

The Corporation of the Village of Lytton

Consolidated Financial Statements

December 31, 2011

The Corporation of the Village of Lytton
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December 31, 2011

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Management's Responsibility

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Mayor and Council are composed entirely of Councillors who are neither management nor employees of the Village. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Village's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

Mayor

Long-term debt (Note 5)

Independent Auditors' Report

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

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 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 consolidated financial statements.

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

Opinion

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

Hope, British Columbia
May 7, 2012

MNP LLP

Chartered Accountants

MNP

The Corporation of the Village of Lytton
 Consolidated Statement of Financial Position
 December 31, 2011

	2011	2010
Financial assets		
Cash and short-term investments	957,976	1,328,420
Accounts receivable	366,935	296,498
	1,324,911	1,624,918
Financial liabilities		
Accounts payable and accrued charges	269,722	82,025
Deferred revenue	225,500	-
Capital lease obligation (Note 4)	46,957	68,192
Long-term debt (Note 5)	213,363	226,129
	755,542	376,346
	569,369	1,248,572
Non-financial assets		
Tangible capital assets (Note 6)	3,220,758	2,687,977
Prepaid expenses	6,065	11,791
	3,226,823	2,699,768
Accumulated surplus (Note 7)	3,796,192	3,948,340

Contingent liability (Note 10)

Commitments (Note 11)

Approved by:

_____ Mayor

_____ Administrator

The Corporation of the Village of Lytton
 Consolidated Statement of Operations
 December 31, 2011

	2011 Budget	2011 Actual	2010 Actual
Revenue (Page 18)			
Municipal taxation and grants-in-lieu of taxes	334,500	326,128	340,823
Sale of services	306,233	252,712	199,726
Revenue from own sources	84,388	99,506	134,862
Transfers from other governments	348,575	537,184	646,408
	<u>1,073,696</u>	<u>1,215,530</u>	<u>1,321,819</u>
Expenses (Page 19) (Note 9)			
General administration and legislative services	220,143	479,332	513,183
Protective services	90,750	142,731	79,357
Public works and transportation services	539,187	516,218	660,412
Environmental development services	51,000	42,898	67,935
Recreation and cultural services	81,000	72,916	103,559
Loss on disposal of assets	-	5,260	-
Amortization	-	108,323	97,038
	<u>982,080</u>	<u>1,367,678</u>	<u>1,521,484</u>
Excess (deficiency) of revenue over expenses	91,616	(152,148)	(199,665)
Accumulated surplus, beginning of year	3,948,340	3,948,340	4,148,005
Accumulated surplus, end of year	<u>4,039,956</u>	<u>3,796,192</u>	<u>3,948,340</u>

The Corporation of the Village of Lytton
 Consolidated Statement of Change in Net Financial Assets
 December 31, 2011

	2011	2010
Excess (deficiency) of revenue over expenses	(152,148)	(199,665)
Acquisition of tangible capital assets	(651,104)	(79,828)
Amortization of tangible capital assets	108,323	97,038
Loss on sale of tangible capital assets	5,260	-
Proceeds of disposal of tangible capital assets	4,740	-
Use of prepaid expenses	5,726	(229)
Increase (decrease) in net financial assets	(679,203)	(182,684)
Net financial assets, beginning of year	1,248,572	1,431,256
Net financial assets, end of year	569,369	1,248,572

The Corporation of the Village of Lytton
 Consolidated Statement of Cash Flows
 December 31, 2011

	2011	2010
Operating activities:		
Excess (deficiency) of revenue over expenses	(152,148)	(199,665)
Amortization	108,323	97,038
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(70,437)	(187,455)
Prepaid expenses	5,726	(229)
Accounts payable and accrued charges	187,697	4,221
Deferred revenue	225,500	
	304,661	(286,090)
Investing activities:		
Purchase of tangible capital assets	(651,104)	(79,828)
Loss on disposal of assets	5,260	-
Proceeds on disposal of tangible assets	4,740	-
	(641,104)	(79,828)
Financing activities:		
Principal reduction in long-term debt	(12,766)	(12,159)
Repayment of capital lease obligation	(21,235)	(18,793)
	(34,001)	(30,952)
Decrease in cash and short-term investments during the year	(370,444)	(396,870)
Cash and short-term investments, beginning of year	1,328,420	1,725,290
Cash and short-term investments, end of year	957,976	1,328,420
Supplementary cash flow information		
Interest paid	18,542	18,567

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2011

1. Operations

The Corporation of the Village of Lytton (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. Significant 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, 2011

2. Significant 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.

g) 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.

h) Recent accounting pronouncements -

Tax revenues (PS 3510)

In February 2010, the Public Sector Accounting Board (PSAB) issued PS 3510 Tax Revenue to provide guidance on how to account for and report tax revenue in the Village's financial statements. This section establishes recognition, measurement, presentation and disclosure requirements for tax revenue. PS 3510 is effective for fiscal years beginning on or after April 1, 2012. The Village has not yet determined the effect of the new section on its consolidated financial statements.

The Corporation of the Village of Lytton

Notes to the Financial Statements
December 31, 2011

2. Significant accounting policies (continued)

h) Recent accounting pronouncements (continued) -

Government transfers (PS 3410)

In March 2011, the Public Sector Accounting Board replaced and revised existing section PS 3410 Government Transfers with a newly amended section PS 3410. Newly issued PS 3410 establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section permits a recipient government to recognize government transfers as revenue when the transfer is authorized by the transferring government, unless the transfer creates a liability for the recipient. A liability is created as a result of the recipient government not yet meeting eligibility criteria or the existence of stipulations in the transfer agreement. When a government transfer results in recognition of a liability, revenue is recognized by a recipient government as the liability is settled. A transferring government recognizes an expense when the transfer is authorized and the recipient has met all eligibility criteria.

Newly revised and issued PS 3410 may be applied prospectively or retroactively and is effective for fiscal years beginning on or after April 1, 2012; however, earlier adoption is encouraged. PS 3410 will be applied prospectively, but the Village has not yet determined the effect of the newly issued section on its consolidated financial statements.

Financial instruments (PS 3450)

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 Financial Instruments to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted. The PSAB plans to review application of this Section by governments by December 31, 2013.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The Village has not yet determined the effect of these new standards on its consolidated financial statements.

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 Village 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:

	2011	2010
Cash Deposits	4,128	3,992
Demand Notes	8,699	8,699
	12,827	12,691

The Corporation of the Village of Lytton

Notes to the Financial Statements
December 31, 2011

4. Capital lease obligation

	2011	2010
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	46,957	68,192

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 \$121,500.

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

2012	21,966
2013	21,966
2014	3,661
	47,593
Less: imputed interest	636
	46,957

5. Long-term debt

	2011	2010
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	213,363	226,129

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
2012	9,073	4,332	13,405
2013	9,073	5,002	14,075
2014	9,073	5,706	14,779
2015	9,073	6,445	15,518
2016	9,073	7,221	16,294
Thereafter	63,509	75,783	139,292
	108,874	104,489	213,363

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2011

6. Tangible capital assets

					2011
	Cost	Additions	Disposals	Accumulated amortization	Net book value
Engineering Structures	958,960	-	-	(300,507)	658,453
Buildings	96,131	-	-	(67,117)	29,014
Machinery and Equipment	604,764	4,673	(28,000)	(313,028)	268,409
Land	55,641	20,000	-	-	75,641
Sewer	1,284,966	-	-	(328,829)	956,137
Water	997,814	626,431	-	(391,141)	1,233,104
	3,998,276	651,104	(28,000)	(1,400,622)	3,220,758

					2010
	Cost	Additions	Disposals	Accumulated amortization	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

Amortization expense of \$108,323 (2010 - \$97,038) was recorded.

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2011

7. Accumulated surplus

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

	2011	2010
Surpluses		
General operating	129,482	309,979
Sewer	(53,688)	(53,688)
Water	(411,886)	(424,726)
Investment in tangible capital assets	2,960,438	2,393,655
	2,624,346	2,225,220
Statutory reserves and trust accounts		
Capital Works	386,722	386,414
General	27,457	33,265
	414,179	419,679
Reserve for future expenditures		
Downtown revitalization	11,115	11,115
Economic development	9,365	9,365
Election	-	800
Engineering, design and planning	11,506	11,506
Federal Gas Tax Agreement Funds **	325,856	265,033
Firehall	280,000	260,000
Kamloops foundation - community fund	-	6,913
Raft take out	72,151	65,583
Search and Rescue	1,078	100
Water infrastructure	46,596	673,026
	757,667	1,303,441
	3,796,192	3,948,340

**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.

	2011	2010
Balance, beginning of year	265,033	204,498
Payments received during the year	59,473	59,474
Interest earned	1,350	1,061
Balance, end of year	325,856	265,033

The Corporation of the Village of Lytton

Notes to the Financial Statements

December 31, 2011

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

	2011	2010
Insurance	27,231	25,086
Interest	18,542	18,567
Office and administration	603,629	741,689
Repairs and maintenance	136,411	134,132
Salaries and benefits	468,282	504,972
Amortization	108,323	97,038
Loss on disposal of assets	5,260	-
	1,367,678	1,521,484
Capital expenditures	651,104	79,828
	2,018,782	1,601,312

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. The term of the lease will expire on 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, 2011

11. Commitments (continued)

b) Pension liability

The municipality and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustees 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 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 million 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 deficit to individual employers. The Village paid \$32,086 for employer contributions to the plan in fiscal 2011.

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.

	2011	2010
Balance, beginning of year	12,181	12,095
Interest earned	113	86
Balance, end of year	12,294	12,181

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, 2011

14. 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 April 11, 2011.

The Corporation of the Village of Lytton
 Schedule of Fund Revenue
 December 31, 2011

	General Operating	Sewer	Water	2011 Total	2010 Total
Municipal taxation and grants-in-lieu					
Real property taxes	300,001	-	-	300,001	310,001
Grants in lieu of taxes	26,127	-	-	26,127	30,822
	<u>326,128</u>	<u>-</u>	<u>-</u>	<u>326,128</u>	<u>340,823</u>
Sale of services	65,238	108,785	78,689	252,712	199,726
Revenues from own sources					
Licenses and permits	4,048	-	-	4,048	3,082
Rentals and general services	60,862	-	-	60,862	56,729
Return on investment	12,651	-	-	12,651	2,585
Penalties and interest on taxes	4,993	-	-	4,993	3,692
Sundry income	13,228	3,724	-	16,952	68,774
	<u>95,782</u>	<u>3,724</u>	<u>-</u>	<u>99,506</u>	<u>134,862</u>
Transfers from other governments					
Provincial	477,711	-	-	477,711	586,934
Federal	59,473	-	-	59,473	59,474
	<u>537,184</u>	<u>-</u>	<u>-</u>	<u>537,184</u>	<u>646,408</u>
Total revenue	1,024,332	112,509	78,689	1,215,530	1,321,819

The Corporation of the Village of Lytton
 Schedule of Fund Expenses
 December 31, 2011

	General Operating	Sewer	Water	2011 Total	2010 Total
General administration and legislative services					
Legislative	33,793	-	-	33,793	33,385
General administration	366,287	79,252	-	445,539	479,798
	400,080	79,252	-	479,332	513,183
Protective services	142,731	-	-	142,731	79,357
Public works and transportation services					
Common services	26,585	1,055	65,848	93,488	108,639
Public works and streets	408,720	-	-	408,720	542,750
Street lighting	14,010	-	-	14,010	9,023
	449,315	1,055	65,848	516,218	660,412
Environmental development	42,898	-	-	42,898	67,935
Recreation and cultural services					
Swimming	47,902	-	-	47,902	59,371
Museum, info-centre and parks	25,014	-	-	25,014	44,188
	72,916	-	-	72,916	103,559
Loss on disposal of assets	5,260	-	-	5,260	-
Amortization	46,165	33,623	28,535	108,323	97,038
Total expenses	1,159,365	113,930	94,383	1,367,678	1,521,484