

VILLAGE OF NAKUSP

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

**VILLAGE OF NAKUSP
CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

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Responsibility For Financial Reporting

Management is responsible for the preparation of the accompanying consolidated financial statements. The consolidated financial statements have been prepared in accordance with the accounting principles disclosed in note 1 to the consolidated financial statements and include amounts that are based on estimates and judgments. Management believes that the consolidated financial statements fairly present the Village of Nakusp's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. The consolidated 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 consolidated financial statements.

The independent external auditors, Berg Naqvi Lehmann, Chartered Accountants, have been appointed by Council to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Village of Nakusp's financial position, results of operations, and changes in financial position in conformity with the accounting principles disclosed in note 1 to the consolidated financial statements. The report of Berg Naqvi Lehmann, Chartered Accountants, follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



Robert Richards, CA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
Village of Nakusp

We have audited the accompanying consolidated financial statements of the Village of Nakusp, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of operations, consolidated statement of change in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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INDEPENDENT AUDITORS' REPORT (continued)

To the Mayor and Council
Village of Nakusp

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Nakusp as at December 31, 2011, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

July 9, 2012

Nelson, B.C.

**VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2011**

	2011	2010
FINANCIAL ASSETS		
Cash and equivalents	\$ 981,181	\$ 720,056
Investments (note 2)	55,511	56,143
Accounts receivable (note 3)	1,154,221	1,168,551
Deposits (note 4)	16,089	8,547
Investment in subsidiary (note 5)	279,531	316,706
	2,486,533	2,270,003
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	539,835	742,030
Deposits	2,276	1,100
Deferred revenue (note 7)	442,239	439,847
Capital lease (note 8)	57,461	84,532
Long-term debt (note 9)	1,132,284	641,391
	2,174,095	1,908,900
NET FINANCIAL ASSETS	312,438	361,103
NON FINANCIAL ASSETS		
Inventory of supplies and prepaid expenses	149,966	129,525
Tangible capital assets (schedule 1)	14,502,005	13,840,975
	14,651,971	13,970,500
ACCUMULATED SURPLUS (note 10)	\$ 14,964,409	\$ 14,331,603

See Contingencies Note 11.

The Financial Statement Notes are an integral part of the Financial Statements.



Linda Tynan
Chief Administrative Officer



Robert Richards
Chief Financial Officer

**VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2011**

	2011 Budget (see note 14)	2011 Actual	2010 Actual
REVENUE			
Municipal property taxes (note 12)	\$ 911,067	\$ 905,502	\$ 884,995
Grants in lieu of taxes	42,000	38,182	56,325
Fees and charges	1,345,277	1,273,055	1,229,948
Permits and licences	25,486	20,798	13,758
Interest income	3,000	14,314	22,311
Conditional operating transfers, other govt's	326,949	335,847	322,286
Unconditional transfers from other govt's	342,313	485,424	384,724
Income/(loss) from subsidiary (note 5)	-	(37,175)	5,000
	2,996,092	3,035,947	2,919,347
EXPENSES			
General government	719,245	786,105	677,290
Protective services	237,289	241,647	162,565
Transportation services	417,289	424,119	404,811
Waste disposal services	85,092	64,006	76,259
Cemetery services	27,752	32,068	26,451
Economic development and promotion	50,250	57,241	58,284
Parks, recreation and cultural services	635,562	583,823	656,747
Hot Springs	470,774	462,706	403,565
Sewer services	271,523	297,613	226,553
Water services	392,077	362,074	239,871
	3,306,853	3,311,402	2,932,396
REVENUES LESS EXPENSES BEFORE CAPITAL REVENUES	(310,761)	(275,455)	(13,049)
CAPITAL REVENUES			
Proceeds from sale of capital assets	-	35,928	93,975
Conditional capital transfers, other govt's	1,737,711	872,333	2,155,099
	1,737,711	908,261	2,249,074
ANNUAL SURPLUS	1,426,950	632,806	2,236,025
Accumulated Surplus, Beginning of Year	14,331,603	14,331,603	12,095,578
ACCUMULATED SURPLUS, End of Year	\$ 15,758,553	\$ 14,964,409	\$ 14,331,603

The Financial Statement Notes are an integral part of the Financial Statements.

**VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2011**

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The Financial Statement Notes are an integral part of the Financial Statements.

**VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011**

	2011	2010
OPERATING ACTIVITIES		
Annual surplus	\$ 632,806	\$ 2,236,025
Non-cash items included in annual surplus:		
Amortization expense	587,473	528,958
(Gain) on disposed of tangible capital assets	(31,113)	(77,543)
Long-term debt actuarial adjustment	(10,297)	(12,708)
Investment income from subsidiary	37,175	(5,000)
Changes in non-cash operating balances:		
Accounts receivable	14,330	93,698
Deposits receivable	(7,542)	(8,547)
Accounts payable and accrued liabilities	(202,195)	247,342
Inventory of supplies and prepaid expenses	(20,440)	(67,883)
Deferred revenue and deposits	3,568	(272,806)
	1,003,765	2,661,536
CAPITAL ACTIVITIES		
Proceeds from sale of tangible capital assets	35,928	93,975
Built/purchased tangible capital assets	(1,253,319)	(2,511,460)
	(1,217,391)	(2,417,485)
FINANCING ACTIVITIES		
Debt proceeds	820,000	292,000
Debt repayment	(345,881)	(54,332)
	474,119	237,668
INVESTING ACTIVITIES		
Decrease in investments	632	181,209
	632	181,209
INCREASE IN CASH AND EQUIVALENTS		
	261,125	662,928
Cash & equivalents, beginning of year	720,056	57,128
CASH AND EQUIVALENTS, END OF YEAR	\$ 981,181	\$ 720,056

The Financial Statement Notes are an integral part of the Financial Statements.

**VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2011**

	2011 Budget	2011 Actual	2010 Actual
ANNUAL SURPLUS	\$ 1,426,950	\$ 632,806	\$ 2,236,025
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(2,448,804)	(1,253,319)	(2,634,757)
Amortization	587,684	587,473	528,958
Net book value of disposed tangible capital assets	-	4,815	16,432
	(1,861,120)	(661,031)	(2,089,367)
OTHER NON-FINANCIAL ASSETS			
Change in inventory and prepaid expenses	-	(20,440)	(67,883)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(434,170)	(48,665)	78,775
Net Financial Assets, Beginning of Year	361,103	361,103	282,328
NET FINANCIAL ASSETS, END OF YEAR	\$ (73,067)	\$ 312,438	\$ 361,103

The Financial Statement Notes are an integral part of the Financial Statements.

VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
SCHEDULE 1 - TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2011

	Land	Park & Land Improvements	Buildings	Equipment, Furniture and Vehicles	Transportation System	Sewer System	Water System	Assets Under Construction		2010 Actual
								Construction	2011 Actual	
COST										
Opening Balance	\$ 1,368,606	\$ 357,549	\$ 5,921,493	\$ 2,020,736	\$ 2,763,599	\$ 3,658,541	\$ 3,614,648	\$ 2,614,122	\$ 2,614,122	\$ 19,796,842
Add: Additions	-	-	2,262,041	223,041	-	7,975	-	723,437	-	2,634,757
Less: Disposals	-	-	-	289,606	14,799	-	-	1,963,175	-	112,305
Closing Balance	1,368,606	357,549	8,183,534	1,954,171	2,748,800	3,666,516	3,614,648	1,374,384	23,268,208	22,319,294
ACCUMULATED AMORTIZATION										
Opening Balance	-	14,249	2,866,407	962,314	1,443,296	1,508,103	1,683,950	-	-	8,478,319
Add: Amortization	-	7,679	202,209	137,810	64,359	92,723	82,694	-	-	587,474
Less: Accumulated Amortization on Disposals	-	-	-	284,791	14,799	-	-	-	-	299,590
Closing Balance	-	21,928	3,068,616	815,333	1,492,856	1,600,826	1,766,644	-	-	8,766,203
Net Book Value, year ended 2011	\$ 1,368,606	\$ 335,621	\$ 5,114,918	\$ 1,138,838	\$ 1,255,944	\$ 2,065,690	\$ 1,848,004	\$ 1,374,384	\$ 14,502,005	
Net Book Value, year ended 2010	\$ 1,368,606	\$ 343,300	\$ 3,055,086	\$ 1,058,422	\$ 1,320,303	\$ 2,150,438	\$ 1,930,698	\$ 2,614,122	\$ 13,840,975	

VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
SCHEDULE 2 - SEGMENTED INFORMATION
For the Year Ended December 31, 2011

	General Government Actual 2011	Protective Services Actual 2011	Transportation Services Actual 2011	Waste and Disposal Services Actual 2011	Sanitary Sewer Services Actual 2011	Water Services Actual 2011	Parks, Recreation & Cultural Services Actual 2011
REVENUE							
Municipal property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants in lieu of taxes	-	-	-	-	-	-	-
Fees and charges	33,392	12,283	16,759	53,062	227,526	356,452	123,360
Permits and licences	-	1,379	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Conditional operating transfers	-	70,489	-	-	-	-	233,460
Unconditional transfers other govt's	-	-	-	-	-	-	-
Income from subsidiary	-	-	-	-	-	-	-
	33,392	84,151	16,759	53,062	227,526	356,452	356,820
EXPENSES							
Salaries and benefits	434,539	56,470	223,993	15,747	94,178	126,509	231,011
Goods and services	338,388	106,450	63,553	38,221	90,796	152,871	191,109
Debt interest and issue expense	-	2,021	1,338	-	19,916	-	1,359
Amortization and disposals	13,178	76,706	135,235	10,038	92,723	82,694	160,344
	786,105	241,647	424,119	64,006	297,613	362,074	583,823
REVENUE LESS EXPENSES BEFORE CAPITAL REVENUES	(752,713)	(157,496)	(407,360)	(10,944)	(70,087)	(5,622)	(227,003)
CAPITAL REVENUES							
Proceeds sale of capital assets	-	-	35,928	-	-	-	-
Conditional capital transfers	-	42,233	-	-	107,596	487,971	234,533
	-	42,233	35,928	-	107,596	487,971	234,533
SURPLUS/(DEFICIT)	\$ (752,713)	\$ (115,263)	\$ (371,432)	\$ (10,944)	\$ 37,509	\$ 482,349	\$ 7,530

**VILLAGE OF NAKUSP
FINANCIAL STATEMENTS
SCHEDULE 2 - SEGMENTED INFORMATION
For the Year Ended December 31, 2011**

	Cemetery Services	Hot Springs Services	Economic Dev. and Promotion	Attributable to Segments	Actual 2011	Actual 2011	Actual 2011	Actual 2010
REVENUE								
Municipal property taxes	\$ -	\$ -	\$ -	\$ 905,502	\$ -	\$ 905,502	\$ 884,995	
Grants in lieu of taxes	-	-	-	38,182	-	38,182	56,325	
Fees and charges	14,350	435,871	-	-	1,273,055	1,229,948		
Permits and licences	-	-	19,419	-	20,798	13,758		
Interest income	-	-	-	14,314	14,314	22,311		
Conditional operating transfers	18,070	-	13,828	-	335,847	322,286		
Unconditional transfers other gov'ts	-	-	-	485,424	485,424	384,724		
Income from subsidiary	-	-	-	(37,175)	(37,175)	5,000		
	32,420	435,871	33,247	1,406,247	3,035,947	2,919,347		
EXPENSES								
Salaries and benefits	17,886	253,532	-	-	1,453,865	1,265,195		
Goods and services	10,772	176,345	57,241	-	1,225,746	1,087,716		
Debt interest and issue expense	-	14,869	-	-	39,503	34,095		
Amortization and disposals	3,410	17,960	-	-	592,288	545,390		
	32,068	462,706	57,241	-	3,311,402	2,932,396		
REVENUE LESS EXPENSES BEFORE CAPITAL REVENUES	352	(26,835)	(23,994)	1,406,247	(275,455)	(13,049)		
CAPITAL REVENUES								
Proceeds sale of capital assets	-	-	-	-	35,928	93,975		
Conditional capital transfers	-	-	-	-	872,333	2,155,099		
	-	-	-	-	908,261	2,249,074		
SURPLUS/(DEFICIT)	\$ 352	\$ (26,835)	\$ (23,994)	\$ 1,406,247	\$ 632,806	\$ 2,236,025		

**VILLAGE OF NAKUSP
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 generally accepted accounting principles for local government as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

(b) Reporting Entity

The Consolidated Financial Statements reflect the assets, liabilities, revenues, expenses, and changes in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to Council and are owned or controlled by the Village.

The Consolidated Financial Statements consolidates the accounts of the General, Water, Sewer operating and capital funds of the Village. All inter-fund assets, liabilities, sources of funding and expenses have been eliminated.

The Nakusp & Area Community Forest Inc (NACFOR)

NACFOR, a government business enterprise, is accounted for using the modified equity method. Under this method, the business enterprise's accounting principles are not adjusted to conform with those of the Village. The equity income for the year is recorded as revenue in the Village's consolidated statements of operations and the investment in NACFOR is adjusted accordingly.

(c) Accrual Accounting

Items recognized in the Consolidated 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.

VILLAGE OF NAKUSP
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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 licenses)

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

Government Transfers (conditional and unconditional grants)

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

(e) Cash & Equivalents

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

(f) Investments

Investments are recorded at cost. The carrying value of investments is reduced to their net realizable value if in management's opinion there is a permanent decline in value.

(g) 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 Consolidated Statement of Operations in the year in which it is used for the specified purpose.

(h) Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of a liability (debt obligation). The asset is amortized in a manner consistent with tangible capital assets owned by the Village. The obligation is reduced

**VILLAGE OF NAKUSP
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased Assets (continued)

over the term of the lease, with related interest expensed in the period incurred. All other leases are accounted for as operating leases, with the rental costs expensed in the period incurred.

(i) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Intangible capital assets, such as road rights of ways, water rights and mineral resources, are not recorded in the Consolidated Financial Statements.

(1) Tangible Capital Assets

Tangible Capital Assets are recorded at cost less accumulated amortization and are classified according their functional use. Amortization is recorded on a straight line basis over the estimated useful life of the asset commencing when the asset is put in to service. Estimated useful lives are as follows:

Type	Functional Use Category	Useful Life Range (years)
General:	Land	Not amortized
	Park Improvements	15-20
	Buildings	15-50
	Equipment & Furniture	5-20
	Vehicles	5-25
Infrastructure:	Transportation (roads etc.)	15 gravel roads
		40 paved roads
		30-50 other
	Sewer	50 sewer mains
		30-50 other
	Water	50 water mains
20-50 other		

Carrying costs directly attributable to the acquisition, construction or development activity, excluding interest costs, are capitalized to the point in time the asset is substantially complete and ready for use. Contributions or donations of tangible capital assets are recorded at fair value at the date of contribution/donation.

(2) Inventory

Inventories are recorded at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.

VILLAGE OF NAKUSP
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Use of Estimates

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the period. Significant areas requiring estimates include the determination of accrued payroll liabilities, provisions for contingencies, net book value for tangible capital assets capitalized prior to 2009, and amortization expense. As such, actual amounts could differ from the estimates. If actual results differ, adjustments are reflected in operations when known.

2. INVESTMENTS

	<u>2011</u>	<u>2010</u>
MFA Money Market Fund	\$ 50,265	\$ 51,044
MFA Intermediate Fund	2,203	2,166
MFA Short Term Bond Fund	3,043	2,933
	<u>\$ 55,511</u>	<u>\$ 56,143</u>

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

3. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Municipal property taxes	\$ 250,854	\$ 154,716
Government & agency transfers (grants)	678,382	754,420
Sewer user fees	23,206	24,661
Water user fees	30,167	27,526
HST	96,354	139,793
Other	75,258	67,435
	<u>\$ 1,154,221</u>	<u>\$ 1,168,551</u>

VILLAGE OF NAKUSP
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

4. DEPOSITS RECEIVABLE

	<u>2011</u>	<u>2010</u>
MFA Debt Reserve Fund - Cash Deposit*	\$ 16,089	\$ 8,547
MFA Debt Reserve Fund - Demand Note	\$ 39,108	\$ 25,810

* Only the cash portion of the Debt Reserve Fund is reported in the Financial Statements.

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

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

5. INVESTMENT IN NAKUSP & AREA COMMUNITY FOREST INC.

Nakusp & Area Community Forest Incorporation (NACFOR) is a wholly owned subsidiary that was created for the purpose of managing a tree farm license in the Nakusp area. The condensed supplementary financial information for the period ended December 31, 2011 with 2010 comparative figures are as follows:

	<u>2011</u>	<u>2010</u>
<i>Financial Position</i>		
Assets:		
Current assets	\$ 162,982	\$ 215,080
Capital assets (logging roads)	146,157	142,376
	<u>309,139</u>	<u>357,456</u>
Liabilities:		
Current liabilities	3,648	2,000
Silviculture accrual	25,960	38,750
	<u>29,608</u>	<u>40,750</u>
Shareholders' Equity:	279,531	316,706
	<u>\$ 309,139</u>	<u>\$ 357,456</u>
<i>Results of Operations, net (loss) income for period</i>	<u>\$ (37,175)</u>	<u>\$ 5,000</u>

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2011</u>	<u>2010</u>
Payroll related	\$ 74,121	\$ 80,065
Trade accounts payable	402,635	550,588
Accruals	63,079	111,377
	<u>\$ 539,835</u>	<u>\$ 742,030</u>

7. DEFERRED REVENUE

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

	<u>Balance Jan/1/2011</u>	<u>Contributions Received</u>	<u>Contributions Used (Revenue)</u>	<u>Balance Dec/31/2011</u>
Federal gas taxes	\$ -	\$ 111,435	\$ 94,252	\$ 17,183
RD Grant - Arena		\$ 23,269		\$ 23,269
MIA Grant		\$ 3,002		\$ 3,002
Water capital grant	299,588	-	31,754	\$ 267,834
Parkland acquisition	13,272	-		\$ 13,272
Prepaid taxes	126,987	117,679	126,987	\$ 117,679
	<u>\$ 439,847</u>	<u>\$ 255,385</u>	<u>\$ 252,993</u>	<u>\$ 442,239</u>

Federal Gas Tax

Gas Tax funding is provided by the Government of Canada and use of the funding is restricted by the terms of a funding agreement between the Village and the Union of British Columbia Municipalities. Funding may be used towards certain public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

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8. CAPITAL LEASE

	2011	2010
Municipal Finance Authority, Dump Truck, interest at 1.25*, with blended monthly payments of \$1,563, secured by the leased asset, maturing January 2015	\$ 57,461	\$ 74,874
Municipal Finance Authority, Fire Truck, fully repaid in 2011	-	9,658
	\$ 57,461	\$ 84,532

** Interest rate is a variable rate equal to prime less 1%. Payments are fixed using an interest rate of 1.25% resulting in a fixed payment schedule. Interest differential is adjusted for in the final payment of the lease.

Interest paid on the capital leases for the year was \$1,387 (2010 - \$1,550). The future minimum lease payments for the next four years are:

	2012	\$ 18,751
	2013	18,751
	2014	18,751
	2015	1,562
		57,815
Less amount representing interest charges:		354
		\$ 57,461

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9. LONG TERM DEBT

	<u>2011</u>	<u>2010</u>
Municipal Finance Authority Issue 75 (10 year term), Security Issuing Bylaw 564, Hotsprings Campground, fully repaid 2011	\$ -	\$ 8,082
Municipal Finance Authority Issue 110 (5 year term), Loan Authorization Bylaw 573, Hotsprings Grounds 3.35%, due April 2015	49,328	60,900
Municipal Finance Authority Issue 63 (20 year term), Security Issuing Bylaw 476, Sewer Extentsion, 4% to June 1, 2011, 3% to maturity; due June 2016	49,657	58,967
Municipal Finance Authority Issue 79 (25 year term) Security Issuing Bylaw 571, Sewer Lift Stations, Interest to June 2013 5.491%; then reset Due June 2028	213,299	221,442
Municipal Finance Authority Issue 110 (20 year term) Security Issuing Bylaw 637, Hot Springs Infrastructure 4.20% to October 12, 2021, reset thereafter Matures October 12, 2031 with option to pay down	710,000	-
Municipal Finance Authority Issue 110 (20 year term) Security Issuing Bylaw 368, Emergency Services Building 4.20% to October 12, 2021, reset thereafter Matures October 12, 2031 with option to pay down	110,000	-
Municipal Finance Authority, Interim Financing, This debt was fully repaid in 2011	-	292,000
	<u>\$ 1,132,284</u>	<u>\$ 641,391</u>

Interest paid on long term debt was \$24,717 (2011 - \$32,545). Principle payments payable and estimated actuarial earnings on sinking funds (held by the Municipal Finance Authority) to be attributed against the debt payable in future years are:

	Principle	Actuarial	Total
2012	\$ 48,982	\$ 8,071	\$ 57,053
2013	48,982	9,430	\$ 58,412
2014	48,982	11,950	\$ 60,932
2015	48,982	14,256	\$ 63,238
2016	37,738	12,026	\$ 49,764
Future years:	480,591	362,294	\$ 842,885
	<u>\$ 714,257</u>	<u>\$ 418,027</u>	<u>\$ 1,132,284</u>

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10. ACCUMULATED SURPLUS

Accumulated surplus is represented by:

	<u>2011</u>	<u>2010</u>
Unappropriated Surplus/(Deficit)		
General Fund	\$ (50,710)	\$ (136,073)
Water Fund	812,171	668,760
Sewer Fund	169,260	51,761
	<u>930,721</u>	<u>584,448</u>
Statutory Reserves		
Operations Equipment	324,862	244,970
General Capital	39,246	-
Fire Services Equipment	77,790	70,427
	<u>441,898</u>	<u>315,397</u>
Investment in Subsidiary (NACFOR)	279,531	316,706
Investment in Tangible Capital Assets	13,312,259	13,115,052
	<u>\$ 14,964,409</u>	<u>\$ 14,331,603</u>

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

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

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

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

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11. CONTINGENCIES

(a) Municipal Pension Plan

The Village and its employees contribute to the Municipal Pension Plan (Plan), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every 3 years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009, indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be December 31, 2012, with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers.

The Village paid \$87,904 for employer contributions and \$73,869 for employee contributions to the Plan in fiscal 2011 (\$79,225 and \$67,400 respectively in 2010).

(b) Regional District Debt

Debt of the Regional District of the Central Kootenay ("RDCK") are, under the provisions of the provisions of the Community Charter, a direct, joint and several liability of the RDCK and each member municipality with the RDCK, including the Village.

12. PROPERTY TAXATION REVENUE

The Village is legislatively required to collect, and pay, property taxes on behalf of/to other governments. The amounts collected and paid are not recognized as revenues or expenses of the Village. Details of gross property taxes collected less amounts remitted to other governments are as follows:

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12. PROPERTY TAXATION REVENUE (continued)

	<u>2011 Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Municipal Taxes Collected	\$ 873,413	\$ 875,154	\$ 839,817
Taxes collected for other Governments	1,199,253	1,174,048	1,224,665
Sewer parcel tax	16,291	9,788	-
Penalties and interest on taxes	21,363	23,272	19,971
	<u>2,110,320</u>	<u>2,082,262</u>	<u>2,084,453</u>
Less: transfers to other governments:			
School District - School Tax	679,162	669,670	679,381
School District - Police Tax	66,552	70,467	66,552
Regional District	391,217	370,122	391,221
Regional Hospital District	44,908	50,535	44,889
BC Municipal Finance Authority	17,365	15,918	17,365
Municipal Finance Authority	49	48	50
Municipal Property Taxes	<u>\$ 911,067</u>	<u>\$ 905,502</u>	<u>\$ 884,995</u>

13. EXPENDITURES BY OBJECT

	Fiscal 2011		
	<u>Operations</u>	<u>Capital</u>	<u>Total</u>
Salaries & benefits	\$ 1,453,865	\$ 47,195	\$ 1,501,060
Goods & services	1,225,746	1,206,124	2,431,870
Interest	39,503	-	39,503
Amortization & disposals	592,288	-	592,288
	<u>\$ 3,311,402</u>	<u>\$ 1,253,319</u>	<u>\$ 4,564,721</u>

	Fiscal 2010		
	<u>Operations</u>	<u>Capital</u>	<u>Total</u>
Salaries & benefits	\$ 1,265,195	\$ 25,867	\$ 1,291,062
Goods & services	1,087,716	2,608,890	3,696,606
Interest	34,095	-	34,095
Amortization & disposals	545,390	-	545,390
	<u>\$ 2,932,396</u>	<u>\$ 2,634,757</u>	<u>\$ 5,567,153</u>

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14. BUDGET ADJUSTMENTS AND RECONCILIATION TO STATEMENT OF OPERATIONS

The Financial Plan (“Budget”) Bylaw adopted by Council on May 12, 2011 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards, “PSAB”).

The budget was prepared based on the legislative requirements, as set out in the *Community Charter*, which are “cash flow” based, meaning that planned revenue sources for the period must equal planned expenditures. The financial reporting requirements, as set out in the *Public Sector Accounting Handbook*, for the Financial Statements, are accrual based, as described in Note 1(c). Financial reporting requirements do not apply to the Budget.

In order to ensure comparability between the Budget and the Actual results reported in these Financial Statements, the Budget figures adopted by Council have been adjusted to conform to the Public Sector Accounting Standards as detailed in the table below. All of the budget figures shown in the budget column were included in the adopted budget, except for amortization expense which has been adjusted from nil to equal actual amortization expense. The table also demonstrates how the legislative requirement for a balanced budget (where planned revenue sources equal planned expenditures) has been met.

	2011 Budget	2011 Actual
Surplus, Statement of Operations	\$ 1,426,950	\$ 632,806
Adjustments for non-cash items:		
Add back: Amortization expense	587,684	587,473
Add back: Net book value disposed TCA expense	-	4,815
Remove: MFA debt actuarial interest revenue	-	(10,297)
Add back: Subsidiary loss (NACFOR)	-	37,175
Adjustments for cash items that are not PSAB revenues or expenses:		
Less: capital expenditures	(2,448,804)	(1,253,319)
Less: debt principal repayment	(43,928)	(345,881)
Plus: debt proceeds	806,276	820,000
Net transfer (to) Statutory Reserves & Unappropriated Surplus	(328,178)	(472,772)
Financial Plan (Budget) Balance	\$ -	\$ -

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15. SEGMENTED REPORTING (See Schedule 2)

The Village is a diversified municipal government institution that provides a wide range of services to its citizens such as fire protection, roads and public works, garbage collection, water and sewer systems, parks and recreation facilities and cemeteries. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment.

General Government

This segment comprises the Village's corporate support services including Finance and Administrative services (including personal, reception, records management, information systems support), operation of the municipal hall, and mayor and council expenses.

Protective Services

This segment is comprised of fire protection. The volunteer fire department is responsible for providing fire suppression service, fire prevention programs, training and education.

Transportation Services

This department provides a number of services including road and storm sewer maintenance, snow removal, building maintenance.

Waste and Disposal Services

This segment consists of providing garbage collection to citizens.

Sanitary Sewer Services

This segment processes and cleans sewage and ensures the Village's sewer system meets all Provincial and Federal standards.

Water Services

This segment provides the Municipality's drinking water. The Village's water system meets all Provincial and Federal standards.

Parks, Recreation & Cultural Services

This segment provides services meant to improve the health and development of the Village's citizens. Recreational and cultural programs are provided at the arena, community centre, sportsfields and parks.

Cemetery Services

Health services consists of the management of the cemetery.

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15. SEGMENTED REPORTING (See Schedule 2) (continued)

Hot Springs Services

This segment captures the revenues and expenses associated with the running of the Village's Hot Springs.

Economic Development and Promotion

Development and promotion services provide sustainable community economic development programs and services and support for economic business retention and development initiatives.

16. TRUST FUND – CEMETERY CARE FUND

Trust Funds are excluded from the Consolidated Financial Statements.

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, 2011 with 2010 comparative figures are as follows:

		<u>2011</u>	<u>2010</u>
<i>Financial Position</i>			
Assets:	Short-term Investments	\$ 26,236	\$ 24,867
	Accrued Interest receivable	310	28
		<u>26,546</u>	<u>24,895</u>
Equity:		<u>\$ 26,546</u>	<u>\$ 24,895</u>
<i>Operations</i>			
Revenue:	Contributions	\$ 1,300	\$ 1,549
	Interest	351	1,116
		<u>1,651</u>	<u>2,665</u>
Expenses:		-	-
Change in Equity:		<u>\$ 1,651</u>	<u>\$ 2,665</u>