

*Consolidated Financial Statements of the*

**VILLAGE OF NAKUSP**

*December 31, 2017*

**VILLAGE OF NAKUSP**  
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**December 31, 2017**

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April 23, 2018

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, 2017, 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



**Chartered Professional Accountants**

April 23, 2018

Nelson, B.C.

**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2017**

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash and equivalents	\$ 1,302,299	\$ 1,530,137
Investments (note 2)	1,106,849	1,095,464
Accounts receivable (note 3)	446,973	357,277
MFA debt reserve cash deposits (note 4)	18,637	22,158
Investment in NACFOR (2013) (note 5)	1,630,025	876,090
	<b>4,504,783</b>	<b>3,881,126</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 6)	265,092	447,359
Deferred revenue (note 7)	317,374	283,050
Deposits	4,656	4,745
MFA interim financing	74,000	111,000
MFA long-term debt (note 8)	1,531,840	1,179,077
	<b>2,192,962</b>	<b>2,025,231</b>
<b>NET FINANCIAL ASSETS</b>	<b>2,311,821</b>	<b>1,855,895</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	83,740	54,415
Inventory	22,815	17,129
Tangible capital assets (schedule)	20,453,427	19,933,753
	<b>20,559,982</b>	<b>20,005,297</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$22,871,803</b>	<b>\$21,861,192</b>
<b>Represented by:</b>		
Unappropriated surplus (notes 9 and 15)	\$ 485,110	\$ 646,494
Reserves	1,909,081	1,694,932
Equity in tangible capital assets (note 9)	18,847,587	18,643,676
Investment in NACFOR (note 5)	1,630,025	876,090
	<b>\$22,871,803</b>	<b>\$21,861,192</b>
<b>CONTINGENT LIABILITIES (note 14)</b>		



Laurie Taylor  
Chief Administrative Officer

**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2017

	2017 Budget (Note 13)	2017 Actual	2016 Actual
<b>REVENUE</b>			
Municipal property taxes	\$ 1,017,420	\$ 1,017,431	\$ 978,267
Interest and penalties on taxes	20,200	19,085	19,861
Utility taxes and grants-in-lieu of taxes	80,000	85,672	80,881
General fees, charges and other	292,850	353,967	335,228
Hot Springs fees and other revenue	813,100	806,933	827,357
Sewer user fees and charges	483,830	409,365	368,780
Water user fees and charges	524,060	504,326	472,903
Permits and licences	33,700	24,566	19,423
Interest and actuarial income	13,250	25,680	24,527
Conditional transfers from other governments	1,311,850	1,076,875	1,066,558
Unconditional transfer - Province of BC	380,000	380,626	367,011
Gain on sale of tangible capital assets	-	10,000	-
Equity income (loss) from NACFOR (2013) (note 5)	-	753,935	( 123,910)
	<u>4,970,260</u>	<u>5,468,461</u>	<u>4,436,886</u>
<b>EXPENDITURES</b>			
General government	773,110	635,578	690,107
Protective services	174,150	218,344	196,846
Transportation and public works	508,880	433,017	456,223
Waste disposal	65,600	64,091	68,420
Cemetery services	27,300	17,206	24,282
Economic development and promotion	35,700	186,742	42,736
Parks, recreation and cultural services	731,540	742,222	633,866
Hot Springs and Cedar Chalets	703,020	676,091	674,084
Sewer services	295,730	356,950	285,313
Water services	334,370	215,641	257,051
Amortization	800,000	911,968	840,447
	<u>4,449,400</u>	<u>4,457,850</u>	<u>4,169,375</u>
<b>ANNUAL SURPLUS</b>	520,860	1,010,611	267,511
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	21,861,192	21,861,192	21,593,681
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$22,382,052</u>	<u>\$22,871,803</u>	<u>\$21,861,192</u>



Laurie Taylor  
Chief Administrative Officer

**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
For the Year Ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>ANNUAL SURPLUS</b>	\$ 520,860	\$ 1,010,611	\$ 267,511
Acquisition of tangible capital assets	( 2,134,310)	( 1,431,642)	( 887,981)
Amortization of tangible capital assets	800,000	911,968	840,447
Gain on sale of tangible capital assets	-	( 10,000)	-
Proceeds on sale of tangible capital assets	-	10,000	-
	( 813,450)	490,937	219,977
Net change in inventory and prepaid expenses	-	( 35,011)	29,441
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	( 813,450)	455,926	249,418
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	1,855,895	1,855,895	1,606,477
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 1,042,445	\$ 2,311,821	\$ 1,855,895



**VILLAGE OF NAKUSP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2017

	2017	2016
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 1,010,611	\$ 267,511
Non-cash items included in annual surplus		
Amortization	911,968	840,447
Actuarial gain on MFA long-term debt	( 12,377)	( 17,026)
Gain on sale of tangible capital assets	( 10,000)	-
Investment loss (income) from NACFOR (2013)	( 753,935)	123,910
Changes in non-cash operating balances		
Accounts receivable	( 89,696)	75,372
MFA debt reserve cash deposits	3,521	( 544)
Prepaid expenses and inventory	( 35,011)	29,441
Accounts payable and accrued liabilities	( 182,267)	28,699
Deferred revenue and deposits	34,235	27,603
<b>Cash provided by operating transactions</b>	<b>877,049</b>	<b>1,375,413</b>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	( 1,431,642)	( 887,981)
Proceeds from disposal of capital assets	10,000	-
<b>Cash applied to capital transactions</b>	<b>( 1,421,642)</b>	<b>( 887,981)</b>
<b>FINANCING TRANSACTIONS</b>		
Proceeds from long-term debt	425,000	-
Repayment of interim and long-term debt	( 96,860)	( 87,331)
<b>Cash applied to financing transactions</b>	<b>328,140</b>	<b>( 87,331)</b>
<b>INVESTING TRANSACTIONS</b>		
Increase in investments	( 11,385)	( 5,356)
Cash dividends received from NACFOR (2013)	-	197,371
<b>Cash applied to (received from) investing transactions</b>	<b>( 11,385)</b>	<b>192,015</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>( 227,838)</b>	<b>592,116</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,530,137</b>	<b>938,021</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,302,299</b>	<b>\$ 1,530,137</b>

Village of Nakusp  
 Consolidated Financial Statements Schedule - Tangible Capital Assets  
 For the Year Ended December 31, 2017

	Land	Park Improvements & Other	Buildings	Equipment, Furniture & Vehicles	Transportation System	Sewer System	Water System	Assets Under Construction	2017 Total	2016 Total
<b>COST</b>										
Opening 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
Add: Additions	-	41,987	-	778,020	-	-	12,321	599,314	1,431,642	1,170,845
Less: Disposals	-	-	-	15,460	-	-	-	-	15,460	282,864
Closing Balance	1,368,606	2,895,214	10,026,548	3,227,616	3,239,518	5,433,863	6,768,019	599,314	33,558,698	32,142,516
<b>ACCUMULATED AMORTIZATION</b>										
Opening Balance		160,152	4,274,437	1,447,857	1,823,457	2,174,187	2,328,673	-	12,208,763	11,368,316
Add: Amortization		59,513	299,872	215,246	56,242	133,638	147,457	-	911,968	840,447
Less: Acc. Amortization on Disposals		-	-	15,460	-	-	-	-	15,460	-
Closing Balance		219,665	4,574,309	1,647,643	1,879,699	2,307,825	2,476,130	-	13,105,271	12,208,763
<b>Net Book Value, year ended December 31, 2017</b>	<b>1,368,606</b>	<b>2,675,549</b>	<b>5,452,239</b>	<b>1,579,973</b>	<b>1,359,819</b>	<b>3,126,038</b>	<b>4,291,889</b>	<b>599,314</b>	<b>20,453,427</b>	<b>19,933,753</b>
<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>	

## 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 and Hot Springs admissions.

**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, 2017**

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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 2017, per bylaw no. 666 adopted May 10, 2017.

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>2017</b>	2016
MFA Money Market and CIBC Flexible GIC Funds	<b>\$ 1,101,071</b>	\$ 1,089,713
MFA Intermediate Fund	<b>2,371</b>	2,353
MFA Short-term Bond Fund	<b>3,407</b>	3,398
	<b><u>\$ 1,106,849</u></b>	<b><u>\$ 1,095,464</u></b>

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, 2017**

**3. ACCOUNTS RECEIVABLE**

	2017	2016
Municipal property taxes	\$ 161,754	\$ 172,842
Government and agency grants	137,767	-
Sewer user fees	29,046	37,335
Water user fees	32,038	41,935
GST rebate	33,789	24,022
Other	52,579	81,143
	<b>\$ 446,973</b>	<b>\$ 357,277</b>

**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	2017	2016
General and Hot Springs Funds	\$ 28,234	\$ 14,107	\$ 42,341	\$ 42,071
Sewer Fund	14,181	4,530	18,711	22,502
	<b>\$ 42,415</b>	<b>\$ 18,637</b>	<b>\$ 61,052</b>	<b>\$ 64,573</b>

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, 2017**

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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, 2017 with comparative figures for December 31, 2016 are as follows:

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets	<b>\$ 2,327,593</b>	\$ 1,237,029
Long-term assets (logging roads and map data)	<b><u>220,217</u></b>	<u>225,019</u>
	<b><u>2,547,810</u></b>	<u>1,462,048</u>
<b>Liabilities</b>		
Current liabilities	<b>421,585</b>	212,258
Silviculture accrual	<b><u>496,200</u></b>	<u>373,700</u>
	<b><u>917,785</u></b>	<u>585,958</u>
Shareholder equity	<b><u>\$ 1,630,025</u></b>	<u>\$ 876,090</u>
Results of operations, net income (loss) for the year	<b><u>\$ 753,935</u></b>	<u>\$ ( 123,910)</u>

During the year, the Village received \$nil dividends from NACFOR (2016 - \$197,371).

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**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2017**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2017	2016
Payroll related	\$ 70,728	\$ 126,197
Trade accounts payable	138,713	179,711
Accrued liabilities	<u>55,651</u>	<u>141,451</u>
	<u>\$ 265,092</u>	<u>\$ 447,359</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	7,600	-	( 7,600)	-
Parkland acquisition	13,272	-	-	13,272
CBT - Trails Master Plan	29,430	5,000	( 34,430)	-
Provincial grant - rural dividend	-	100,000	( 45,422)	54,578
Other miscellaneous	-	6,960	-	6,960
Prepaid taxes and utility fees	<u>132,748</u>	<u>142,564</u>	<u>( 132,748)</u>	<u>142,564</u>
	<u>\$ 283,050</u>	<u>\$ 254,524</u>	<u>\$ ( 220,200)</u>	<u>\$ 317,374</u>



**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2017**

**8. LONG-TERM DEBT**

	Balance, Beginning of Year	Additions	Principal	Actuarial Adjustment	Balance, End of Year
<b>General Fund</b>					
MFA issue 126 bylaw 648	\$ 246,172	\$ -	\$ 9,235	\$ 1,153	\$ 235,784
MFA issue 186 bylaw 648	93,150	-	3,358	274	89,518
MFA issue 117 bylaw 638	89,992	-	3,694	800	85,498
MFA equipment loan	-	425,000	14,103	-	410,897
	<u>429,314</u>	<u>425,000</u>	<u>30,390</u>	<u>2,227</u>	<u>821,697</u>
<b>Hot Springs Fund</b>					
MFA issue 117 bylaw 637	580,858	-	23,843	5,166	551,849
<b>Sewer Utility Fund</b>					
MFA issue 79 bylaw 546	168,905	-	5,627	4,984	158,294
<b>Total Long-term Debt</b>	<u>\$1,179,077</u>	<u>\$ 425,000</u>	<u>\$ 59,860</u>	<u>\$ 12,377</u>	<u>\$1,531,840</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:

	Hot Springs Fund	General Fund	Sewer Fund	Total
2018	\$ 23,843	\$ 39,544	\$ 5,627	\$ 69,014
2019	\$ 23,843	\$ 40,010	\$ 5,627	\$ 69,480
2020	\$ 23,843	\$ 40,490	\$ 5,627	\$ 69,960
2021	\$ 23,843	\$ 40,825	\$ 5,627	\$ 70,295
2022	\$ 23,843	\$ 41,370	\$ 5,627	\$ 70,840

**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2017**

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**9. ACCUMULATED SURPLUS**

Accumulated surplus is represented by:

	2017	2016
Unappropriated Surplus		
General Operating Fund	\$ 282,781	\$ 278,609
Hot Springs Operating Fund	( 121,655)	( 161,254)
Water Operating Fund	394,314	404,457
Sewer Operating Fund	( 70,330)	124,682
	<b>485,110</b>	<b>646,494</b>
Reserve Fund	<b>1,909,081</b>	<b>1,694,932</b>
Investment in NACFOR (2013)	<b>1,630,025</b>	<b>876,090</b>
Equity in Tangible Capital Assets		
General Capital Fund	10,589,152	10,692,483
Hot Springs Capital Fund	466,912	433,397
Water Capital Fund	4,784,172	4,427,025
Sewer Capital Fund	3,007,351	3,090,771
	<b>18,847,587</b>	<b>18,643,676</b>
<b>Total Accumulated Surplus</b>	<b>\$ 22,871,803</b>	<b>\$ 21,861,192</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 Fund 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, 2017**

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**10. EXPENDITURES BY OBJECT**

	2017	2016
Interest on debt	\$ 51,942	\$ 49,349
Goods and services	1,728,675	1,468,280
Wages, benefits and Council stipends	1,765,265	1,811,299
Amortization of tangible capital assets	<u>911,968</u>	<u>840,447</u>
 Total operating expenditures	 <u>\$ 4,457,850</u>	 <u>\$ 4,169,375</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 Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the Plan had about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any funded actuarial liability.

The most recent valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required rates remained unchanged. The next valuation will be as 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 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 individual employers participating in the Plan.

The Village paid \$118,157 (2016 - \$129,730) for employer contributions to the Plan in fiscal 2017.

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**VILLAGE OF NAKUSP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2017**

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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	\$ 602,175
Provincial Government - Police Tax Levy	77,841
Regional District Central Kootenay	497,137
Regional Hospital District	67,497
British Columbia Assessment Authority	11,271
Municipal Finance Authority	47
	<u>47</u>
	<u>\$ 1,255,968</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. 666 adopted May 10, 2017.

Annual budgeted deficit as presented	\$ 520,860
Borrowing proceeds	635,000
Transfers from reserves	608,500
Transfers to reserves	( 312,070)
Amortization	800,000
Debt principal payments	( 117,980)
Capital expenditures	(2,134,310)
	<u>(2,134,310)</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, 2017**

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**15. PRIOR PERIOD ADJUSTMENT**

The Village recorded a prior period adjustment to account for a Regional District arena capital grant that was previously recorded into revenue in 2015. It was determined that all the requirements for this grant had not been met and the Regional District requested a repayment of the portion of the grant that had not been spent on the specific eligible capital expenditures. \$93,750 has been recorded as a prior period reduction to the unappropriated surplus, beginning of the year, of the General Operating Fund in the comparative period. Accounts payable and accrued liabilities of the General Fund has been increased by \$93,750 in the comparative period. The repayment was made in the current year.

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**16. 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, 2017 with 2016 comparative figures are as follows:

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Short-term investments	\$ 35,757	\$ 34,257
Accrued interest	<u>144</u>	<u>22</u>
<b>Equity</b>	<u>\$ 35,901</u>	<u>\$ 34,279</u>
<b>Operations</b>		
Contributions	\$ 1,500	\$ 1,600
Interest	<u>122</u>	<u>224</u>
<b>Change in equity</b>	<u>\$ 1,622</u>	<u>\$ 1,824</u>

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

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**17. COMPARATIVE FIGURES**

Certain comparative figures were reclassified to conform with the current year's presentation.

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**VILLAGE OF NAKUSP**  
**GENERAL FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2017**

<b>FINANCIAL ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash	\$ 1,121,666	\$ 392,365
Investments	1,106,849	1,095,464
Investment in NACFOR (2013)	1,630,025	876,090
Accounts receivable	86,368	105,165
Government and other grants receivable	21,845	-
Taxes receivable	161,754	172,842
MFA debt reserve cash deposits	5,527	5,421
Due from Hot Springs Fund	195,118	1,203,179
	<b>4,329,152</b>	<b>3,850,526</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	265,092	447,360
Deferred revenue	304,102	269,778
Deposits	4,656	4,745
MFA equipment finance loan	410,897	-
Long-term debt	410,799	429,314
Due to Sewer Fund	181,161	187,695
Due to Water Fund	434,344	374,800
Due to Reserve Fund	1,317,546	1,472,993
	<b>3,328,597</b>	<b>3,186,685</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,000,555</b>	<b>663,841</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses and deposits	83,740	54,415
Inventory of materials and supplies	6,815	7,129
Tangible capital assets	11,410,848	11,121,797
	<b>11,501,403</b>	<b>11,183,341</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$12,501,958</b>	<b>\$11,847,182</b>
<b>Represented by:</b>		
Unappropriated surplus	\$ 282,781	\$ 278,609
Equity in tangible capital assets	10,589,152	10,692,483
Equity in NACFOR	1,630,025	876,090
	<b>\$12,501,958</b>	<b>\$11,847,182</b>

**VILLAGE OF NAKUSP**  
**GENERAL OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
For the Year Ended December 31, 2017

	2017	2016
<b>REVENUE</b>		
General taxation	\$ 1,017,431	\$ 978,267
Interest and penalties on taxes	19,085	19,861
Utility taxes and grants-in-lieu of taxes	85,672	80,881
General fees and charges	353,967	335,228
Permits and licences	24,566	19,423
Conditional transfers from other governments	790,778	1,012,785
Unconditional transfer - Province of BC	380,626	367,011
Investment interest and MFA actuarial gain	2,497	1,893
Equity income (loss) in NACFOR	753,935	( 123,910)
Proceeds on sale of tangible capital assets	10,000	-
	<b>3,438,557</b>	<b>2,691,439</b>
<b>EXPENDITURES</b>		
General government	635,578	690,107
Protective services	218,344	196,846
Transportation services	433,017	456,223
Waste disposal services	64,091	68,420
Cemetery services	17,206	24,282
Economic development and promotion	186,742	42,736
Parks, recreation and cultural services	742,222	633,866
	<b>2,297,200</b>	<b>2,112,480</b>
<b>TOTAL REVENUES OVER EXPENDITURES</b>	<b>1,141,357</b>	<b>578,959</b>
Transfers from Reserve Fund	576,758	326,324
Transfers to Reserve Fund	( 411,511)	( 581,784)
Transfer to Water Utility Fund	( 75,000)	-
General Capital expenditures	( 440,879)	( 670,414)
General Capital debt principal repayments	( 32,618)	( 17,803)
Decrease (increase) in NACFOR transferred to equity in NACFOR	( 753,935)	321,281
	<b>( 1,137,185)</b>	<b>( 622,396)</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>4,172</b>	<b>( 43,437)</b>
<b>UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR</b>	<b>278,609</b>	<b>415,796</b>
<b>PRIOR PERIOD ADJUSTMENT (note 15)</b>	<b>-</b>	<b>( 93,750)</b>
<b>UNAPPROPRIATED SURPLUS, END OF YEAR</b>	<b>\$ 282,781</b>	<b>\$ 278,609</b>

**VILLAGE OF NAKUSP**  
**HOT SPRINGS FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2017**

<b>FINANCIAL ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash	\$ 180,633	\$ 1,137,773
MFA debt reserve cash deposits	8,580	8,416
	<u>189,213</u>	<u>1,146,189</u>
<b>LIABILITIES</b>		
Due to General Fund	195,118	1,203,179
Due to Reserve Fund	131,750	114,264
Interim borrowing	74,000	111,000
Long-term debt	551,850	580,858
	<u>952,718</u>	<u>2,009,301</u>
<b>NET DEBT</b>	<u>( 763,505)</u>	<u>( 863,112)</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventory	16,000	10,000
Tangible capital assets	1,092,762	1,125,255
	<u>1,108,762</u>	<u>1,135,255</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 345,257</u>	<u>\$ 272,143</u>
<b>Represented by:</b>		
Unappropriated deficit	\$( 121,655)	\$( 161,254)
Equity in tangible capital assets	466,912	433,397
	<u>\$ 345,257</u>	<u>\$ 272,143</u>



**VILLAGE OF NAKUSP**  
**HOT SPRINGS OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
For the Year Ended December 31, 2017

<b>REVENUE</b>	<b>2017</b>	<b>2016</b>
Facility admissions	\$ 358,605	\$ 409,621
Chalet rentals	247,091	225,302
Campsite rentals	103,228	91,060
Merchandise sales	98,009	101,374
Conditional grants	7,600	2,400
Interest revenue - MFA actuarial gain	5,166	4,050
	<b>819,699</b>	<b>833,807</b>
<b>EXPENDITURES</b>		
Facility direct costs	351,579	346,807
General expenses	145,713	135,565
Chalet rental expenses	126,422	127,419
Campsite rental expenses	18,640	10,745
Cost of merchandise	33,737	53,548
	<b>676,091</b>	<b>674,084</b>
<b>TOTAL REVENUES OVER EXPENDITURES</b>	<b>143,608</b>	<b>159,723</b>
Hot Springs capital expenditures	( 21,550)	( 49,916)
Hot Springs capital debt principal repayments	( 66,009)	( 64,893)
Transfers from Reserve Fund	21,550	49,916
Transfers to Reserve Fund	( 38,000)	( 114,000)
	<b>( 104,009)</b>	<b>( 178,893)</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>39,599</b>	<b>( 19,170)</b>
<b>UNAPPROPRIATED DEFICIT, BEGINNING OF YEAR</b>	<b>( 161,254)</b>	<b>( 142,084)</b>
<b>UNAPPROPRIATED DEFICIT, END OF YEAR</b>	<b>\$( 121,655)</b>	<b>\$( 161,254)</b>

**VILLAGE OF NAKUSP**  
**WATER UTILITY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2017**

<b>FINANCIAL ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Water fees receivable	\$ 32,038	\$ 41,935
Grants receivable	115,922	-
Due from General Fund	434,344	374,800
	<u>582,304</u>	<u>416,735</u>
<b>LIABILITIES</b>		
Due to Reserve Fund	187,990	12,278
<b>NET FINANCIAL ASSETS</b>	<b>394,314</b>	<b>404,457</b>
<b>TANGIBLE CAPITAL ASSETS</b>	<b>4,784,172</b>	<b>4,427,025</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 5,178,486</b>	<b>\$ 4,831,482</b>
<b>Represented by:</b>		
Unappropriated surplus	\$ 394,314	\$ 404,457
Equity in tangible capital assets	4,784,172	4,427,025
	<u>\$ 5,178,486</u>	<u>\$ 4,831,482</u>

**VILLAGE OF NAKUSP**  
**WATER UTILITY OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
For the Year Ended December 31, 2017

	2017	2016
<b>REVENUE</b>		
User fees	\$ 504,326	\$ 472,903
Conditional transfers from other governments	278,497	51,373
	<u>782,823</u>	<u>524,276</u>
<b>EXPENDITURES</b>		
Water services	215,641	257,051
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>	<b>567,182</b>	<b>267,225</b>
Water capital expenditures	( 504,605)	( 123,477)
Transfer from Community Works Gas Tax Reserve Fund	-	-
Transfer from General Operating Fund	75,000	-
Transfer to Water Reserve	( 175,000)	( 12,250)
Transfer from Sewer Utility Fund	27,280	25,753
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>( 10,143)</b>	<b>157,251</b>
<b>UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR</b>	<b>404,457</b>	<b>247,206</b>
<b>UNAPPROPRIATED SURPLUS, END OF YEAR</b>	<b>\$ 394,314</b>	<b>\$ 404,457</b>

**VILLAGE OF NAKUSP**  
**SEWER UTILITY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2017**

<b>FINANCIAL ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Sewer fees receivable	\$ 29,046	\$ 37,335
Due from General Fund	181,161	187,695
MFA debt reserve cash deposits	4,530	8,321
	<u>214,737</u>	<u>233,351</u>
<b>LIABILITIES</b>		
Due to Sewer Reserve Fund	285,067	108,669
Long-term debt	158,294	168,905
	<u>443,361</u>	<u>277,574</u>
<b>NET DEBT</b>	<b>( 228,624)</b>	<b>( 44,223)</b>
<b>TANGIBLE CAPITAL ASSETS</b>	<b>3,165,645</b>	<b>3,259,676</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 2,937,021</b>	<b>\$ 3,215,453</b>
<b>Represented by:</b>		
Unappropriated surplus (deficit)	\$( 70,330)	\$ 124,682
Equity in tangible capital assets	3,007,351	3,090,771
	<u>\$ 2,937,021</u>	<u>\$ 3,215,453</u>

**VILLAGE OF NAKUSP**  
**SEWER UTILITY OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
For the Year Ended December 31, 2017

	2017	2016
<b>REVENUE</b>		
User fees	\$ 409,365	\$ 368,780
Interest and MFA actuarial gain	5,071	11,629
	<u>414,436</u>	<u>380,409</u>
<b>EXPENDITURES</b>		
Sewer service	356,950	285,313
<b>TOTAL REVENUES OVER EXPENSES</b>	<u>57,486</u>	<u>95,096</u>
Sewer capital expenditures	( 39,606)	( 44,174)
Sewer capital debt principal repayments	( 10,612)	( 21,661)
Transfer to Water Utility Fund	( 27,280)	( 25,753)
Transfer to Sewer Reserve Fund	( 175,000)	( 7,780)
	<u>( 252,498)</u>	<u>( 99,368)</u>
<b>ANNUAL DEFICIT</b>	( 195,012)	( 4,272)
<b>UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR</b>	<u>124,682</u>	<u>128,954</u>
<b>UNAPPROPRIATED SURPLUS (DEFICIT), END OF YEAR</b>	<u>\$ ( 70,330)</u>	<u>\$ 124,682</u>

**VILLAGE OF NAKUSP**  
**RESERVE FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2017**

	2017	2016
<b>FINANCIAL ASSETS</b>		
Due from Operating Funds	\$ 1,922,353	\$ 1,708,204
<b>LIABILITIES</b>		
Deferred revenue - parkland acquisition	13,272	13,272
	<b>\$ 1,909,081</b>	<b>\$ 1,694,932</b>
<b>RESERVES</b>		
<b><u>Statutory</u></b>		
Equipment Reserve	\$ 225,233	\$ 383,556
Fire Equipment Reserve	308,028	223,840
General Capital Reserve	79,413	50,111
Community Works Gas Tax Reserve	284,904	238,962
NACFOR Legacy Fund	385,524	547,210
Sewer Reserve	285,067	108,669
<b><u>Non-statutory</u></b>		
Cemetery Reserve	10,086	8,021
Elections Reserve	6,033	3,007
Water Reserve	187,990	12,278
Donations Reserve	5,053	5,014
Hot Springs Reserve	93,452	114,264
Hot Springs - Chalets Reserve	38,298	-
	<b>\$ 1,909,081</b>	<b>\$ 1,694,932</b>

**VILLAGE OF NAKUSP**  
**RESERVE FUND**  
**STATEMENT OF TRANSACTIONS**  
For the Year Ended December 31, 2017

	Balance, Beginning of Year	Contributions	Transfers to Other Funds	Interest Earned	Balance, End of Year
<b><u>Statutory</u></b>					
Equipment Reserve	\$ 383,556	\$ 158,570	\$( 319,055)	\$ 2,162	\$ 225,233
Fire Equipment Reserve	223,840	88,333	( 6,035)	1,890	308,028
General Capital Reserve	50,111	40,000	( 11,164)	466	79,413
Community Works					
Gas Tax Reserve	238,962	119,608	( 75,504)	1,838	284,904
NACFOR (2013) Legacy Fund	547,210	-	( 165,000)	3,314	385,524
Sewer Reserve	108,669	175,000	-	1,398	285,067
<b><u>Non-Statutory</u></b>					
Cemetery Reserve	8,021	2,000	-	65	10,086
Election Reserve	3,007	3,000	-	26	6,033
Water Reserve	12,278	175,000	-	712	187,990
Donations Reserve	5,014	-	-	39	5,053
Hot Springs Reserve	114,264	-	( 21,550)	738	93,452
Hot Springs Chalet Reserve	-	38,000	-	298	38,298
	<b>\$ 1,694,932</b>	<b>\$ 799,511</b>	<b>\$( 598,308)</b>	<b>\$ 12,946</b>	<b>\$ 1,909,081</b>