

Consolidated Financial Statements of the

VILLAGE OF NAKUSP

December 31, 2018



Grant Thornton

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VILLAGE OF NAKUSP
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December 31, 2018

Consolidated Financial Statements

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May 13, 2019

Nelson, B.C.



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Village of Nakusp

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Opinion

We have audited the consolidated financial statements of the Village of Nakusp, ("the Village"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Village of Nakusp as at December 31, 2018, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of the Village of Nakusp for the year ended December 31, 2017, were audited by Berg Lehmann Chartered Professional Accountants who expressed an unmodified opinion on those statements on April 23, 2018.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the Village's preparation and fair presentation of the consolidated 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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INDEPENDENT AUDITOR'S REPORT (continued)

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

Grant Thornton LLP

Chartered Professional Accountants

May 13, 2019

Nelson, B.C.

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and equivalents	\$ 2,482,376	\$ 1,302,299
Investments (note 2)	1,123,419	1,106,849
Accounts receivable (note 3)	391,819	446,973
MFA debt reserve cash deposits (note 4)	21,914	18,637
Investment in NACFOR (2013) (note 5)	2,109,886	1,630,025
	<u>6,129,414</u>	<u>4,504,783</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	346,134	265,092
Deferred revenue (note 7)	275,692	317,374
Deposits	4,303	4,656
MFA interim financing	37,000	74,000
MFA long-term debt (note 8)	1,731,605	1,531,840
	<u>2,394,734</u>	<u>2,192,962</u>
NET FINANCIAL ASSETS	<u>3,734,680</u>	<u>2,311,821</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	57,359	83,740
Inventory	16,326	22,815
Tangible capital assets (schedule)	20,815,087	20,453,427
	<u>20,888,772</u>	<u>20,559,982</u>
ACCUMULATED SURPLUS	<u>\$ 24,623,452</u>	<u>\$ 22,871,803</u>
Represented by:		
Unappropriated surplus (note 9)	\$ 895,903	\$ 485,110
Reserves	2,571,181	1,909,081
Equity in tangible capital assets (note 9)	19,046,482	18,847,587
Investment in NACFOR (2013) (note 5)	2,109,886	1,630,025
	<u>\$ 24,623,452</u>	<u>\$ 22,871,803</u>
CONTINGENT LIABILITIES (note 14)		

Mark Tennant
Treasurer / Deputy Chief Administrative Officer

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018

	2018 Budget (Note 13)	2018 Actual	2017 Actual
REVENUE			
Municipal property taxes	\$ 1,033,640	\$ 1,033,296	\$ 1,017,431
Interest and penalties on taxes	19,500	21,510	19,085
Utility taxes and grants-in-lieu of taxes	81,820	90,592	85,672
General fees, charges and other	288,500	395,770	353,967
Hot Springs fees and other revenue	853,100	951,220	806,933
Sewer user fees and charges	433,760	427,692	409,365
Water user fees and charges	528,730	493,875	504,326
Permits and licences	21,600	19,981	24,566
Interest and actuarial income	40,750	34,259	25,680
Conditional transfers from other governments	1,276,030	1,305,964	1,076,875
Unconditional transfers - Province of B.C.	380,000	400,775	380,626
Gain on sale of tangible capital assets	-	68,500	10,000
Equity income from NACFOR (2013) (note 5)	-	829,861	753,935
	<u>4,957,430</u>	<u>6,073,295</u>	<u>5,468,461</u>
EXPENDITURES			
General government	721,100	698,849	635,578
Protective services	197,850	237,279	218,344
Transportation and public works	495,650	522,828	433,017
Waste disposal	70,000	60,846	64,091
Cemetery services	26,300	22,858	17,206
Economic development and promotion	31,200	29,429	186,742
Parks, recreation and cultural services	693,910	680,950	742,222
Hot Springs and Cedar Chalets	766,170	727,286	676,091
Sewer services	250,000	186,532	356,950
Water services	256,720	237,841	215,641
Amortization	800,000	916,948	911,968
	<u>4,308,900</u>	<u>4,321,646</u>	<u>4,457,850</u>
ANNUAL SURPLUS	648,530	1,751,649	1,010,611
ACCUMULATED SURPLUS, BEGINNING OF YEAR	22,871,803	22,871,803	21,861,192
ACCUMULATED SURPLUS, END OF YEAR	\$ 23,520,333	\$ 24,623,452	\$ 22,871,803

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018

	2018 Budget	2018 Actual	2017 Actual
ANNUAL SURPLUS	\$ 648,530	\$ 1,751,649	\$ 1,010,611
Acquisition of tangible capital assets	(1,737,050)	(1,278,607)	(1,431,642)
Amortization of tangible capital assets	800,000	916,948	911,968
Gain on sale of tangible capital assets	-	(68,500)	(10,000)
Proceeds on sale of tangible capital assets	-	68,500	10,000
	(288,520)	1,389,990	490,937
Net change in inventory and prepaid expenses	-	32,869	(35,011)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(288,520)	1,422,859	455,926
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,311,821	2,311,821	1,855,895
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,023,301	\$ 3,734,680	\$ 2,311,821

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	2018	2017
OPERATING TRANSACTIONS		
Annual surplus	\$ 1,751,649	\$ 1,010,611
Non-cash items included in annual surplus		
Amortization	916,948	911,968
Actuarial gain on MFA long-term debt	(14,809)	(12,377)
Gain on sale of tangible capital assets	(68,500)	(10,000)
Investment loss (income) from NACFOR (2013)	(829,861)	(753,935)
Changes in non-cash operating balances		
Accounts receivable	55,154	(89,696)
MFA debt reserve cash deposits	(3,277)	3,521
Prepaid expenses and inventory	32,869	(35,011)
Accounts payable and accrued liabilities	81,042	(182,267)
Deferred revenue and deposits	(42,035)	34,235
Cash provided by operating transactions	1,879,180	877,049
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(1,278,607)	(1,431,642)
Proceeds from disposal of capital assets	68,500	10,000
Cash applied to capital transactions	(1,210,107)	(1,421,642)
FINANCING TRANSACTIONS		
Proceeds from long-term debt	282,600	425,000
Repayment of interim and long-term debt	(105,026)	(96,860)
Cash received from financing transactions	177,574	328,140
INVESTING TRANSACTIONS		
Increase in investments	(16,570)	(11,385)
Cash dividends received from NACFOR (2013)	350,000	-
Cash received from (applied to) investing transactions	333,430	(11,385)
INCREASE (DECREASE) IN CASH	1,180,077	(227,838)
CASH, BEGINNING OF YEAR	1,302,299	1,530,137
CASH, END OF YEAR	\$ 2,482,376	\$ 1,302,299

VILLAGE OF NAKUSP
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
 As At December 31, 2018

	Land	Park Improvements & Other	Buildings	Equipment, Furniture & Vehicles	Transportation System	Sewer System	Water System	Assets Under Construction	2018 Total	2017 Total
COST										
Opening Balance	\$1,368,606	\$2,895,214	\$10,026,548	\$3,227,616	\$3,239,518	\$5,433,863	\$6,768,019	\$595,314	\$33,558,698	\$32,142,516
Add: Additions		35,708	24,827	63,731		85,032	916,614	686,586	1,812,498	1,431,642
Less: Disposals								533,890	533,890	15,460
Closing Balance	1,368,606	2,930,922	10,051,375	3,291,347	3,239,518	5,518,895	7,684,633	752,010	34,837,306	33,558,698
ACCUMULATED AMORTIZATION										
Opening Balance		219,665	4,574,309	1,647,643	1,879,699	2,307,825	2,476,130		13,105,271	12,208,763
Add: Amortization		62,622	300,493	207,484	47,478	135,452	163,419		916,948	911,968
Less: Acc. Amortization on Disposals										15,460
Closing Balance		282,287	4,874,802	1,855,127	1,927,177	2,443,277	2,639,549		14,022,219	13,105,271
Net Book Value, year ended December 31, 2018	\$1,368,606	\$2,648,635	\$5,176,573	\$1,436,220	\$1,312,341	\$3,075,618	\$5,045,084	\$752,010	\$20,815,087	\$20,453,427

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met;

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Village is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be up; and
- a reasonable estimate of the amount can be made.

The liability is recognized at management's estimate of the cost of post remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for the contaminated site. The Village has no liabilities under this standard as at December 31, 2018 and 2017.

Budget Figures

The budget figures are based on the Five-Year Financial Plan for the year 2018, per bylaw no. 673 adopted May 3, 2018.

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

	2018	2017
MFA Money Market and CIBC Flexible GIC Funds	\$ 1,117,536	\$ 1,101,071
MFA Intermediate Fund	2,416	2,371
MFA Short-term Bond Fund	3,467	3,407
	\$ 1,123,419	\$ 1,106,849

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

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

3. ACCOUNTS RECEIVABLE

	2018	2017
Municipal property taxes	\$ 151,767	\$ 161,754
Government and agency grants	82,656	137,767
Sewer user fees	35,918	29,046
Water user fees	33,809	32,038
GST rebate	26,449	33,789
Other	61,220	52,579
	<u>\$ 391,819</u>	<u>\$ 446,973</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	2018	2017
General and Hot Springs Funds	\$ 28,234	\$ 14,413	\$ 42,647	\$ 42,341
Sewer and Water Funds	14,432	7,501	21,933	18,711
	<u>\$ 42,666</u>	<u>\$ 21,914</u>	<u>\$ 64,580</u>	<u>\$ 61,052</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, 2018

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, 2018 with comparative figures for December 31, 2017 are as follows:

	2018	2017
Assets		
Current assets	\$ 2,777,687	\$ 2,327,593
Long-term assets (logging roads and map data)	<u>86,139</u>	<u>220,217</u>
	<u>2,863,826</u>	<u>2,547,810</u>
Liabilities		
Current liabilities	105,940	421,585
Silviculture accrual	<u>648,000</u>	<u>496,200</u>
	<u>753,940</u>	<u>917,785</u>
Shareholder equity	<u>\$ 2,109,886</u>	<u>\$ 1,630,025</u>
Results of operations, net income for the year	<u>\$ 829,861</u>	<u>\$ 753,935</u>

During the year, the Village received \$350,000 dividends from NACFOR (2013) (2017 - \$nil).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Payroll related	\$ 114,567	\$ 70,728
Trade accounts payable	138,713	138,713
Accrued liabilities	<u>92,854</u>	<u>55,651</u>
	<u>\$ 346,134</u>	<u>\$ 265,092</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	54,578	-	(54,578)	-
Parkland acquisition	13,272	-	-	13,272
Other miscellaneous	6,960	7,975	(6,960)	7,975
Prepaid taxes and utility fees	<u>142,564</u>	<u>154,445</u>	<u>(142,564)</u>	<u>154,445</u>
	<u>\$ 317,374</u>	<u>\$ 162,420</u>	<u>\$ (204,102)</u>	<u>\$ 275,692</u>

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

8. LONG-TERM DEBT

	Balance, Beginning of Year	Additions	Principal	Actuarial Adjustment	Balance, End of Year
General Fund					
MFA issue 126 bylaw 648	\$ 235,784	\$ -	\$ 9,235	\$ 1,569	\$ 224,980
MFA issue 186 bylaw 648	89,518	-	3,359	419	85,740
MFA issue 117 bylaw 638	85,498	-	3,694	980	80,824
MFA equipment loan	410,897	-	22,288	-	388,609
	<u>821,697</u>	<u>-</u>	<u>38,576</u>	<u>2,968</u>	<u>780,153</u>
Hot Springs Fund					
MFA issue 117 bylaw 637	551,849	-	23,843	6,326	521,680
Sewer Utility Fund					
MFA issue 145 bylaw 671	-	66,187	-	-	66,187
MFA issue 79 bylaw 546	158,294	-	5,627	5,515	147,152
	<u>158,294</u>	<u>66,187</u>	<u>5,627</u>	<u>5,515</u>	<u>213,339</u>
Water Utility Fund					
MFA issue 145 bylaw 671	-	216,433	-	-	216,433
Total Long-term Debt	<u>\$ 1,531,840</u>	<u>\$ 282,620</u>	<u>\$ 68,046</u>	<u>\$ 14,809</u>	<u>\$ 1,731,605</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 Fund	Hot Springs Fund	Sewer Utility Fund	Water Utility Fund	Total
2019	\$ 37,300	\$ 23,843	\$ 8,091	\$ 8,055	\$ 77,289
2020	\$ 37,800	\$ 23,843	\$ 8,091	\$ 8,055	\$ 77,789
2021	\$ 38,500	\$ 23,843	\$ 8,091	\$ 8,055	\$ 78,489
2022	\$ 39,100	\$ 23,843	\$ 8,091	\$ 8,055	\$ 79,089
2023	\$ 39,700	\$ 23,843	\$ 8,091	\$ 8,055	\$ 79,689

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

9. ACCUMULATED SURPLUS

Accumulated surplus is represented by:

	2018	2017
Unappropriated Surplus		
General Operating Fund	\$ 389,610	\$ 282,781
Hot Springs Operating Fund	533	(121,655)
Water Operating Fund	505,760	394,314
Sewer Operating Fund	<u>-</u>	<u>(70,330)</u>
	<u>895,903</u>	<u>485,110</u>
 Reserve Fund	 <u>2,571,181</u>	 <u>1,909,081</u>
Equity in Tangible Capital Assets		
General Capital Fund	10,847,330	10,589,152
Hot Springs Capital Fund	508,221	466,912
Water Capital Fund	4,828,650	4,784,172
Sewer Capital Fund	<u>2,862,281</u>	<u>3,007,351</u>
	<u>19,046,482</u>	<u>18,847,587</u>
 Investment in NACFOR (2013)	 <u>2,109,886</u>	 <u>1,630,025</u>
 Total Accumulated Surplus	 <u>\$ 24,623,452</u>	 <u>\$ 22,871,803</u>

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.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

10. EXPENDITURES BY OBJECT

	2018	2017
Interest on debt	\$ 60,638	\$ 51,942
Goods and services	1,356,198	1,728,675
Wages, benefits and Council stipends	1,987,862	1,765,265
Amortization of tangible capital assets	<u>916,948</u>	<u>911,968</u>
 Total operating expenditures	 <u>\$ 4,321,646</u>	 <u>\$ 4,457,850</u>

11. 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 Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017, the Plan had about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 \$121,122 (2017 - \$118,157) for employer contributions to the Plan in fiscal 2018.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

12. COLLECTION FOR OTHER GOVERNMENTS

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

Provincial Government - School Taxes	\$ 602,442
Provincial Government - Police Tax Levy	81,213
Regional District of Central Kootenay	484,659
Regional Hospital District	68,113
British Columbia Assessment Authority	10,946
Municipal Finance Authority	<u>50</u>
	<u>\$ 1,247,423</u>

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

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. 673 adopted May 3, 2018.

Annual budgeted deficit as presented	\$ 648,530
Borrowing proceeds	167,180
Transfers from reserves	935,780
Transfers to reserves	(721,130)
Amortization	800,000
Debt principal payments	(93,310)
Capital expenditures	<u>(1,737,050)</u>
	<u>\$ -</u>

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.

In the normal course of a year, the Village is faced with claims for damages of a diverse nature. The outcome of these claims cannot be reasonably determined, and no amounts are accrued in the financial statements.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

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, 2018 with 2017 comparative figures are as follows:

	2018	2017
Assets		
Short-term investments	\$ 38,620	\$ 35,757
Accrued interest	-	144
Equity	\$ 38,620	\$ 35,901
Operations		
Contributions	\$ 2,465	\$ 1,500
Interest	254	122
Change in equity	\$ 2,719	\$ 1,622

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, 2018

FINANCIAL ASSETS	2018	2017
ASSETS		
Cash	\$ 1,590,465	\$ 1,121,666
Investments	1,123,419	1,106,849
Investment in NACFOR (2013)	2,109,886	1,630,025
Accounts receivable	87,669	86,368
Grants receivable	-	21,845
Taxes receivable	151,767	161,754
MFA debt reserve cash deposits	5,647	5,527
Due from Hot Springs Fund	776,649	195,118
	5,845,502	4,329,152
LIABILITIES		
Accounts payable and accrued liabilities	346,134	265,092
Deferred revenue	262,420	304,102
Deposits	4,303	4,656
MFA equipment finance loan	388,609	410,897
Long-term debt	391,544	410,799
Due to Sewer Fund	405,982	181,161
Due to Water Fund	774,481	434,344
Due to Reserve Fund	1,613,872	1,317,546
	4,187,345	3,328,597
NET FINANCIAL ASSETS	1,658,157	1,000,555
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	57,359	83,740
Inventory of materials and supplies	3,827	6,815
Tangible capital assets	11,627,483	11,410,848
	11,688,669	11,501,403
ACCUMULATED SURPLUS	\$ 13,346,826	\$ 12,501,958
Represented by:		
Unappropriated surplus	\$ 389,610	\$ 282,781
Equity in tangible capital assets	10,847,330	10,589,152
Equity in NACFOR (2013)	2,109,886	1,630,025
	\$ 13,346,826	\$ 12,501,958

VILLAGE OF NAKUSP
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2018

	2018	2017
REVENUE		
General taxation	\$ 1,033,296	\$ 1,017,431
Interest and penalties on taxes	21,510	19,085
Utility taxes and grants-in-lieu of taxes	90,592	85,672
General fees and charges	395,770	353,967
Permits and licences	19,981	24,566
Conditional transfers from other governments	1,073,334	790,778
Unconditional transfer - Province of B.C.	400,775	380,626
Investment interest and MFA actuarial gain	3,088	2,497
Equity income in NACFOR (2013)	829,861	753,935
Proceeds on sale of tangible capital assets	68,500	10,000
	3,936,707	3,438,557
EXPENDITURES		
General government	698,849	635,578
Protective services	237,279	218,344
Transportation services	522,828	433,017
Waste disposal services	60,846	64,091
Cemetery services	22,858	17,206
Economic development and promotion	29,429	186,742
Parks, recreation and cultural services	680,950	742,222
Amortization	569,389	570,463
	2,822,428	2,867,663
TOTAL REVENUES OVER EXPENDITURES	1,114,279	570,894
Transfers from Reserve Fund	401,243	576,758
Transfers to Reserve Fund	(685,654)	(411,511)
Transfer from Hot Springs Fund	15,000	-
Transfer to Water Utility Fund	-	(75,000)
Amortization transferred to equity in capital assets	569,389	570,463
General Capital expenditures	(786,024)	(440,879)
General Capital debt principal repayments	(41,543)	(32,618)
Increase in NACFOR (2013) investment transferred to equity in NACFOR (2013)	(829,861)	(753,935)
NACFOR (2013) dividend received in the year	350,000	-
	(1,007,450)	(566,722)
ANNUAL SURPLUS	106,829	4,172
UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR	282,781	278,609
UNAPPROPRIATED SURPLUS, END OF YEAR	\$ 389,610	\$ 282,781

VILLAGE OF NAKUSP
HOT SPRINGS FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

FINANCIAL ASSETS	2018	2017
ASSETS		
Cash	\$ 891,911	\$ 180,633
MFA debt reserve cash deposits	8,767	8,580
	<u>900,678</u>	<u>189,213</u>
LIABILITIES		
Due to General Fund	776,649	195,118
Due to Reserve Fund	135,996	131,750
Interim borrowing	37,000	74,000
Long-term debt	521,681	551,850
	<u>1,471,326</u>	<u>952,718</u>
NET DEBT	<u>(570,648)</u>	<u>(763,505)</u>
NON-FINANCIAL ASSETS		
Inventory	12,500	16,000
Tangible capital assets	1,066,902	1,092,762
	<u>1,079,402</u>	<u>1,108,762</u>
ACCUMULATED SURPLUS	<u>\$ 508,754</u>	<u>\$ 345,257</u>
Represented by:		
Unappropriated surplus (deficit)	\$ 533	\$(121,655)
Equity in tangible capital assets	508,221	466,912
	<u>\$ 508,754</u>	<u>\$ 345,257</u>

VILLAGE OF NAKUSP
HOT SPRINGS OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2018

	2018	2017
REVENUE		
Facility admissions	\$ 444,226	\$ 358,605
Chalet rentals	284,224	247,091
Campsite rentals	128,925	103,228
Merchandise sales	93,845	98,009
Conditional grants	-	7,600
Interest revenue - MFA actuarial gain	6,513	5,166
	<u>957,733</u>	<u>819,699</u>
EXPENDITURES		
Facility direct costs	335,783	351,579
General expenses	183,312	145,713
Chalet rental expenses	131,524	126,422
Campsite rental expenses	21,139	18,640
Cost of merchandise	55,528	33,737
Amortization	48,687	54,044
	<u>775,973</u>	<u>730,135</u>
TOTAL REVENUE OVER EXPENDITURES	<u>181,760</u>	<u>89,564</u>
Hot Springs capital expenditures	(22,827)	(21,550)
Hot Springs capital debt principal repayments	(67,169)	(66,009)
Amortization transferred to equity in capital assets	48,687	54,044
Transfers from Reserve Fund	22,827	21,550
Transfers to Reserve Fund	(26,090)	(38,000)
Transfer to General Operating Fund	(15,000)	-
	<u>(59,572)</u>	<u>(49,965)</u>
ANNUAL SURPLUS	122,188	39,599
UNAPPROPRIATED SURPLUS (DEFICIT), BEGINNING OF YEAR	(121,655)	(161,254)
UNAPPROPRIATED SURPLUS (DEFICIT), END OF YEAR	<u>\$ 533</u>	<u>\$(121,655)</u>

VILLAGE OF NAKUSP
WATER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

FINANCIAL ASSETS	2018	2017
ASSETS		
Water fees receivable	\$ 33,809	\$ 32,038
Grants receivable	82,656	115,922
Due from General Fund	774,481	434,344
MFA debt reserve cash deposits	2,200	-
	<u>893,146</u>	<u>582,304</u>
LIABILITIES		
Due to Reserve Fund	387,386	187,990
Long-term debt	216,433	-
	<u>603,819</u>	<u>187,990</u>
NET FINANCIAL ASSETS	289,327	394,314
TANGIBLE CAPITAL ASSETS	5,045,083	4,784,172
ACCUMULATED SURPLUS	\$ 5,334,410	\$ 5,178,486
Represented by:		
Unappropriated surplus	\$ 505,760	\$ 394,314
Equity in tangible capital assets	4,828,650	4,784,172
	<u>\$ 5,334,410</u>	<u>\$ 5,178,486</u>

VILLAGE OF NAKUSP
WATER UTILITY OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2018

	2018	2017
REVENUE		
User fees	\$ 493,875	\$ 504,326
Conditional transfers from other governments	232,630	278,497
	<u>726,505</u>	<u>782,823</u>
EXPENDITURES		
Water services	237,841	215,641
Amortization	163,419	147,457
	<u>325,245</u>	<u>419,725</u>
NET OPERATING REVENUES OVER EXPENDITURES	325,245	419,725
Water capital expenditures net of debt proceeds	(207,897)	(504,605)
Amortization transferred to equity in capital assets	163,419	147,457
Transfer from General Operating Fund	-	75,000
Transfer to Water Reserve Fund	(196,601)	(175,000)
Transfer from Sewer Utility Fund	27,280	27,280
	<u>111,446</u>	<u>(10,143)</u>
ANNUAL SURPLUS (DEFICIT)	111,446	(10,143)
UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR	394,314	404,457
UNAPPROPRIATED SURPLUS, END OF YEAR	\$ 505,760	\$ 394,314

VILLAGE OF NAKUSP
SEWER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

FINANCIAL ASSETS	2018	2017
ASSETS		
Sewer fees receivable	\$ 35,918	\$ 29,046
Due from General Fund	405,982	181,161
MFA debt reserve cash deposits	5,301	4,530
	<u>447,201</u>	<u>214,737</u>
LIABILITIES		
Due to Sewer Reserve Fund	447,201	285,067
Long-term debt	213,338	158,294
	<u>660,539</u>	<u>443,361</u>
NET DEBT	(213,338)	(228,624)
TANGIBLE CAPITAL ASSETS	3,075,619	3,165,645
ACCUMULATED SURPLUS	\$ 2,862,281	\$ 2,937,021
Represented by:		
Unappropriated surplus (deficit)	\$ -	\$(70,330)
Equity in tangible capital assets	2,862,281	3,007,351
	<u>\$ 2,862,281</u>	<u>\$ 2,937,021</u>

VILLAGE OF NAKUSP
SEWER UTILITY OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2018

	2018	2017
REVENUE		
User fees	\$ 427,692	\$ 409,365
Interest and MFA actuarial gain	5,624	5,071
	<u>433,316</u>	<u>414,436</u>
EXPENDITURES		
Sewer service	186,532	356,950
Amortization	135,452	133,638
	<u>111,332</u>	<u>(76,152)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES		
Sewer capital expenditures, net of debt proceeds	20,760	(39,606)
Sewer capital debt principal repayments	(11,142)	(10,612)
Amortization transferred to equity in capital assets	135,452	133,638
Transfer to Water Utility Fund	(27,280)	(27,280)
Transfer to Sewer Reserve Fund	(158,792)	(175,000)
	<u>(41,002)</u>	<u>(118,860)</u>
ANNUAL SURPLUS (DEFICIT)	70,330	(195,012)
UNAPPROPRIATED SURPLUS (DEFICIT), BEGINNING OF YEAR	(70,330)	124,682
UNAPPROPRIATED SURPLUS (DEFICIT), END OF YEAR	\$ -	\$(70,330)

VILLAGE OF NAKUSP
RESERVE FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Due from Operating Funds	\$ 2,584,453	\$ 1,922,353
LIABILITIES		
Deferred revenue - parkland acquisition	13,272	13,272
	\$ 2,571,181	\$ 1,909,081
RESERVES		
Equipment Reserve	\$ 293,716	\$ 225,233
Fire Equipment Reserve	343,170	308,028
General Capital Reserve	34,872	79,413
Community Works Gas Tax Reserve	405,359	284,904
Land Sales Reserve	51,371	-
NACFOR (2013) Legacy Fund	454,846	385,524
Sewer Reserve	447,201	285,067
Cemetery Reserve	12,174	10,086
Elections Reserve	-	6,033
Water Reserve	387,387	187,990
Donations Reserve	5,090	5,053
Hot Springs Reserve	71,139	93,452
Hot Springs - Chalets Reserve	64,856	38,298
	\$ 2,571,181	\$ 1,909,081

VILLAGE OF NAKUSP
RESERVE FUND
STATEMENT OF TRANSACTIONS
For the Year Ended December 31, 2018

	Balance, Beginning of Year	Contributions	Transfers to Other Funds	Interest Earned	Balance, End of Year
Equipment Reserve	\$ 225,233	\$ 123,170	\$(56,807)	\$ 2,120	\$ 293,716
Fire Equipment Reserve	308,028	35,030	(2,365)	2,477	343,170
General Capital Reserve	79,413	-	(45,154)	613	34,872
Community Works					
Gas Tax Reserve	284,904	124,453	(6,924)	2,926	405,359
Land Sale Reserve	-	51,000	-	371	51,371
NACFOR (2013)					
Legacy Fund	385,524	350,000	(283,960)	3,282	454,846
Sewer Reserve	285,067	158,792	-	3,342	447,201
Cemetery Reserve	10,086	2,000	-	88	12,174
Election Reserve	6,033	-	(6,033)	-	-
Water Reserve	187,990	272,010	(75,409)	2,796	387,387
Donations Reserve	5,053	-	-	37	5,090
Hot Springs Reserve	93,452	-	(22,827)	514	71,139
Hot Springs Chalet Reserve	38,298	26,090	-	468	64,856
	<u>\$ 1,909,081</u>	<u>\$ 1,142,545</u>	<u>\$(499,479)</u>	<u>\$ 19,034</u>	<u>\$ 2,571,181</u>