

The Corporation of the Village of Lytton

Financial Statements

December 31, 2010

The Corporation of the Village of Lytton

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Independent Auditors' Report

To the Council of the Corporation of the Village of Lytton:

We have audited the accompanying financial statements of the Corporation of the Village of Lytton, which comprise of the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, changes in net assets and cash flow 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 Generally Accepted Accounting Principles, 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 auditors' 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Village of Lytton as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally Accepted Accounting Principles.

Hope, British Columbia
April 26, 2011
PO Box 1689 100-E Fort Street
Hope, BC
VOX 1L0

Meyer Norris Penny LLP

Chartered Accountants



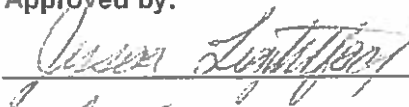
The Corporation of the Village of Lytton
 Consolidated Statement of Financial Position
 December 31, 2010

	2010	2009 <i>Restated</i>
Financial Assets		
Cash and short-term investments	1,328,420	1,725,290
Accounts receivable <i>(note 14)</i>	296,498	109,043
	<u>1,624,918</u>	<u>1,834,333</u>
Financial Liabilities		
Accounts payable and accrued charges	82,025	77,804
Capital lease obligation <i>(Note 4)</i>	68,192	86,985
Long-term debt <i>(Note 5)</i>	226,129	238,288
	<u>376,346</u>	<u>403,077</u>
Net financial assets	<u>1,248,572</u>	<u>1,431,256</u>
Non-financial Assets		
Tangible capital assets <i>(Note 6)</i>	2,687,977	2,705,187
Prepaid expenses	11,791	11,562
	<u>2,699,768</u>	<u>2,716,749</u>
Accumulated Surplus <i>(Note 7) (Note 14)</i>	<u>3,948,340</u>	<u>4,148,005</u>

Contingent Liability *(Note 10)*

Commitments *(Note 11)*

Approved by:

 Mayor

 Administrator

The Corporation of the Village of Lytton
 Consolidated Statement of Operations
 December 31, 2010

	(Note 15) 2010 Budget	2010 Actual	2009 Actual <i>Restated</i>
Revenue (Page 17)			
Municipal taxation and grants-in-lieu of taxes	340,470	340,823	341,047
Sale of services	234,403	199,726	201,490
Revenue from own sources	137,529	134,862	111,689
Transfers from other governments	538,334	646,408	1,684,366
	1,250,736	1,321,819	2,338,592
Expenses (Page 18) (Note 9)			
General administration and legislative services	393,491	513,183	468,231
Protective services	59,065	79,357	63,866
Public works and transportation services	528,412	660,412	386,971
Environmental development services	69,075	67,935	67,310
Recreation and cultural services	111,940	103,559	104,392
Amortization	-	97,038	96,600
	1,161,983	1,521,484	1,187,370
Excess (deficiency) of revenue over expenses	88,753	(199,665)	1,151,222
Accumulated surplus, beginning of year as previously stated	4,148,005	4,148,005	3,035,987
Correction of error (Note 14)		-	(39,204)
Accumulated surplus, beginning of year as restated		4,148,005	2,996,783
Accumulated surplus, end of year	4,236,758	3,948,340	4,148,005

The Corporation of the Village of Lytton
Statement of Change in Net Financial Assets
December 31, 2010

	2010	2009 <i>Restated</i>
Excess (deficiency) of revenue over expenses	(199,665)	1,151,222
Acquisition of tangible capital assets	(79,828)	(288,044)
Amortization of tangible capital assets	97,038	96,600
Use of prepaid expenses	(229)	25,383
Increase (decrease) in net financial assets	(182,684)	985,161
Net financial assets, beginning of year	1,431,256	446,095
Net financial assets, end of year	1,248,572	1,431,256

The Corporation of the Village of Lytton
 Consolidated Statement of Cash Flow
 December 31, 2010

	2010	2009 <i>Restated</i>
Operating activities:		
Excess (deficiency) of revenue over expenses	(199,665)	1,151,222
Amortization	97,038	96,600
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(187,455)	(12,340)
Prepaid expenses	(229)	25,383
Accounts payable and accrued charges	4,221	(104,289)
	(286,090)	1,156,576
Capital activities:		
Purchase of tangible capital assets	(79,828)	(288,044)
Financing activities:		
Principal reduction in long-term debt	(12,159)	(12,276)
Repayment of capital lease obligation	(18,793)	(11,579)
	(30,952)	(23,855)
Increase (decrease) in cash and short-term investments during the year	(396,870)	844,677
Cash and short-term investments, beginning of year	1,725,290	880,613
Cash and short-term investments, end of year	1,328,420	1,725,290
Supplementary cash flow information		
Interest paid	18,567	17,819

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

1. Operations

The Village was incorporated on May 3, 1945 under the Municipal Act, a former statute of the Province of British Columbia. Its principle activities include the provision of local government services to the residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

2. Accounting Policies

The consolidated financial statements of the Village are based on the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted are as follows:

a) Fund Accounting -

The consolidated financial statements are presented on a fund accounting basis and include the following funds:

Operating Fund: The operating fund reflects the financial activities associated with the provision of general municipal and utility services during the year.

Capital Fund: The capital fund reflects the financial activities associated with the acquisition, construction and funding of tangible capital assets.

Reserve Fund: The reserve fund reflects appropriations of surplus authorized by Village Council to be set aside for the funding of future operating or capital expenditures.

These funds have been segregated into the functions of general operations, sewer and water.

b) Tangible Capital Assets -

Tangible capital assets are initially recorded at cost based on historical accounting records. Amortization is provided using the straight line method at rates intended to amortize the cost of assets over their estimated useful lives.

Whenever events or changes in circumstances indicate that an asset, or group of assets, no longer has any long-term service potential to the Village, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Asset	Rate
Engineering structures	50 - 100 Years
Buildings	20 - 60 Years
Machinery and equipment	3 - 30 Years
Sewer system and equipment	30 - 75 Years
Water system and equipment	5 - 75 Years

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

2. Accounting Policies (continued)

c) Leases -

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

d) Reserves -

Reserves represent amounts set aside for specific or future expenditures. Statutory reserves require the passing of a by-law before funds can be expended. Reserve accounts require an approved council budget and resolution.

e) Principles of Consolidation -

The consolidated financial statements include the operating, capital and reserve funds of the Village. Interfund balances and transactions have been eliminated.

f) Revenue Recognition -

Revenues for taxation and services are accounted for in the period in which the transactions or events occurred that give rise to the revenues.

Government transfers are recognized as revenues in the period that the event giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria and reasonable estimates for the amounts can be made.

h) Measurement Uncertainty -

The preparation of financial statements in conformity with Canadian general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

3. Municipal Finance Authority Debt Reserve

The Municipal Finance Authority (MFA) requires a cash contribution of 1% of the face value of debt when issued. Upon the MFA's administration of the debt, 1% was charged on the gross balance transferred from the Province of B.C. The MFA debt reserve earns interest income and is used to pay the expense of the debt issue. Any remaining balance will be returned to the District at the maturity of the underlying debt issue.

The debt reserves are contingent in nature and are not reflected in the statement of financial position for the village. Details of the cash deposits and demand notes for the year are as follows:

	2010	2009
Cash Deposits	3,992	3,867
Demand Notes	8,699	8,699
	12,691	12,566

4. Capital Lease Obligation

	2010	2009
Municipal Finance Authority – Fire truck lease, bearing interest at 5.0%, with blended monthly payments of principal and interest totalling \$1,830, secured by the leased asset, maturity February, 2014	68,192	86,985

The Village is committed to the lease of a 1996 Freightliner Model FL80 fire truck. The net book value of the fire truck included in tangible capital assets is \$136,000.

Future minimum lease payments related to the obligations under capital lease are as follows:

2011	21,966
2012	21,966
2013	21,966
2013	3,661
	<u>69,559</u>
Less: imputed interest	1,367
	<u>68,192</u>

The Corporation of the Village of Lytton
Notes to the Financial Statements
December 31, 2010

5. Long-Term Debt

	2010	2009
Sewer Fund Debentures - Debenture debt at varying rates of interest, calculated semi-annually, payable in semi-annual instalments of \$7,163, due April 3 and \$16,135, due October 3, secured by sinking fund assets with the final instalment scheduled for October 3, 2023	226,129	238,288

Sinking fund assets secure the debenture debt. The approximate principal payments due and actuarial adjustments expected on the long-term debt in each of the next five years are as follows:

	Principal Payments	Actuarial Adjustments	Total
2011	9,073	3,693	12,766
2012	9,073	4,331	13,404
2013	9,073	5,002	14,075
2014	9,073	5,705	14,778
2015	9,073	6,444	15,517
Thereafter	72,584	83,005	155,589
	117,949	108,180	226,129

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

6. Tangible Capital Assets

	Cost	Additions	Disposals	Accumulated Amortization	2010 Net Book Value
Engineering Structures	958,960	-	-	(285,112)	673,848
Buildings	87,429	8,702	-	(65,737)	30,394
Machinery and Equipment	587,938	16,826	-	(301,639)	303,125
Land	55,641	-	-	-	55,641
Sewer	1,284,966	-	-	(295,205)	989,761
Water	943,514	54,300	-	(362,606)	635,208
	3,918,448	79,828	-	(1,310,299)	2,687,977

	Cost	Additions	Disposals	Accumulated Amortization	2009 Net Book Value
Engineering Structures	917,238	41,722	-	(267,717)	691,243
Buildings	87,429	-	-	(64,357)	23,072
Machinery and Equipment	514,602	73,336	-	(269,750)	318,188
Land	55,641	-	-	-	55,641
Sewer	1,284,966	-	-	(261,582)	1,023,384
Water	770,528	172,986	-	(349,855)	593,659
	3,630,404	288,044	-	(1,213,261)	2,705,187

Amortization expense of \$97,038 (2009 - \$96,600) was recorded.

Water assets include work in progress with a carrying value of \$362,764 (2009 - \$308,464) which is not subject to amortization during the year because it is currently under construction.

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

7. Accumulated Surplus

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	2010	2009
Surpluses		
General operating	309,979	247,363
Sewer (Note 14)	(53,688)	(28,131)
Water (Note 14)	(424,726)	(421,239)
Investment in tangible capital assets	2,393,655	2,379,916
	2,225,220	2,177,909
Statutory Reserves and Trust Accounts		
Capital Works	386,414	384,089
General	33,265	33,265
	419,679	417,354
Reserve for Future Expenditures		
Community development trust	-	44,498
Downtown revitalization	11,115	11,115
Economic development	9,365	9,365
Election	800	-
Engineering, design and planning	11,506	28,057
Federal Gas Tax Agreement Funds **	265,033	204,498
Firehall	260,000	223,448
Kamloops foundation - community fund	6,913	-
Raft take out	65,583	51,478
Search and Rescue	100	100
Small community grant	-	225,463
Trees for tomorrow	-	15,000
Water infrastructure	673,026	739,720
	1,303,441	1,552,742
	3,948,340	4,148,005

**Federal Gas Tax Agreement Funds

Gas tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Union of British Columbia Municipalities. Gas tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

	2010	2009
Balance, beginning of year	204,498	143,066
Payments received during the year	59,474	59,622
Interest earned	1,061	1,810
Balance, end of year	265,033	204,498

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

8. Capital Disclosures

For its own purposes, the Council defines capital as the sum of net assets invested in capital assets and general operating surplus. The Council is not subject to externally imposed requirements on capital. The Council's objectives when managing capital are to match generally the structure of its capital to the underlying nature and term of the assets being financed and to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events in order to maintain stability in the financial structure.

9. Expense by Object

	2010	2009
Insurance	25,086	17,479
Interest	18,567	17,819
Office and administration	741,689	402,539
Repairs and maintenance	134,132	289,234
Salaries and benefits	504,972	363,699
Amortization	97,038	96,600
	1,521,484	1,187,370
Capital expenditure	79,828	288,044
	1,601,312	1,475,414

10. Contingent Liability

Debts of the Thompson-Nicola Regional District (TNRD) are, under provisions of the British Columbia Community Charter, a direct, joint and several liability of the District and each member municipality within the TNRD, including the Corporation of the Village of Lytton.

11. Commitments

a) Lease Commitment

The Village is committed to the lease of its office space. The terms of the lease call for monthly payments of \$2,343. During the year the Village extended the lease for an additional five years expiring December 31, 2015. At the end of the lease the Village has a verbal agreement to either purchase the property at fair market value or renew for another 5 year term at the market rate for a property of this type.

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

11. Commitments (continued)

b) Pension Liability

The municipality and its employees contribute to the Municipal Pension Plan (Plan), a jointly trusteed 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 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local government.

Every three 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 \$1,024,000 for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. The Village paid \$31,243 for employer contributions to the plan in fiscal 2010.

12. Perpetual Cemetery Care Trust

The Village operates a cemetery in accordance with the Cemetery and Funeral Services Act. The Village is required to maintain a trust fund which is not included in these financial statements.

	2010	2009
Balance, beginning of year	12,095	11,899
Interest earned	86	196
Balance, end of year	<u>12,181</u>	<u>12,095</u>

13. Financial Instruments

The Village's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, 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 cash and short-term investments approximate their carrying values, unless otherwise noted.

Accounts receivable, accounts payable and long-term debt information is provided elsewhere in the financial statements to allow the assessment of the fair values of these financial instruments.

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2010

14. Correction of error

During the year, the Village determined that the water and sewer user rates receivable should have been written off during the year ended December 31, 2008. These amounts were incorrectly allocated to receivables rather than being recorded as bad debt expense. These write offs were completed during the current year resulting in a decrease in opening water surplus for 2009 in the amount of \$16,079 and opening sewer surplus for 2009 in the amount of \$23,125 and a decrease in accounts receivable for 2009 in the amount of \$39,204.

15. Budget Figures

The budget information disclosed is for information purposes only, has not been audited. Budget figures shown represent the Annual Budget By-law adopted by Council May 5, 2010.

The Corporation of the Village of Lytton

Schedule of Fund Revenue

December 31, 2010

	General Operating	Sewer	Water	2010 Total	2009 Total
Municipal Taxation and Grants-in-lieu					
Real property taxes	310,001	-	-	310,001	310,825
Grants in lieu of taxes	30,822	-	-	30,822	30,222
	340,823	-	-	340,823	341,047
Sale of Services	60,515	75,504	63,707	199,726	201,490
Revenues from Own Sources					
Licenses and permits	3,082	-	-	3,082	3,256
Rentals and general services	56,729	-	-	56,729	71,332
Return on investment	2,585	-	-	2,585	4,007
Penalties and interest on taxes	3,692	-	-	3,692	2,686
Proceeds on sale of assets	-	-	-	-	19,540
Sundry income	65,688	3,086	-	68,774	10,868
	131,776	3,086	-	134,862	111,689
Transfers from Other Governments					
Provincial	586,934	-	-	586,934	1,624,744
Federal	59,474	-	-	59,474	59,622
	646,408	-	-	646,408	1,684,366
Total Revenue	1,179,522	78,590	63,707	1,321,819	2,338,592