.C.

**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2016**

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and equivalents	\$ 1,530,137	\$ 938,021
Investments (note 2)	1,095,464	1,090,108
Accounts receivable (note 3)	357,277	432,649
MFA debt reserve cash deposits (note 4)	22,158	21,614
Investment in NACFOR (2013) (note 5)	876,090	1,197,371
	<b>3,881,126</b>	<b>3,679,763</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 6)	353,609	324,910
Deferred revenue (note 7)	283,050	256,556
Deposits	4,745	3,636
Interim financing	111,000	148,000
Long-term debt (note 8)	1,179,077	1,246,434
	<b>1,931,481</b>	<b>1,979,536</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,949,645</b>	<b>1,700,227</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	54,415	50,546
Inventory of materials and supplies	17,129	50,439
Tangible capital assets (schedule)	19,933,753	19,886,219
	<b>20,005,297</b>	<b>19,987,204</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$21,954,942</b>	<b>\$21,687,431</b>
<b>Represented by:</b>		
Unappropriated surplus (note 9)	\$ 740,244	\$ 649,872
Reserves (note 9)	1,694,932	1,348,403
Equity in tangible capital assets (note 9)	18,643,676	18,491,785
Investment in NACFOR (note 5)	876,090	1,197,371
	<b>\$21,954,942</b>	<b>\$21,687,431</b>
<b>CONTINGENT LIABILITIES (note 14)</b>		

  
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 Laurie Taylor  
 Chief Administrative Officer

**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2016

	2016 Budget (Note 13)	2016 Actual	2015 Actual
<b>REVENUE</b>			
Municipal property taxes	\$ 988,100	\$ 978,267	\$ 941,469
Interest and penalties on taxes	26,700	19,861	27,730
Utility taxes and grants in lieu of taxes	76,600	80,881	76,594
General fees, charges and other	311,150	335,228	409,796
Hot Springs fees and other revenue	723,100	827,357	729,089
Sewer user fees and charges	361,990	368,780	331,092
Water user fees and charges	467,110	472,903	430,371
Permits and licences	23,000	19,423	23,151
Interest income	12,250	24,527	16,555
Conditional transfers from other governments	1,034,130	1,066,558	771,946
Unconditional transfer - Province of BC	380,000	367,011	385,029
Gain on sale of tangible capital assets	-	-	48,074
Equity income (loss) from NACFOR (2013) (note 5)	-	( 123,910)	25,806
	<b>4,404,130</b>	<b>4,436,886</b>	<b>4,216,702</b>
<b>EXPENDITURES</b>			
General government	703,110	690,107	705,837
Protective services	216,020	196,846	162,878
Transportation and public works	324,845	456,223	380,492
Waste disposal	54,200	68,420	42,559
Cemetery services	29,000	24,282	31,252
Economic development and promotion	22,250	42,736	152,687
Parks, recreation and cultural services	696,160	633,866	619,535
Hot Springs and Cedar Chalets	719,210	674,084	643,167
Sewer services	276,990	285,313	221,868
Water services	295,200	257,051	264,741
Amortization	715,130	840,447	816,431
	<b>4,052,115</b>	<b>4,169,375</b>	<b>4,041,447</b>
<b>ANNUAL SURPLUS</b>	<b>352,015</b>	<b>267,511</b>	<b>175,255</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>21,687,431</b>	<b>21,687,431</b>	<b>21,512,176</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$22,039,446</b>	<b>\$21,954,942</b>	<b>\$21,687,431</b>



Laurie Taylor  
Chief Administrative Officer

**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
For the Year Ended December 31, 2016

	2016	2015
<b>ANNUAL SURPLUS</b>	<b>\$ 267,511</b>	<b>\$ 175,255</b>
Acquisition of tangible capital assets	( 887,981)	( 819,927)
Amortization of tangible capital assets	840,447	816,431
Gain on sale of tangible capital assets	-	( 48,074)
Proceeds on sale of tangible capital assets	-	48,074
	<b>219,977</b>	171,759
Net change in inventory and prepaid expenses	29,441	10,305
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>249,418</b>	182,064
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>1,700,227</b>	1,518,163
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 1,949,645</b>	<b>\$ 1,700,227</b>



**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2016

	2016	2015
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 267,511	\$ 175,255
Non-cash items included in annual surplus		
Amortization	840,447	816,431
Actuarial gain on MFA long-term debt	( 17,026)	( 7,835)
Gain on sale of tangible capital assets	-	( 48,074)
Investment loss (income) from NACFOR (2013)	123,910	( 25,806)
Changes in non-cash operating balances		
Accounts receivable	75,372	708,437
MFA debt reserve cash deposits	( 544)	178
Prepaid expenses and inventory	29,441	10,305
Accounts payable and accrued liabilities	28,699	( 102,161)
Deferred revenue and deposits	27,603	( 59,145)
<b>Cash provided by operating transactions</b>	<b>1,375,413</b>	<b>1,467,585</b>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	( 887,981)	( 819,927)
Proceeds from disposal of capital assets	-	48,074
<b>Cash applied to capital transactions</b>	<b>( 887,981)</b>	<b>( 771,853)</b>
<b>FINANCING TRANSACTIONS</b>		
Repayment of long-term debt	( 87,331)	( 101,662)
<b>INVESTING TRANSACTIONS</b>		
Increase in investments	( 5,356)	( 7,509)
Cash dividends received from NACFOR (2013)	197,371	-
<b>Cash applied to (received from) investing transactions</b>	<b>192,015</b>	<b>( 7,509)</b>
<b>INCREASE IN CASH</b>	<b>592,116</b>	<b>586,561</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>938,021</b>	<b>351,460</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,530,137</b>	<b>\$ 938,021</b>

**Village of Nakusp**  
**Consolidated Financial Statements Schedule - Tangible Capital Assets**  
**For the Year Ended December 31, 2016**

	Land	Park Improvements & Other	Buildings	Equipment, Furniture & Vehicles	Transportation System	Sewer System	Water System	Assets Under Construction	2016 Total	2015 Total
<b>COST</b>										
Opening Balance	1,368,606	2,853,227	9,321,875	2,373,783	3,239,518	5,375,452	6,439,210	282,864	31,254,535	30,575,999
Add: Additions	-	-	704,673	91,273	-	58,411	316,488	-	1,170,845	3,613,372
Less: Disposals	-	-	-	-	-	-	-	282,864	282,864	2,934,836
Closing Balance	1,368,606	2,853,227	10,026,548	2,465,056	3,239,518	5,433,863	6,755,698	-	32,142,516	31,254,535
<b>ACCUMULATED AMORTIZATION</b>										
Opening Balance		102,559	3,992,182	1,273,506	1,770,827	2,043,363	2,185,879		11,368,316	10,693,278
Add: Amortization		57,593	282,255	174,351	52,630	130,824	142,794		840,447	816,431
Less: Acc. Amortization on Disposals		-	-	-	-	-	-		-	141,393
Closing Balance		160,152	4,274,437	1,447,857	1,823,457	2,174,187	2,328,673		12,208,763	11,368,316
<b>Net Book Value, year ended December 31, 2016</b>	<b>1,368,606</b>	<b>2,693,075</b>	<b>5,752,111</b>	<b>1,017,199</b>	<b>1,416,061</b>	<b>3,259,676</b>	<b>4,427,025</b>	<b>-</b>	<b>19,933,753</b>	<b>19,886,219</b>
<b>Net Book Value, year ended December 31, 2015</b>	<b>1,368,606</b>	<b>2,750,668</b>	<b>5,329,693</b>	<b>1,100,277</b>	<b>1,468,691</b>	<b>3,332,089</b>	<b>4,253,331</b>	<b>282,864</b>	<b>19,886,219</b>	

## 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 Chartered Professional Accountants of Canada.

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 (2013) Inc. ("NACFOR (2013)"), 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 (2013) is adjusted accordingly.

### Cash and 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, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budget Figures

The budget figures are based on the Five-Year Financial Plan for the year 2016, per bylaw no. 658 adopted May 9, 2016.

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.

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**2. INVESTMENTS**

	<b>2016</b>	2015
MFA Money Market and CIBC Flexible GIC Funds	<b>\$ 1,089,713</b>	\$ 1,084,431
MFA Intermediate Fund	<b>2,353</b>	2,327
MFA Short-term Bond Fund	<b><u>3,398</u></b>	<u>3,350</u>
	<b><u>\$ 1,095,464</u></b>	<u>\$ 1,090,108</u>

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

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**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

**3. ACCOUNTS RECEIVABLE**

	2016	2015
Municipal property taxes	\$ 172,842	\$ 198,315
Government and agency grants	-	128,672
Sewer user fees	37,335	35,666
Water user fees	41,935	42,975
GST rebate	24,022	849
Other	81,143	26,172
	<u>\$ 357,277</u>	<u>\$ 432,649</u>

**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.

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	2016	2015
General Fund	\$ 28,234	\$ 13,837	\$ 42,071	\$ 41,695
Sewer Fund	14,181	8,321	22,502	22,334
	<u>\$ 42,415</u>	<u>\$ 22,158</u>	<u>\$ 64,573</u>	<u>\$ 64,029</u>

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

**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

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**5. INVESTMENT IN NACFOR (2013)**

Nakusp & Area Community Forest (2013) Inc. ("NACFOR (2013)") 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, 2016 with comparative figures for December 31, 2015 are as follows:

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current assets	<b>\$ 1,237,029</b>	\$ 1,531,391
Long-term assets (logging roads and map data)	<b><u>225,019</u></b>	<u>125,808</u>
	<b><u>1,462,048</u></b>	<u>1,657,199</u>
<b>Liabilities</b>		
Current liabilities including dividends payable	<b>212,258</b>	128,928
Silviculture accrual	<b><u>373,700</u></b>	<u>330,900</u>
	<b><u>585,958</u></b>	<u>459,828</u>
Shareholder equity	<b><u>\$ 876,090</u></b>	<u>\$ 1,197,371</u>
Results of operations, net income (loss) for the year	<b><u>\$( 123,910)</u></b>	<u>\$ 25,806</u>

During the year, the Village received a dividend from NACFOR in the amount of \$197,371.

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**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2016	2015 Restated
Payroll related	\$ 126,197	\$ 76,616
Trade accounts payable	179,711	221,329
Accrued liabilities	<u>47,701</u>	<u>26,965</u>
	<u>\$ 353,609</u>	<u>\$ 324,910</u>

**7. DEFERRED REVENUE**

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

	Balance, Beginning of Year	Contributions Received	Eligible Expenditures	Balance, End of Year
BC Hydro - wharf fund	\$ 100,000	\$ -	\$ -	\$ 100,000
Provincial grant - rural dividend	-	10,000	( 2,400)	7,600
Parkland acquisition	13,272	-	-	13,272
CBT - Trails Master Plan	-	45,000	( 15,570)	29,430
Columbia Basin Trust grants	11,700	-	( 11,700)	-
RDCK grants	6,467	-	( 6,467)	-
Prepaid taxes	125,117	132,748	( 125,117)	132,748
	<u>\$ 256,556</u>	<u>\$ 187,748</u>	<u>\$( 161,254)</u>	<u>\$ 283,050</u>



**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

**8. LONG-TERM DEBT**

	Balance, Beginning of Year	Additions	Principal	Actuarial Adjustment	Balance, End of Year
<b>General Capital Fund</b>					
MFA issue 117 bylaw 637	\$ 608,750	\$ -	\$ 23,843	\$ 4,049	\$ 580,858
MFA issue 117 bylaw 638	94,314	-	3,694	628	89,992
MFA issue 126 bylaw 648	256,161	-	9,235	754	246,172
MFA issue 186 bylaw 648	96,642	-	3,358	134	93,150
	<u>1,055,867</u>	<u>-</u>	<u>40,130</u>	<u>5,565</u>	<u>1,010,172</u>
<b>Sewer System Capital Fund</b>					
MFA issue 63 bylaw 419	11,555	-	4,573	6,982	-
MFA issue 79 bylaw 546	179,012	-	5,627	4,480	168,905
	<u>190,567</u>	<u>-</u>	<u>10,200</u>	<u>11,462</u>	<u>168,905</u>
<b>Total Long-term Debt</b>	<u>\$1,246,434</u>	<u>\$ -</u>	<u>\$ 50,330</u>	<u>\$ 17,027</u>	<u>\$1,179,077</u>

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.

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
2017	\$ 40,130	\$ 5,627	\$ 45,757
2018	\$ 40,130	\$ 5,627	\$ 45,757
2019	\$ 40,130	\$ 5,627	\$ 45,757
2020	\$ 40,130	\$ 5,627	\$ 45,757
2021	\$ 40,130	\$ 5,627	\$ 45,757

**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

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**9. ACCUMULATED SURPLUS**

Accumulated surplus is represented by:

	2016	2015
Unappropriated Surplus		
General Operating Fund	\$ 211,105	\$ 273,712
Water Operating Fund	404,457	247,206
Sewer Operating Fund	<u>124,682</u>	<u>128,954</u>
	<u>740,244</u>	<u>649,872</u>
Reserve Fund	<u>1,694,932</u>	<u>1,348,403</u>
Investment in NACFOR (2013)	<u>876,090</u>	<u>1,197,371</u>
Equity in Tangible Capital Assets		
General Capital Fund	11,125,880	10,889,684
Water Capital Fund	4,427,025	4,446,342
Sewer Capital Fund	<u>3,090,771</u>	<u>3,155,759</u>
	<u>18,643,676</u>	<u>18,491,785</u>
<b>Total Accumulated Surplus</b>	<b><u>\$ 21,954,942</u></b>	<b><u>\$ 21,687,431</u></b>

The Unappropriated Surplus is the amount of Accumulated Surplus remaining after deducting the other appropriated surplus balances. 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.

The Reserve Funds is Accumulated Surplus that has been set-aside by decision of Council for a specified purpose. 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 (2013) is equal to the NACFOR (2013) 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.

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**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

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**10. EXPENDITURES BY OBJECT**

	2016	2015
Interest and bank charges	\$ 49,349	\$ 83,218
Goods and services	1,468,280	1,421,657
Wages, benefits and Council stipends	1,811,299	1,720,141
Amortization of tangible capital assets	<u>840,447</u>	<u>816,431</u>
 Total operating expenditures	 <u>\$ 4,169,375</u>	 <u>\$ 4,041,447</u>

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**11. PENSION LIABILITY**

The Village 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, 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 based on a formula. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local government.

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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a concern basis. The next valuation was at December 31, 2018 with results available later in 2019. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual employers participating in the plan.

The Village paid \$129,730 (2015 - \$105,377) for employer contributions to the Plan in fiscal 2016.

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**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

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**12. COLLECTION FOR OTHER GOVERNMENTS**

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

Provincial Government - School Taxes	\$ 614,668
Provincial Government - Police Tax Levy	77,980
Regional District Central Kootenay	463,717
Regional Hospital District	65,499
British Columbia Assessment Authority	12,806
Municipal Finance Authority	<u>44</u>
	<u>\$ 1,234,714</u>

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

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**13. BUDGET RECONCILIATION**

The following reconciles the budgeted annual deficit as shown on the consolidated statement of operations to the budget as presented in bylaw no. 658 adopted May 9, 2016.

Annual budgeted deficit as presented	\$ 352,015
Borrowing proceeds	425,000
Transfers from reserves	405,500
Transfers to reserves	( 252,105)
Amortization	715,130
Debt principal payments	( 128,350)
Capital expenditures	<u>( 1,517,190)</u>
	<u>\$ -</u>

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**14. CONTINGENT LIABILITIES**

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.

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**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2016**

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**15. 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, 2016 with 2015 comparative figures are as follows:

	2016	2015
<b>Assets</b>		
Short-term investments	\$ 34,257	\$ 32,218
Accrued interest	<u>22</u>	<u>237</u>
<b>Equity</b>	<u>\$ 34,279</u>	<u>\$ 32,455</u>
<b>Operations</b>		
Contributions	\$ 1,600	\$ 750
Interest	<u>224</u>	<u>220</u>
<b>Change in equity</b>	<u>\$ 1,824</u>	<u>\$ 970</u>

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

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**VILLAGE OF NAKUSP**  
**GENERAL FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2016**

<b>FINANCIAL ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash	\$ 1,530,137	\$ 938,021
Investments	1,095,464	1,090,108
Investment in NACFOR (2013)	876,090	1,197,371
Accounts receivable	105,165	27,021
Taxes receivable	172,842	198,315
MFA debt reserve cash deposits	13,837	13,461
	<b>3,793,535</b>	<b>3,464,297</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	353,609	324,910
Deferred revenue	269,778	243,284
Deposits	4,745	3,636
Long-term debt	1,010,172	1,055,867
Interim financing	111,000	148,000
Due to Sewer Fund	187,695	185,544
Due to Water Fund	374,800	75,559
Due to Reserve Fund	1,587,257	1,261,266
	<b>3,899,056</b>	<b>3,298,066</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>( 105,521)</b>	<b>166,231</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses and deposits	54,415	50,546
Inventory of materials and supplies	17,129	50,439
Tangible capital assets	12,247,052	12,093,551
	<b>12,318,596</b>	<b>12,194,536</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$12,213,075</b>	<b>\$12,360,767</b>
<b>Represented by:</b>		
Unappropriated surplus	\$ 211,105	\$ 273,712
Equity in tangible capital assets	11,125,880	10,889,684
Equity in NACFOR (2013)	876,090	1,197,371
	<b>\$12,213,075</b>	<b>\$12,360,767</b>

**VILLAGE OF NAKUSP**  
**GENERAL OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
For the Year Ended December 31, 2016

	2016	2015
<b>REVENUE</b>		
General taxation	\$ 978,267	\$ 931,681
Interest and penalties on taxes	19,861	27,730
Utility taxes and grants-in-lieu of taxes	80,881	76,594
General fees and charges	335,228	409,796
Hot Springs fees and other revenue	827,357	729,089
Permits and licences	19,423	23,151
Conditional transfers from other governments	1,015,185	638,273
Unconditional transfer - Province of BC	367,011	385,029
Investment interest	5,942	3,812
Equity income (loss) in NACFOR	( 123,910)	25,806
Proceeds on sale of tangible capital assets	-	48,074
	<b>3,525,245</b>	<b>3,299,035</b>
<b>EXPENDITURES</b>		
General government	690,107	705,837
Protective services	196,846	162,878
Transportation services	456,223	380,492
Waste disposal services	68,420	42,559
Cemetery services	24,282	31,252
Economic development and promotion	42,736	152,687
Parks, recreation and cultural services	633,866	619,535
Hot Springs	674,084	643,167
	<b>2,786,564</b>	<b>2,738,407</b>
<b>TOTAL REVENUES OVER EXPENDITURES</b>	<b>738,681</b>	<b>560,628</b>
Transfers from Reserve Fund	376,240	443,623
Transfers to Reserve Fund	( 695,784)	( 393,970)
General Capital expenditures	( 720,330)	( 506,760)
General Capital debt principal repayments	( 82,695)	( 94,932)
Decrease (increase) in NACFOR transferred to equity in NACFOR	321,281	( 25,806)
	<b>( 801,288)</b>	<b>( 577,845)</b>
<b>ANNUAL DEFICIT</b>	<b>( 62,607)</b>	<b>( 17,217)</b>
<b>UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR</b>	<b>273,712</b>	<b>290,929</b>
<b>UNAPPROPRIATED SURPLUS, END OF YEAR</b>	<b>\$ 211,105</b>	<b>\$ 273,712</b>

**VILLAGE OF NAKUSP**  
**WATER UTILITY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2016**

<b>FINANCIAL ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Water fees receivable	\$ 41,935	\$ 42,975
Grants receivable	-	128,672
Due from General Fund	<u>374,800</u>	<u>75,559</u>
	<b>416,735</b>	<b>247,206</b>
<b>LIABILITIES</b>		
Due to Reserve Fund	<u>12,278</u>	<u>-</u>
<b>NET FINANCIAL ASSETS</b>	<b>404,457</b>	<b>247,206</b>
<b>TANGIBLE CAPITAL ASSETS</b>	<u><b>4,427,025</b></u>	<u><b>4,446,342</b></u>
<b>ACCUMULATED SURPLUS</b>	<u><b>\$ 4,831,482</b></u>	<u><b>\$ 4,693,548</b></u>
<b>Represented by:</b>		
Unappropriated surplus	\$ 404,457	\$ 247,206
Equity in tangible capital assets	<u>4,427,025</u>	<u>4,446,342</u>
	<u><b>\$ 4,831,482</b></u>	<u><b>\$ 4,693,548</b></u>



**VILLAGE OF NAKUSP**  
**WATER UTILITY OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**For the Year Ended December 31, 2016**

	2016	2015
<b>REVENUE</b>		
User fees	\$ 472,903	\$ 430,371
Conditional transfers from other governments	51,373	133,673
	524,276	564,044
<b>EXPENDITURES</b>		
Water services	257,051	264,741
	267,225	299,303
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>		
Water capital expenditures	( 123,477)	( 304,633)
Transfer from Community Works Gas Tax Reserve Fund	-	5,786
Transfer to Water Reserve	( 12,250)	-
Transfer from Sewer Utility Fund	25,753	25,753
	157,251	26,209
<b>ANNUAL SURPLUS</b>		
<b>UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR</b>	247,206	220,997
<b>UNAPPROPRIATED SURPLUS, END OF YEAR</b>	\$ 404,457	\$ 247,206

**VILLAGE OF NAKUSP**  
**SEWER UTILITY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2016**

<b>FINANCIAL ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Sewer fees receivable	\$ 37,335	\$ 35,666
Due from General Fund	187,695	185,544
MFA debt reserve cash deposits	8,321	8,153
	<u>233,351</u>	<u>229,363</u>
<b>LIABILITIES</b>		
Due to Sewer Reserve Fund	108,669	100,409
Long-term debt	168,905	190,567
	<u>277,574</u>	<u>290,976</u>
<b>NET DEBT</b>	<b>( 44,223)</b>	<b>( 61,613)</b>
<b>TANGIBLE CAPITAL ASSETS</b>	<b>3,259,676</b>	<b>3,346,326</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 3,215,453</b>	<b>\$ 3,284,713</b>
<b>Represented by:</b>		
Unappropriated surplus	\$ 124,682	\$ 128,954
Equity in tangible capital assets	3,090,771	3,155,759
	<u>\$ 3,215,453</u>	<u>\$ 3,284,713</u>

**VILLAGE OF NAKUSP**  
**SEWER UTILITY OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**For the Year Ended December 31, 2016**

	2016	2015
<b>REVENUE</b>		
Parcel and specified area taxes	\$ -	\$ 9,788
User fees	368,780	331,092
Interest income	11,629	4,569
	<b>380,409</b>	345,449
<b>EXPENDITURES</b>		
Sewer service	285,313	221,868
	<b>95,096</b>	123,581
<b>TOTAL REVENUES OVER EXPENSES</b>		
Sewer capital expenditures	( 44,174)	( 8,536)
Sewer capital debt principal repayments	( 21,661)	( 14,565)
Transfer to Water Utility Fund	( 25,753)	( 25,753)
Transfer to Sewer Reserve Fund	( 7,780)	( 100,090)
	<b>( 99,368)</b>	( 148,944)
<b>ANNUAL DEFICIT</b>	<b>( 4,272)</b>	( 25,363)
<b>UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR</b>	<b>128,954</b>	154,317
<b>UNAPPROPRIATED SURPLUS, END OF YEAR</b>	<b>\$ 124,682</b>	<b>\$ 128,954</b>

**VILLAGE OF NAKUSP**  
**RESERVE FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2016**

	2016	2015
<b>FINANCIAL ASSETS</b>		
Due from Operating Funds	\$ 1,708,204	\$ 779,611
Dividends receivable - NACFOR (2013)	-	582,064
	1,708,204	1,361,675
<b>LIABILITIES</b>		
Deferred revenue - parkland acquisition	13,272	13,272
	\$ 1,694,932	\$ 1,348,403
<b>RESERVES</b>		
<b><u>Statutory</u></b>		
Equipment Reserve	\$ 383,556	\$ 326,582
Fire Equipment Reserve	223,840	169,945
General Capital Reserve	50,111	-
Community Works Gas Tax Reserve	238,962	165,571
NACFOR Legacy Fund	547,210	585,896
Sewer Reserve	108,669	100,409
<b><u>Non-statutory</u></b>		
Cemetery Reserve	8,021	-
Elections Reserve	3,007	-
Water Reserve	12,278	-
Donations Reserve	5,014	-
Hot Springs Reserve	114,264	-
	\$ 1,694,932	\$ 1,348,403

**VILLAGE OF NAKUSP**  
**RESERVE FUND**  
**STATEMENT OF TRANSACTIONS**  
For the Year Ended December 31, 2016

	Balance, Beginning of Year	Contributions	Transfers to Other Funds	Interest Earned	Balance, End of Year
<b><u>Statutory</u></b>					
Equipment Reserve	\$ 326,582	\$ 118,575	\$( 63,222)	\$ 1,621	\$ 383,556
Fire Equipment Reserve	169,945	81,150	( 28,152)	897	223,840
General Capital Reserve	-	50,000	-	111	50,111
Community Works					
Gas Tax Reserve	165,571	118,688	( 46,222)	925	238,962
NACFOR (2013) Legacy Fund	585,896	197,371	( 238,644)	2,587	547,210
Sewer Reserve	100,409	7,780	-	480	108,669
<b><u>Non-Statutory</u></b>					
Cemetery Reserve	-	8,000	-	21	8,021
Election Reserve	-	3,000	-	7	3,007
Water Reserve	-	12,250	-	28	12,278
Donations Reserve	-	5,000	-	14	5,014
Hot Springs Reserve	-	114,000	-	264	114,264
	<b>\$ 1,348,403</b>	<b>\$ 715,814</b>	<b>\$( 376,240)</b>	<b>\$ 6,955</b>	<b>\$ 1,694,932</b>