



Grant Thornton

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Consolidated Financial Statements of the

VILLAGE OF NAKUSP

December 31, 2019

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying financial statements. The financial statements have been prepared in accordance with the accounting principles disclosed in note 1 to the financial statements and include amounts that are based on estimates and judgments. Management believes that the financial statements fairly present the Village of Nakusp's 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, Grant Thornton LLP, Chartered Professional Accountants, have been appointed by Council to express an opinion as to whether the financial statements present fairly, in all material respects, the Village of Nakusp's financial position, results of operations, and changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards. The report of Grant Thornton LLP, Chartered Professional Accountants, follows and outlines the scope of their examination and their opinion on the financial statements.



Mark Tennant
Director of Finance / Deputy Chief Administrative Officer



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Village of Nakusp

Grant Thornton LLP
513 Victoria Street
Nelson, BC
V1L 4K7

T +1 250 352 3165
F +1 250 352 7166

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, 2019, 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, 2019, 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.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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 25, 2020

Nelson, B.C.

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and equivalents	\$ 2,480,234	\$ 2,482,376
Investments (note 2)	2,195,085	1,123,419
Accounts receivable (note 3)	311,049	391,819
MFA debt reserve cash deposits (note 4)	22,424	21,914
Investment in NACFOR (2013) (note 5)	1,714,089	2,109,886
	6,722,881	6,129,414
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	278,479	346,134
Deferred revenue (note 7)	344,014	275,692
Deposits	5,924	4,303
MFA interim financing	-	37,000
MFA long-term debt (note 8)	1,587,061	1,731,605
	2,215,478	2,394,734
NET FINANCIAL ASSETS	4,507,403	3,734,680
NON-FINANCIAL ASSETS		
Prepaid expenses	77,775	57,359
Inventory	30,729	16,326
Tangible capital assets (note 17)	20,416,490	20,815,087
	20,524,994	20,888,772
ACCUMULATED SURPLUS (note 9)	\$ 25,032,397	\$ 24,623,452
CONTINGENT LIABILITIES (note 14)		
SUBSEQUENT EVENT (note 16)		



Mark Tennant
 Director of Finance / Deputy Chief Administrative Officer

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2019

	2019 Budget (Note 13)	2019 Actual	2018 Actual
REVENUE			
Municipal property and parcel taxes	\$ 1,081,635	\$ 1,083,797	\$ 1,033,296
Interest and penalties on taxes	21,000	23,815	21,510
Utility taxes and grants-in-lieu of taxes	91,445	93,522	90,592
General fees, charges, and other	357,250	455,298	415,751
Hot Springs fees and other revenue	885,600	1,047,660	951,220
Interest and actuarial income	30,000	68,370	34,259
Sewer user fees and charges	431,925	432,956	427,692
Water user fees and charges	507,140	510,977	493,875
Government transfers	1,231,505	1,294,270	1,706,739
Gain on sale of tangible capital assets	-	46,802	68,500
Equity income from NACFOR (2013) (note 5)	-	69,203	829,861
	4,637,500	5,126,670	6,073,295
EXPENDITURES			
Amortization	900,000	915,102	916,948
General government	751,100	904,989	728,278
Hot Springs and Chalets	703,350	701,894	703,223
Parks and recreation	693,100	829,462	667,362
Protective services	227,600	204,220	224,585
Public works and transportation	642,000	654,219	606,532
Sewer services	203,995	173,483	179,223
Water services	245,240	270,115	233,143
Interest on debt	63,195	64,241	62,352
	4,429,580	4,717,725	4,321,646
ANNUAL SURPLUS	207,920	408,945	1,751,649
ACCUMULATED SURPLUS, BEGINNING OF YEAR	24,623,452	24,623,452	22,871,803
ACCUMULATED SURPLUS, END OF YEAR	\$ 24,831,372	\$ 25,032,397	\$ 24,623,452

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
ANNUAL SURPLUS	\$ 207,920	\$ 408,945	\$ 1,751,649
Acquisition of tangible capital assets	(999,500)	(542,700)	(1,278,607)
Amortization of tangible capital assets	900,000	915,102	916,948
Gain on sale of tangible capital assets	-	(46,802)	(68,500)
Proceeds on sale of tangible capital assets	-	73,000	68,500
	108,420	807,545	1,389,990
Net change in inventory and prepaid expenses	-	(34,822)	32,869
INCREASE IN NET FINANCIAL ASSETS	108,420	772,723	1,422,859
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,734,680	3,734,680	2,311,821
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,843,100	\$ 4,507,403	\$ 3,734,680

VILLAGE OF NAKUSP
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	2019	2018
OPERATING TRANSACTIONS		
Annual surplus	\$ 408,945	\$ 1,751,649
Non-cash items included in annual surplus		
Amortization	915,102	916,948
Actuarial gain on MFA long-term debt	(17,343)	(14,809)
Gain on sale of tangible capital assets	(46,802)	(68,500)
Equity income from NACFOR (2013)	(69,203)	(829,861)
Changes in non-cash operating balances		
Accounts receivable	80,770	55,154
MFA debt reserve cash deposits	(510)	(3,277)
Prepaid expenses and inventory	(34,822)	32,869
Accounts payable and accrued liabilities	(67,655)	81,042
Deferred revenue and deposits	69,943	(42,035)
Cash Provided by Operating Transactions	1,238,425	1,879,180
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(542,700)	(1,278,607)
Proceeds from disposal of capital assets	73,000	68,500
Cash Applied to Capital Transactions	(469,700)	(1,210,107)
FINANCING TRANSACTIONS		
Proceeds from long-term debt	-	282,600
Repayment of interim and long-term debt	(164,201)	(105,026)
Cash Provided by (Applied to) Financing Transactions	(164,201)	177,574
INVESTING TRANSACTIONS		
Increase in investments	(1,071,666)	(16,570)
Cash dividends received from NACFOR (2013)	465,000	350,000
Cash Provided by (Applied to) Investing Transactions	(606,666)	333,430
INCREASE (DECREASE) IN CASH	(2,142)	1,180,077
CASH, BEGINNING OF YEAR	2,482,376	1,302,299
CASH, END OF YEAR	\$ 2,480,234	\$ 2,482,376

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2019

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. Investment income is recorded on the accrual basis and recognized when earned.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2019

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 - 50 years
Machinery and equipment	5 - 20 years
Furniture and equipment	5 - 20 years
Information technology	3 - 5 years
Vehicles and mobile equipment	5 - 25 years
Infrastructure	15 - 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.

General Fees and Charges

General Fees and charges are recognized as revenue when the service or product is provided by the Village. These include charges for garbage collection, rentals, permits, licenses, campground and arena fees, and other recoveries.

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, 2019

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, 2019 and 2018.

Budget Figures

The budget figures are based on the Five-Year Financial Plan for the year 2019, per bylaw no. 687 adopted April 23, 2019.

Financial Instruments

The Village's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, 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

	2019	2018
MFA Money Market and CIBC Flexible GIC Funds	\$ 2,189,037	\$ 1,117,536
MFA Intermediate Fund	2,472	2,416
MFA Short-term Bond Fund	3,576	3,467
	\$ 2,195,085	\$ 1,123,419

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2019

3. ACCOUNTS RECEIVABLE

	2019	2018
Municipal property taxes	\$ 169,238	\$ 151,767
Government and agency grants	7,500	82,656
Sewer user fees	29,574	35,918
Water user fees	28,977	33,809
GST rebate	11,434	26,449
Other	64,326	61,220
	\$ 311,049	\$ 391,819

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	2019	2018
General and Hot Springs Funds	\$ 28,234	\$ 14,749	\$ 42,983	\$ 42,647
Sewer and Water Funds	14,432	7,675	22,107	21,933
	\$ 42,666	\$ 22,424	\$ 65,090	\$ 64,580

The cash portion of the Debt Reserve Fund is recognized as an asset in the financial statements. The demand notes are contingent liabilities and are not recorded in the financial statements.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2019

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 ended December 31, 2019 with comparative figures for December 31, 2018 are as follows:

	2019	2018
Assets		
Current assets	\$ 2,133,411	\$ 2,777,687
Long-term assets	<u>224,998</u>	<u>86,139</u>
	<u>2,358,409</u>	<u>2,863,826</u>
Liabilities		
Current liabilities	143,320	105,940
Silviculture accrual	<u>501,000</u>	<u>648,000</u>
	<u>644,320</u>	<u>753,940</u>
Shareholder equity	<u>\$ 1,714,089</u>	<u>\$ 2,109,886</u>
Results of operations, net income for the year	<u>\$ 69,203</u>	<u>\$ 829,861</u>

During the year, the Village received \$465,000 in dividends (2018 - \$350,000).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Payroll related	\$ 99,942	\$ 114,567
Trade accounts payable and accrued liabilities	<u>178,537</u>	<u>231,567</u>
	<u>\$ 278,479</u>	<u>\$ 346,134</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	-	66,400	(30,875)	35,525
Parkland acquisition	13,272	-	-	13,272
Other miscellaneous	7,975	8,298	(7,975)	8,298
Prepaid taxes and utility fees	<u>154,445</u>	<u>186,919</u>	<u>(154,445)</u>	<u>186,919</u>
	<u>\$ 275,692</u>	<u>\$ 261,617</u>	<u>\$(193,295)</u>	<u>\$ 344,014</u>

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2019

8. LONG-TERM DEBT

	Balance, Beginning of Year	Additions	Principal Payments	Actuarial Adjustment	Balance, End of Year
General Fund					
MFA issue 126 bylaw 648	\$ 224,980	\$ -	\$ 9,235	\$ 2,001	\$ 213,744
MFA issue 130 bylaw 648	85,740	-	3,359	570	81,811
MFA issue 117 bylaw 638	80,824	-	3,694	1,167	75,963
MFA equipment loan	388,609	-	70,926	-	317,683
	<u>780,153</u>	<u>-</u>	<u>87,214</u>	<u>3,738</u>	<u>689,201</u>
Hot Springs Fund					
MFA issue 117 bylaw 637	521,680	-	23,843	7,532	490,305
Sewer Utility Fund					
MFA issue 145 bylaw 671	66,187	-	2,463	-	63,724
MFA issue 79 bylaw 546	147,152	-	5,628	6,072	135,452
	<u>213,339</u>	<u>-</u>	<u>8,091</u>	<u>6,072</u>	<u>199,176</u>
Water Utility Fund					
MFA issue 145 bylaw 671	216,433	-	8,054	-	208,379
Total Long-term Debt	<u>\$ 1,731,605</u>	<u>\$ -</u>	<u>\$ 127,202</u>	<u>\$ 17,342</u>	<u>\$ 1,587,061</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
2020	\$ 40,300	\$ 23,843	\$ 8,091	\$ 8,054	\$ 80,288
2021	\$ 41,000	\$ 23,843	\$ 8,091	\$ 8,054	\$ 80,988
2022	\$ 41,300	\$ 23,843	\$ 8,091	\$ 8,054	\$ 81,288
2023	\$ 42,300	\$ 23,843	\$ 8,091	\$ 8,054	\$ 82,288
2024	\$ 43,300	\$ 23,843	\$ 8,091	\$ 8,054	\$ 83,288

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2019

9. ACCUMULATED SURPLUS

Accumulated surplus is represented by:

	2019	2018
Unappropriated Surplus		
General Operating Fund	\$ 429,343	\$ 389,610
Hot Springs Operating Fund	174,828	533
Water Operating Fund	505,760	505,760
Sewer Operating Fund	-	-
	1,109,931	895,903
 Reserve Fund	 3,378,949	 2,571,182
Equity in Tangible Capital Assets		
General Capital Fund	10,729,873	10,847,329
Hot Springs Capital Fund	583,288	508,221
Water Capital Fund	4,770,233	4,828,650
Sewer Capital Fund	2,746,034	2,862,281
	18,829,428	19,046,481
 Investment in NACFOR (2013)	 1,714,089	 2,109,886
 Total Accumulated Surplus	 \$ 25,032,397	 \$ 24,623,452

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, 2019

10. EXPENDITURES BY OBJECT

	2019	2018
Interest on debt	\$ 64,241	\$ 62,352
Goods and services	1,791,561	1,354,484
Wages, benefits, and Council stipends	1,946,821	1,987,862
Amortization of tangible capital assets	<u>915,102</u>	<u>916,948</u>
 Total operating expenditures	 <u>\$ 4,717,725</u>	 <u>\$ 4,321,646</u>

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, 2018, the Plan had about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021 with results available later in 2022.

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 \$120,864 (2018 - \$121,122) for employer contributions to the Plan in fiscal 2019.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2019

12. COLLECTION FOR OTHER GOVERNMENTS

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

Provincial Government - School Taxes	\$ 622,432
Provincial Government - Police Tax Levy	83,824
Regional District of Central Kootenay	557,209
Regional Hospital District	70,587
British Columbia Assessment Authority	11,119
Municipal Finance Authority	<u>55</u>
	<u>\$ 1,345,226</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. 687 adopted April 23, 2019.

Annual budgeted deficit as presented	\$ 207,920
Transfers from reserves	844,500
Transfers to reserves	(836,000)
Amortization	900,000
Debt principal payments	(116,920)
Capital expenditures	<u>(999,500)</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, 2019

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 year ended December 31, 2019 with 2018 comparative figures are as follows:

	2019	2018
Assets		
Short-term investments	\$ <u>39,870</u>	\$ <u>38,620</u>
Equity	<u>\$ 39,870</u>	<u>\$ 38,620</u>
Operations		
Contributions	\$ 1,100	\$ 2,465
Interest	<u>150</u>	<u>254</u>
Change in equity	<u>\$ 1,250</u>	<u>\$ 2,719</u>

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

16. SUBSEQUENT EVENT

In March 2020, the COVID-19 outbreak caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on the local and global economy. At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the Village's financial results for 2020.

VILLAGE OF NAKUSP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2019

17. TANGIBLE CAPITAL ASSETS

	Land	Park Improvements and Other	Buildings	Equipment, Furniture, and Vehicles	Transportation System	Sewer System	Water System	Assets Under Construction	2019 Total	2018 Total
COST										
Opening 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
Add: Additions	-	36,698	40,343	27,535	1,076,845	5,000	97,927	10,359	1,294,707	1,812,498
Less: Disposals	26,194	-	-	-	-	-	-	752,010	778,204	533,690
Closing Balance	1,342,412	2,967,620	10,091,718	3,318,882	4,316,363	5,523,895	7,782,560	10,359	35,353,809	34,837,306
ACCUMULATED AMORTIZATION										
Opening Balance	-	282,287	4,874,802	1,855,127	1,927,177	2,443,277	2,639,549	-	14,022,219	13,105,271
Add: Amortization	-	64,280	300,886	189,565	60,565	135,409	164,398	-	915,103	916,948
Closing Balance	-	346,567	5,175,688	2,044,692	1,987,742	2,578,686	2,803,947	-	14,937,322	14,022,219
Net Book Value, year ended December 31, 2019	\$ 1,342,412	\$ 2,621,053	\$ 4,916,030	\$ 1,274,190	\$ 2,328,621	\$ 2,945,209	\$ 4,978,613	\$ 10,359	\$ 20,416,487	\$ 20,815,087

VILLAGE OF NAKUSP
GENERAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2019

FINANCIAL ASSETS	2019	2018
ASSETS		
Cash	\$ 1,596,107	\$ 1,590,465
Investments	10,888	1,123,419
Investment in NACFOR (2013)	1,714,089	2,109,886
Accounts receivable	75,760	87,669
Grants receivable	7,500	-
Taxes receivable	169,238	151,767
MFA debt reserve cash deposits	5,778	5,647
Due from Hot Springs Fund	5,282	776,649
Due from Sewer Fund	28,149	-
	3,612,791	5,845,502
LIABILITIES		
Accounts payable and accrued liabilities	278,479	346,136
Deferred revenue	301,497	262,420
Deposits	5,924	4,303
MFA equipment finance loan	317,683	388,609
Long-term debt	371,518	391,544
Due to Sewer Fund	-	405,982
Due to Water Fund	496,928	774,481
Due to Reserve Fund	482,535	1,613,871
	2,254,564	4,187,346
NET FINANCIAL ASSETS	1,358,227	1,658,156
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	77,775	57,359
Inventory of materials and supplies	18,229	3,827
Tangible capital assets	11,419,074	11,627,483
	11,515,078	11,688,669
ACCUMULATED SURPLUS	\$ 12,873,305	\$ 13,346,825
Represented by:		
Unappropriated surplus	\$ 429,343	\$ 389,610
Equity in tangible capital assets	10,729,873	10,847,329
Equity in NACFOR (2013)	1,714,089	2,109,886
	\$ 12,873,305	\$ 13,346,825

VILLAGE OF NAKUSP
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2019

	2019	2018
REVENUE		
General taxation	\$ 1,064,377	\$ 1,033,296
Interest and penalties on taxes	23,815	21,510
Utility taxes and grants-in-lieu of taxes	93,522	90,592
General fees and charges	434,331	395,770
Permits and licences	20,967	19,981
Conditional transfers from other governments	871,794	1,073,334
Unconditional transfer - Province of B.C.	422,476	400,775
Investment interest and MFA actuarial gain	4,543	3,088
Equity income in NACFOR (2013)	69,203	829,861
Proceeds on sale of tangible capital assets	73,000	68,500
	3,078,028	3,936,707
EXPENDITURES		
Cemetery services	19,642	22,858
Economic development and promotion	60,916	29,429
General government	844,073	698,849
Protective services	204,220	224,585
Public works	596,731	522,828
Parks and recreation	829,462	667,362
Waste disposal services	37,846	60,846
Interest on debt	25,975	26,282
Amortization	567,643	569,389
	3,186,508	2,822,428
TOTAL REVENUES OVER (UNDER) EXPENDITURES	(108,480)	1,114,279
Transfers from Reserve Fund	588,261	401,243
Transfers to Reserve Fund	(982,105)	(685,654)
Transfer from Hot Springs Fund	55,000	15,000
Amortization transferred to equity in capital assets	567,643	569,389
General Capital expenditures	(385,430)	(786,024)
General Capital debt principal repayments	(90,953)	(41,543)
Equity in NACFOR (2013)	(69,203)	(829,861)
NACFOR (2013) dividend received in the year	465,000	350,000
	148,213	(1,007,450)
ANNUAL SURPLUS	39,733	106,829
UNAPPROPRIATED SURPLUS, BEGINNING OF YEAR	389,610	282,781
UNAPPROPRIATED SURPLUS, END OF YEAR	\$ 429,343	\$ 389,610

VILLAGE OF NAKUSP
HOT SPRINGS FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2019

FINANCIAL ASSETS	2019	2018
ASSETS		
Cash	\$ 158,638	\$ 891,911
MFA debt reserve cash deposits	8,971	8,767
	<u>167,609</u>	<u>900,678</u>
LIABILITIES		
Due to General Fund	5,282	776,649
Due to Reserve Fund	-	135,996
Interim borrowing	-	37,000
Long-term debt	490,305	521,681
	<u>495,587</u>	<u>1,471,326</u>
NET DEBT	<u>(327,978)</u>	<u>(570,648)</u>
NON-FINANCIAL ASSETS		
Inventory	12,500	12,500
Tangible capital assets	1,073,594	1,066,902
	<u>1,086,094</u>	<u>1,079,402</u>
ACCUMULATED SURPLUS	<u>\$ 758,116</u>	<u>\$ 508,754</u>
Represented by:		
Unappropriated surplus	\$ 174,828	\$ 533
Equity in tangible capital assets	583,288	508,221
	<u>\$ 758,116</u>	<u>\$ 508,754</u>

VILLAGE OF NAKUSP
HOT SPRINGS OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2019

	2019	2018
REVENUE		
Facility admissions	\$ 502,198	\$ 444,226
Chalet rentals	300,806	284,224
Campsite rentals	144,567	128,925
Merchandise sales	100,089	93,845
Interest revenue and MFA actuarial gain	7,737	6,513
	1,055,397	957,733
EXPENDITURES		
Facility direct costs	345,533	335,783
General expenses	154,466	160,237
Chalet rental expenses	125,657	130,536
Campsite rental expenses	20,473	21,139
Cost of merchandise	55,765	55,528
Interest on debt	23,320	24,063
Amortization	47,652	48,687
	772,866	775,973
TOTAL REVENUE OVER EXPENDITURES	282,531	181,760
Hot Springs capital expenditures	(54,343)	(22,827)
Hot Springs capital debt principal repayments	(68,376)	(67,169)
Amortization transferred to equity in capital assets	47,652	48,687
Transfers from Reserve Fund	54,343	22,827
Transfers to Reserve Fund	(32,512)	(26,090)
Transfer to General Operating Fund	(55,000)	(15,000)
	(108,236)	(59,572)
ANNUAL SURPLUS	174,295	122,188
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	533	(121,655)
ACCUMULATED SURPLUS, END OF YEAR	\$ 174,828	\$ 533

VILLAGE OF NAKUSP
WATER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2019

FINANCIAL ASSETS	2019	2018
ASSETS		
Water fees receivable	\$ 28,977	\$ 33,809
Grants receivable	-	82,656
Due from General Fund	496,928	774,481
MFA debt reserve cash deposits	2,251	2,200
	<u>528,156</u>	<u>893,146</u>
LIABILITIES		
Deferred revenue - parcel taxes	22,396	-
Due to Reserve Fund	-	387,386
Long-term debt	208,379	216,433
	<u>230,775</u>	<u>603,819</u>
NET FINANCIAL ASSETS	297,381	289,327
TANGIBLE CAPITAL ASSETS	4,978,612	5,045,083
ACCUMULATED SURPLUS	\$ 5,275,993	\$ 5,334,410
Represented by:		
Unappropriated surplus	\$ 505,760	\$ 505,760
Equity in tangible capital assets	4,770,233	4,828,650
	<u>\$ 5,275,993</u>	<u>\$ 5,334,410</u>

VILLAGE OF NAKUSP
WATER UTILITY OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2019

	2019	2018
REVENUE		
Parcel taxes	\$ 14,872	\$ -
User fees	510,977	493,875
Conditional transfers from other governments	-	232,630
	<u>525,849</u>	<u>726,505</u>
EXPENDITURES		
Water services	270,115	233,143
Interest on debt	6,818	4,698
Amortization	164,398	163,419
	<u>441,331</u>	<u>401,260</u>
NET OPERATING REVENUES OVER EXPENDITURES	84,518	325,245
Capital expenditures	(97,927)	(207,897)
Water capital principal payments	(8,055)	-
Amortization transferred to equity in capital assets	164,398	163,419
Transfer from Water Reserve Fund	95,872	-
Transfer to Water Reserve Fund	(266,086)	(196,601)
Transfer from Sewer Utility Fund	27,280	27,280
ANNUAL SURPLUS	-	111,446
ACCUMULATED SURPLUS, BEGINNING OF YEAR	505,760	394,314
ACCUMULATED SURPLUS, END OF YEAR	\$ 505,760	\$ 505,760

VILLAGE OF NAKUSP
SEWER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2019

FINANCIAL ASSETS	2019	2018
ASSETS		
Sewer fees receivable	\$ 29,574	\$ 35,918
Due from General Fund	-	405,982
MFA debt reserve cash deposits	5,424	5,301
	<u>34,998</u>	<u>447,201</u>
LIABILITIES		
Deferred revenue - parcel taxes and user fees	6,849	-
Due to General Operating Fund	28,149	-
Due to Reserve Fund	-	447,201
Long-term debt	199,176	213,338
	<u>234,174</u>	<u>660,539</u>
NET DEBT	(199,176)	(213,338)
TANGIBLE CAPITAL ASSETS	2,945,210	3,075,619
ACCUMULATED SURPLUS	\$ 2,746,034	\$ 2,862,281
Represented by:		
Unappropriated surplus	\$ -	\$ -
Equity in tangible capital assets	2,746,034	2,862,281
	<u>\$ 2,746,034</u>	<u>\$ 2,862,281</u>

VILLAGE OF NAKUSP
SEWER UTILITY OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2019

	2019	2018
REVENUE		
Parcel taxes	\$ 4,548	\$ -
User fees	432,956	427,692
Interest and MFA actuarial gain	6,195	5,624
	443,699	433,316
EXPENDITURES		
Sewer service	173,483	179,222
Interest on debt	8,128	7,310
Amortization	135,409	135,452
	317,020	321,984
EXCESS OF REVENUE OVER EXPENDITURES	126,679	111,332
Sewer capital expenditures	(5,000)	(45,427)
Sewer capital debt principal repayments	(14,162)	(11,142)
Sewer capital debt proceeds	-	66,187
Amortization transferred to equity in capital assets	135,409	135,452
Transfer to Water Utility Fund	(27,280)	(27,280)
Transfer to Sewer Reserve Fund	(215,646)	(158,792)
	(126,679)	(41,002)
ANNUAL SURPLUS	-	70,330
UNAPPROPRIATED SURPLUS (DEFICIT), BEGINNING OF YEAR	-	(70,330)
UNAPPROPRIATED SURPLUS, END OF YEAR	\$ -	\$ -

VILLAGE OF NAKUSP
RESERVE FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and short-term investments	\$ 2,909,686	\$ -
Due from general operating fund	482,535	2,584,454
	3,392,221	2,584,454
LIABILITIES		
Deferred revenue - parkland acquisition	13,272	13,272
	\$ 3,378,949	\$ 2,571,182
RESERVES		
Broadway Memorial Bench Reserve	\$ 27,913	\$ -
Cemetery Reserve	14,386	12,174
Community Works Gas Tax Reserve	176,390	405,359
Donations Reserve	-	5,090
Elections Reserve	3,045	-
Equipment Reserve	417,940	293,716
Fire Equipment Reserve	325,151	343,170
General Capital Reserve	28,978	34,872
Hot Springs Reserve	32,793	71,139
Hot Springs - Chalets Reserve	83,085	64,856
Land Sales Reserve	123,193	51,371
NACFOR (2013) Legacy Fund	907,390	454,847
Sewer Reserve	672,391	447,201
Water Reserve	566,294	387,387
	\$ 3,378,949	\$ 2,571,182

VILLAGE OF NAKUSP
RESERVE FUND
STATEMENT OF TRANSACTIONS
For the Year Ended December 31, 2019

	Balance, Beginning of Year	Contributions	Transfers to Other Funds	Interest Earned	Balance, End of Year
Broadway Memorial Bench Reserve	\$ -	\$ 27,500	\$ -	\$ 413	\$ 27,913
Cemetery Reserve	12,174	2,000	-	212	14,386
Community Works					
Gas Tax Reserve	405,359	247,137	(478,716)	2,610	176,390
Donations Reserve	5,090	-	(5,090)	-	-
Election Reserve	-	3,000	-	45	3,045
Equipment Reserve	293,716	123,170	(5,128)	6,182	417,940
Fire Equipment Reserve	343,170	35,500	(58,328)	4,809	325,151
General Capital Reserve	34,872	8,797	(15,120)	429	28,978
Hot Springs Reserve	71,139	15,512	(54,343)	485	32,793
Hot Springs Chalet Reserve	64,856	17,000	-	1,229	83,085
Land Sale Reserve	51,371	70,000	-	1,822	123,193
NACFOR (2013)					
Legacy Fund	454,847	465,000	(25,879)	13,422	907,390
Sewer Reserve	447,201	215,646	-	9,544	672,391
Water Reserve	387,387	266,086	(95,872)	8,693	566,294
	\$ 2,571,182	\$ 1,496,348	\$(738,476)	\$ 49,895	\$ 3,378,949