

Village of Lytton
Financial Statements
December 31, 2019

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Management's Responsibility

To the Mayor and Council of the Village of Lytton,

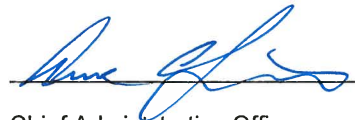
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. 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 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 financial statements.

The Mayor and Council are composed entirely of individuals who are neither management nor employees of the Village. The Mayor and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Mayor and Council fulfill these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Mayor and Council are also responsible for appointing the Village's external auditors.

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

November 9, 2020



Chief Administrative Officer

Independent Auditor's Report

To the Mayor and Council of the Village of Lytton,

Opinion

We have audited the financial statements of the Village of Lytton (the "Village"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2019, 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.

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 Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Village of Lytton for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 8, 2019.

Other Information

Management is responsible for the other information. The other information comprises the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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 liquidate the Village or 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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 these 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 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 audit 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

Kelowna, British Columbia

October 28, 2020

MNP LLP

Chartered Professional Accountants

Village of Lytton
Statement of Financial Position
As at December 31, 2019

| | 2019 | 2018 |
|---|------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 2) | 970,292 | 1,166,238 |
| Investments (Note 3) | 940,465 | 923,282 |
| Accounts receivable (Note 4) | 423,091 | 592,681 |
| Inventory | 357 | 159 |
| | 2,334,205 | 2,682,360 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 204,086 | 634,305 |
| Deferred revenue (Note 6) | 157,542 | 472,675 |
| Long-term debt (Note 7) | 85,361 | 104,222 |
| | 446,989 | 1,211,202 |
| Net Financial Assets | 1,887,216 | 1,471,158 |
| Non-financial assets | | |
| Prepaid expenses | 10,103 | 9,108 |
| Tangible capital assets (Note 8) | 6,404,208 | 5,129,687 |
| | 6,414,311 | 5,138,795 |
| Accumulated surplus (Note 9) | 8,301,527 | 6,609,952 |
| Commitments and contingencies (Note 12) | | |
| Endowments (Note 15) | | |
| Funds held in Trust (Note 16) | | |
| Subsequent event (Note 17) | | |



 Mayor

The accompanying notes are an integral part of these financial statements

Village of Lytton
Statement of Operations and Accumulated Surplus

For the year ended December 31, 2019

| | Budget (Note 14) | 2019 | 2018 |
|--|---------------------|------------------|-----------|
| Revenue | | | |
| Municipal taxation and grants-in-lieu of taxes (Note 10) | 394,134 | 368,191 | 361,979 |
| Sale of services and regulatory fees | 356,952 | 292,823 | 286,328 |
| Revenue from own sources | 171,697 | 119,567 | 90,695 |
| Government transfers and other contributions (Note 11) | 3,652,309 | 2,143,662 | 2,147,068 |
| | 4,575,092 | 2,924,243 | 2,886,070 |
| Expenses | | | |
| General administration and legislative services | 779,159 | 598,764 | 719,096 |
| Protective services | 103,040 | 65,418 | 49,752 |
| Public works and transportation services | 236,585 | 177,090 | 175,525 |
| Environmental and development services | 307,721 | 68,111 | 3,233 |
| Recreation and cultural services | 98,662 | 75,977 | 77,608 |
| Water utility | 7,200 | 106,337 | 134,412 |
| Sewer utility | 211,677 | 138,891 | 134,853 |
| Museum | 120,826 | 2,080 | 1,187 |
| | 1,864,870 | 1,232,668 | 1,295,666 |
| Annual surplus | 2,710,222 | 1,691,575 | 1,590,404 |
| Accumulated surplus, beginning of year | 6,609,952 | 6,609,952 | 5,019,548 |
| Accumulated surplus (Note 9) | 9,320,174 | 8,301,527 | 6,609,952 |

The accompanying notes are an integral part of these financial statements

Village of Lytton
Statement of Changes in Net Financial Assets
For the year ended December 31, 2019

| | Budget (Note 14) | 2019 | 2018 |
|--|---------------------|--------------------|-------------|
| Annual surplus | 2,710,222 | 1,691,575 | 1,590,404 |
| Acquisition of tangible capital assets | (3,380,762) | (1,389,137) | (1,645,717) |
| Proceeds on disposition of tangible capital assets | - | 1,624 | 13,154 |
| Amortization of tangible capital assets | - | 112,991 | 122,755 |
| | (3,380,762) | (1,274,522) | 80,596 |
| Change in prepaid expenses | - | (995) | (5,342) |
| Increase (decrease) in net financial assets | (670,540) | 416,058 | 75,254 |
| Net financial assets, beginning of year | 1,471,158 | 1,471,158 | 1,395,904 |
| Net financial assets, end of year | 800,618 | 1,887,216 | 1,471,158 |

The accompanying notes are an integral part of these financial statements

Village of Lytton
Statement of Cash Flows

For the year ended December 31, 2019

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Cash provided by (used for) the following activities | | |
| Operating Activities | | |
| Annual surplus | 1,691,575 | 1,590,404 |
| Items not involving cash included in annual surplus: | | |
| Amortization of tangible capital assets | 112,991 | 122,755 |
| Change in financial assets and liabilities: | | |
| Accounts receivable | 169,590 | 24,961 |
| Inventory | (198) | (159) |
| Accounts payable and accruals | (430,219) | 445,560 |
| Deferred revenue | (315,133) | (62,014) |
| Change in non-financial assets: | | |
| Prepays expenses | (995) | (5,342) |
| | 1,227,611 | 2,116,165 |
| Capital Activities | | |
| Acquisition of tangible capital assets | (1,389,137) | (1,645,717) |
| Proceeds on disposition of tangible capital assets | 1,624 | 13,154 |
| | (1,387,513) | (1,632,563) |
| Financing Activities | | |
| Principal repayments of long-term debt | (18,861) | (17,964) |
| Proceeds (investing) from investments | - | 135,728 |
| Purchases of investments | (17,183) | - |
| | (36,044) | 117,764 |
| Increase (decrease) in cash and cash equivalents | (195,946) | 601,366 |
| Cash and cash equivalents, beginning of year | 1,166,238 | 564,872 |
| Cash and cash equivalents, end of year | 970,292 | 1,166,238 |
| Cash and cash equivalents consists of: | | |
| Cash and cash equivalents | 918,864 | 1,112,306 |
| Restricted cash (Note 3) | 51,428 | 53,932 |
| | 970,292 | 1,166,238 |

The accompanying notes are an integral part of these financial statements

The Village of Lytton (the "Village") was incorporated as a Village on May 3, 1945 under statute of the Province of British Columbia. Its principal activities include the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sewer services.

1. Significant accounting policies

The financial statements of the Village are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of CPA Canada. Significant accounting policies adopted by the Village are as follows:

(a) Basis of accounting

The Village follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Revenue recognition

Property tax revenue is recognized at the date property tax notices are issued, based on property assessment values issued by BC Assessment for the current year and tax rates established annually by bylaw. Assessments are subject to appeal and tax adjustments are recorded when the results of appeals are known.

Water and sewer user rates, connection fees, sale of services, interest and penalties are recognized as revenue in the year the related service is provided.

(c) Government transfers

Government transfers are recognized as revenue in the period the transfers are authorized and any eligibility criteria have been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and recognized in the statement of operations as revenue as the stipulation liabilities are settled.

(d) Deferred revenue

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

(e) Investment income

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Restricted surplus

The restricted surplus represents reserves set aside for future expenses. Non-statutory reserves represent an appropriation of surplus for specific purposes. Reserves for future capital expenditures represent funds to finance incomplete capital projects. Statutory reserves are restricted by the Community Charter and the associated municipal bylaws that establish the reserves.

(g) Reserves

Reserves for operating and capital purposes represent amounts reserved either internally or by statute for specific future purposes.

(h) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with a term to maturity of 90 days or less at acquisition and readily convertible to cash.

(i) Long-term debt

Long-term debt is recorded net of principal repayments and actuarial adjustments.

(j) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Village is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2019. No liability has been recorded at December 31, 2019 as no contaminated sites existed.

(k) 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.

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (continued)

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost less residual value of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

| Asset | Useful life - years |
|-----------------------------|---------------------|
| Buildings | 20-60 |
| Engineering structures | 50-100 |
| Machinery and equipment | 3-30 |
| Water systems and equipment | 5-75 |
| Sewer systems and equipment | 30-75 |

Annual amortization is charged in the year of acquisition. Amortization is charged to the date the asset is sold in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(v) Interest capitalization

The Village does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

1. Significant accounting policies (continued)

(l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Significant estimates include assumptions used in estimating provisions for accrued liabilities, estimated useful lives of tangible capital assets, and valuation of accounts receivable.

Liabilities for contaminated sites are estimated based on the best information available regarding potential contamination where the Village is responsible.

(m) Employee future benefits

The Village and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer defined benefit pension plan, the Village's contributions are expensed as incurred.

(n) Expenses

Expenses are recognized as they are incurred and measurable based on receipt of goods or services and/or the creation of a legal obligation to pay.

(o) Prepaid expenses

Various items are included in prepaid expenses including insurance and deposits. These items are intended to be included in expenses in the next financial reporting period and as such are not considered financial instruments.

(p) Segment reporting

The Village conducts its operations through eight reportable segments: General Administration and Legislative Services, Protective Services, Public Works and Transportation Services, Environmental and Development Services, Recreation and Cultural Services, Water Utility and Sewer Utility, and Lytton Museum. These segments are established by senior management to record specific activities to attain certain objectives in accordance with Council policies and the Village's bylaws. In addition to these segments, Lytton Museum and Archives Commission was established in 2017 by the council that operates its own bank account and a separate ledger. The cumulative surplus is restricted and is included in the financial statements as deferred revenue.

(q) Financial instruments

The Village's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and long-term debt. Unless otherwise indicated, it is management's opinion that the Village is not exposed to any significant interest, credit or currency risks arising from these financial instruments.

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

2. Cash and cash equivalents

| | 2019 | 2018 |
|---------------------------|---------|-----------|
| Cash and cash equivalents | | |
| General funds | 874,824 | 1,086,271 |
| Museum – Operating | 95,468 | 79,967 |
| | 970,292 | 1,166,238 |

Included in Cash and cash equivalents is interest amounting to \$51,428 (2018 - \$53,932) received from endowment funds with the BC Interior Community Foundation (previously Kamloops Foundation), which are restricted for betterment of health and other related services in the Community of Lytton.

3. Investments

MFA money market funds include bank-issued notes, bonds and provincial bonds and debentures. The current yield for the money market fund is 1.83% (2018 – 1.65%) and funds are redeemable at any time.

4. Accounts Receivable

| | 2019 | 2018 |
|--|---------|---------|
| Taxes receivable | 79,814 | 47,794 |
| Government remittances receivable | 32,859 | 84,554 |
| Government transfers receivable | 132,620 | 310,721 |
| BC Interior Community Foundation – interest receivable | 5,800 | 14,230 |
| Trade receivables | 171,998 | 135,283 |
| Museum receivable | - | 100 |
| | 423,091 | 592,681 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

5. Accounts payable and accrued liabilities

| | 2019 | 2018 |
|--|----------------|----------------|
| Trade payables and accrued liabilities | 113,209 | 22,179 |
| Capital projects payable | - | 425,949 |
| Capital projects holdback payable | 28,723 | 166,188 |
| Wages payable | 62,154 | 19,989 |
| | 204,086 | 634,305 |

6. Deferred revenue

| | 2019 | 2018 |
|--|----------------|----------------|
| Ground Water Project | - | 313,717 |
| BC Interior Community Foundation – Health Fund | 66,497 | 68,161 |
| Lytton Museum and Archives | 80,223 | 79,975 |
| Others | 10,822 | 10,822 |
| | 157,542 | 472,675 |

All funds from government grants for Ground Water Project were used in 2019. As of December 31, 2019, no grant funds were received in advance of project expenses.

Over the years, the Village has received \$66,497 interest from BC Interior Community Foundation which has not been used and is externally restricted for betterment of health purposes in the Community of Lytton.

Lytton Museum and Archives has accumulated surplus \$80,223 (2018 - \$79,975) that is externally restricted until used.

Included in other deferred revenue is \$6,000 that was received for cemetery restoration in previous years. Deferred amounts will be recognized as revenue in the period in which the funds are used for the purpose specified within the funding agreements.

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

7. Long-term debt

| | 2019 | 2018 |
|-------------------------------------|-----------------|----------|
| Outstanding debt, beginning of year | 104,222 | 122,186 |
| Repayment of debt | (18,861) | (17,964) |
| | 85,361 | 104,222 |

| | | | Cash Payments | | | Balance Outstanding | |
|-------|----------|------|---------------|-------|------------|---------------------|-----------|
| | | | Year | % | Interest | Principal | Actuarial |
| Bylaw | Maturing | Rate | | | Adjustment | 2019 | 2018 |
| 551 | 2023 | 2.4 | 8,550 | 9,073 | 9,788 | 85,361 | 104,222 |

The estimated aggregate repayments on long-term debt over the next five years are as follows:

| | |
|------|-------|
| | 9,073 |
| 2020 | 9,073 |
| 2021 | 9,073 |
| 2022 | 9,073 |
| 2023 | 9,073 |
| 2024 | 9,073 |

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 deposited and demand notes for the year are as follows:

| | 2019 | 2018 |
|---------------|---------------|--------|
| Cash Deposits | 5,158 | 4,275 |
| Demand Notes | 8,699 | 8,699 |
| | 13,857 | 12,974 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

8. Tangible capital assets

| 2019 | Land | Building | Engineering Structures | Machinery and Equipment | Water Systems | Sewer Systems | Work in Progress | Total |
|------------------------------------|---------------|-----------------|-----------------------------------|------------------------------------|--------------------------|--------------------------|-----------------------------|------------------|
| Cost | | | | | | | | |
| Balance, beginning of year | 75,641 | 108,255 | 1,051,828 | 745,426 | 1,854,139 | 1,294,389 | 2,183,513 | 7,313,192 |
| Disposals and transfers | - | (1,624) | - | - | - | - | - | (1,624) |
| Additions | - | - | 26,000 | 43,522 | - | 23,462 | 1,296,152 | 1,389,136 |
| Balance, end of year | 75,641 | 106,631 | 1,077,828 | 788,948 | 1,854,139 | 1,317,851 | 3,479,665 | 8,700,704 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | - | 77,647 | 412,723 | 504,876 | 623,065 | 565,194 | - | 2,183,505 |
| Amortization reversal on disposal | - | - | - | - | - | - | - | - |
| Amortization expense | - | 1,529 | 18,468 | 25,120 | 33,131 | 34,743 | - | 112,991 |
| Balance, end of year | - | 79,176 | 431,191 | 529,996 | 656,196 | 599,937 | - | 2,296,496 |
| Net book value, end of year | 75,641 | 27,455 | 646,637 | 258,952 | 1,197,943 | 717,914 | 3,479,665 | 6,404,208 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

8. Tangible capital assets (continued)

| | Land | Building | Engineering Structures | Machinery and Equipment | Water System | Sewer Systems | Work in Progress | Total |
|------------------------------------|---------------|---------------|------------------------|-------------------------|------------------|----------------|------------------|------------------|
| 2018 | | | | | | | | |
| Cost | | | | | | | | |
| Balance, beginning of year | 75,641 | 106,631 | 1,029,435 | 757,933 | 1,854,139 | 1,294,389 | 574,733 | 5,692,901 |
| Disposals | - | 1,624 | - | (25,426) | - | - | - | (25,426) |
| Additions | - | - | 22,393 | 12,919 | - | - | 1,608,780 | 1,645,717 |
| Balance, end of year | 75,641 | 108,255 | 1,051,828 | 745,426 | 1,854,139 | 1,294,389 | 2,183,513 | 7,313,192 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | - | 76,097 | 396,375 | 479,545 | 589,936 | 531,069 | - | 2,073,022 |
| Amortization reversal on disposal | - | - | - | (12,272) | - | - | - | (12,272) |
| Amortization expense | - | 1,550 | 16,348 | 37,603 | 33,129 | 34,125 | - | 122,755 |
| Balance, end of year | - | 77,647 | 412,723 | 504,876 | 623,065 | 565,194 | - | 2,183,505 |
| Net book value, end of year | 75,641 | 30,608 | 639,105 | 240,550 | 1,231,074 | 729,195 | 2,183,513 | 5,129,687 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

9. Accumulated surplus

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

| | 2019 | 2018 |
|--|------------------|------------------|
| Restricted Statutory Reserves | | |
| Caboose Maint. Reserve Fund (Stat) | 1,080 | 1,080 |
| Unrestricted Surplus | | |
| General Operating Surplus | 49,519 | 37,715 |
| Sewer Operating Surplus | 152,521 | 153,747 |
| Water Operating Surplus | 259,902 | 18,555 |
| | 461,942 | 210,017 |
| Appropriated Surplus | | |
| General Stabilization | 173,703 | 171,558 |
| Vehicle and Equipment | 51,989 | 51,347 |
| Legal and Insurance | 69,223 | 68,369 |
| Water utility Reserve Fund | 55,425 | 55,193 |
| Sewer Utility Reserve Fund | 10,125 | 10,000 |
| | 360,465 | 356,467 |
| Reserve Funds | | |
| Capital works | 587,696 | 578,027 |
| Community works gas tax | 571,495 | 438,897 |
| | 1,159,191 | 1,016,923 |
| Investment in Tangible Capital Assets | | |
| Equity in Capital Assets - General | 1,008,685 | 985,904 |
| Equity in Capital Assets - Water | 4,677,611 | 3,414,589 |
| Equity in Capital Assets - Sewer | 632,553 | 624,972 |
| | 6,318,849 | 5,025,465 |
| | 8,301,527 | 6,609,952 |

Federal Gas Tax funding

Federal Gas Tax Funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Village and the Union of British Columbia Municipalities. Federal 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.

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

9. Accumulated surplus (continued)

| | 2019 | 2018 |
|----------------------------------|----------------|----------------|
| Unspent funds, opening balance | 438,897 | 432,627 |
| Funding received during the year | 130,806 | 65,200 |
| Interest earned | 7,515 | 5,348 |
| Funds used | (5,723) | (64,278) |
| | 571,495 | 438,897 |

10. Taxation

Taxation revenue, reported on the statement of operations, is made up of the following:

| | 2019 | 2018 |
|---|----------------|----------------|
| Municipal and school property taxes levied | 336,284 | 339,592 |
| Payments in-lieu of taxes | 31,907 | 22,387 |
| | 368,191 | 361,979 |
| Collections for Other Taxing Authorities | | |
| B.C. Assessment Authority | 2,851 | 3,370 |
| Municipal Finance Authority | 9 | 9 |
| Province of B.C. – school taxes | 106,918 | 108,676 |
| Province of B.C. – police taxes | 13,892 | 14,500 |
| Thompson-Nicola Regional Hospital District | 19,299 | 20,729 |
| Thompson-Nicola Regional District | 41,817 | 50,303 |
| | 184,786 | 197,587 |
| Payments to other taxing authorities | 184,786 | 197,578 |
| Net taxation revenue available for municipal purposes | 368,191 | 361,979 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

11. Government transfers

In 2019, the Village received and recorded as revenue the following transfers:

| | 2019 | 2018 |
|---|------------------|------------------|
| Provincial | | |
| Age Friendly Community Grant | 3,576 | 18,535 |
| Community Water and Wastewater Funding | 1,012,601 | 801,627 |
| Province of BC - Canada 150 Grant | - | 4,800 |
| Small Community Protection Grant | 320,457 | 306,014 |
| Firesmart Grant | 19,969 | 2,070 |
| Pool - Employment Grants | - | 1,616 |
| Source Water Protection Planning | 13,681 | 12,600 |
| GMF Grant | - | 47,061 |
| B.C. Rural Dividend program – Website | 9,704 | - |
| Infrastructure Grant – Meters | 4,225 | - |
| Infrastructure Planning Grant | 5,775 | - |
| FCM Asset Management Grant | 50,000 | - |
| | 1,439,988 | 1,194,323 |
| Federal | | |
| Community Works Funding | 130,806 | 65,199 |
| UBCM Federal Gas Tax Fund – Water System Upgrade | 68,694 | - |
| | 199,500 | 65,199 |
| Other | | |
| Thompson Nicola Regional District – Pool upgrades | - | 22,393 |
| NDIT Matching Grant – Community Fund | - | 50,000 |
| NDIT Business Façade Grant | 1,055 | - |
| NDIT Economic Development Capacity Building | 23,913 | - |
| Northern Development Trust Grant | 17,372 | 8,000 |
| Economic Development Internship Grant | 32,575 | - |
| Others | 10,259 | - |
| | 85,174 | 80,393 |
| Other municipalities and regional districts | | |
| Lytton First Nation – Water and Waste Funding | 419,000 | 807,153 |
| Total government transfer revenues | 2,143,662 | 2,147,068 |

12. Commitments and contingencies

- (a) The Village is committed to the lease of its office space and makes monthly payments of \$1,085 to the Thompson Nicola Regional District (TNRD). The current term will be in effect until April 30, 2021.
- (b) The Village and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2019, the Plan has approximately 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local governments.

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 unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2019, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Corporation of the Village of Lytton paid \$32,091 (2018 - \$30,808) for employer contributions to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during 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 consistent and reliable basis for allocating the obligation, assets, and cost to the individual employers participating in the Plan.

- (c) The Village is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact on any subscriber. Under the Reciprocal Insurance Exchange Agreement, the Village is assessed a premium and specific deductible for its claims based on population. The obligation of the Village with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, and not joint and several.

13. Segmented information

Segmented information has been identified based upon lines of service provided by the Village. Village services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) General administration and legislative services

General government operations provide the functions of corporate administration, finance, human resources, legislative services, building services and maintenance, and any other functions not categorized to a specific department.

(ii) Protective services

Protective services include activities associated with community safety. These services include fire protection, bylaw enforcement and emergency services.

(iii) Public works and transportation services

Public works and transportation services include activities associated with roads and drainage networks. Services include traffic services, street lighting, public works administration, fleet operations, raft take out costs, winter maintenance, and maintenance and improvements to roads, waste and garbage service, and sidewalks.

(iv) Environmental and development services

Environmental development services include all activities associated with website design, economic development, grant applications, building inspections, and road closures.

(v) Recreation and cultural services

Recreation and cultural services include all activities associated with operations of parks, recreation and cultural services. Activities also include cemetery operations, caboose operations, and tourism services.

(vi) Water and sewer utilities

Water services include all activities associated with water operations. Items include maintenance and enhancements of the water supply system, water treatment, and water distribution system.

Sewer services include all activities associated with sanitary sewer operations. Items include maintenance and enhancements of the sewer collection system and existing infrastructure.

13. Segmented information (continued)

(vii) Lytton museum and archives commission

Lytton museum and archives commission were established as per the Municipal Charter Regulations in 2009. The Village appoints its directors as per the Charter Regulations, and the directors are responsible for daily and routine activities. This commission operates separate bank account and maintains a separate ledger. The Village help in fundraising, issues and signs all fundraising receipts and help in applications and processing of funds and grants, and keeps all directors' minutes. The cumulative surpluses have been included in deferred revenue (see note 6).

Segmented information has been identified based upon lines of service provided by the Village. Village services are provided by departments and their activities are reported by functional are in the body of the financial statement.

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

13. Segmented information (continued)

| 2019 | General Administration and Legislative Services | Protective Services | Public Works and Transportation Services | Environmental and Development Services | Recreation and Cultural Services | Water Utility | Sewer Utility | Museum and Archives | Total |
|---------------------------------|--|--------------------------------|---|---|---|----------------------|----------------------|--------------------------------|------------------|
| Revenues | | | | | | | | | |
| Real property taxes | 336,284 | - | - | - | - | - | - | - | 336,284 |
| Grants in lieu of taxes | 9,461 | 22,446 | - | - | - | - | - | - | 31,907 |
| Sale of services | - | 83,222 | 500 | - | - | 96,731 | 112,370 | - | 292,823 |
| Licenses and permits | 2,113 | - | - | - | - | - | - | - | 2,113 |
| Rentals and general services | 28,731 | - | 1,025 | - | 7,245 | - | - | - | 37,001 |
| Return on investments | 22,441 | - | - | - | - | - | 9,789 | - | 32,230 |
| Penalties and interest income | 4,134 | - | - | - | - | - | - | - | 4,134 |
| Other income | 26,657 | - | - | - | - | - | - | 17,432 | 44,089 |
| Government transfers | 450,774 | 19,969 | 130,806 | 23,913 | - | 1,513,975 | 4,225 | - | 2,143,662 |
| | 880,595 | 125,637 | 132,331 | 23,913 | 7,245 | 1,610,706 | 126,384 | 17,432 | 2,924,243 |
| Expenses | | | | | | | | | |
| Administration | 203,537 | 58,522 | 52,126 | 41,680 | 18,215 | 16,877 | 41,062 | 2,080 | 434,099 |
| Insurance | 19,337 | 2,573 | 4,174 | - | - | - | - | - | 26,084 |
| Interest | 3,830 | - | - | - | - | - | 8,879 | - | 12,709 |
| Repairs and maintenance | 10,347 | 2,068 | 15,169 | - | 10,011 | 11,275 | 14,423 | - | 63,293 |
| Wages and benefits | 316,596 | 2,255 | 105,621 | 26,431 | 47,751 | 45,054 | 39,784 | - | 583,492 |
| Amortization | 45,117 | - | - | - | - | 33,131 | 34,743 | - | 112,991 |
| | 598,764 | 65,418 | 177,090 | 68,111 | 75,977 | 106,337 | 138,891 | 2,080 | 1,232,668 |
| Annual surplus (deficit) | 281,831 | 60,219 | (44,759) | (44,198) | (68,732) | 1,504,369 | (12,507) | 15,352 | 1,691,575 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

13. Segmented information (continued)

| 2018 | General Administration and Legislative Services | Protective Services | Public Works and Transportation Services | Environmental and Development Services | Recreation and Cultural Services | Water Utility | Sewer Utility | Museum and Archives | Total |
|---------------------------------|--|--------------------------------|---|---|---|----------------------|----------------------|--------------------------------|------------------|
| Revenues | | | | | | | | | |
| Real property taxes | 339,592 | - | - | - | - | - | - | - | 339,592 |
| Grants in lieu of taxes | 8,841 | 13,546 | - | - | - | - | - | - | 22,387 |
| Sale of services | - | 78,808 | 615 | - | - | 87,695 | 119,210 | - | 286,328 |
| Licenses and permits | 2,577 | - | - | - | - | - | - | - | 2,577 |
| Rentals and general services | 22,261 | - | - | - | 19,064 | - | - | - | 41,325 |
| Return on investments | 31,835 | - | - | - | - | - | - | - | 31,835 |
| Penalties and interest income | 3,886 | - | - | - | - | - | - | - | 3,886 |
| Other income | 5,938 | - | - | - | - | - | - | 5,135 | 11,073 |
| Government transfers | 387,349 | 2,070 | 65,199 | - | 24,009 | 1,668,440 | - | - | 2,147,067 |
| | 802,279 | 94,424 | 65,814 | - | 43,073 | 1,756,135 | 119,210 | 5,135 | 2,886,070 |
| Expenses | | | | | | | | | |
| Administration | 368,619 | 36,191 | 44,079 | 3,233 | 29,459 | 29,029 | 19,125 | 1,187 | 530,922 |
| Insurance | 14,346 | 3,930 | 4,393 | - | 556 | - | - | - | 23,225 |
| Interest | 25,443 | - | - | - | - | - | 7,200 | - | 32,643 |
| Repairs and maintenance | 6,677 | 7,522 | 16,775 | - | 7,444 | 47,530 | 22,310 | - | 108,258 |
| Wages and benefits | 248,508 | 2,109 | 110,278 | - | 40,149 | 24,722 | 52,094 | - | 477,860 |
| Amortization | 55,503 | - | - | - | - | 33,131 | 34,124 | - | 122,758 |
| | 719,096 | 49,752 | 175,525 | 3,233 | 77,608 | 134,412 | 134,853 | 1,187 | 1,295,666 |
| Annual surplus (deficit) | 83,183 | 44,672 | (109,711) | (3,233) | (34,535) | 1,621,723 | (15,643) | 3,948 | 1,590,404 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

14. Budget data

The budget data presented in these financial statements is based upon the 2019 operating and capital budgets adopted by Council on March 27, 2019. The following table reconciles the approved budget to the budget figures reported in these financial statements.

| | Budget amount |
|--|----------------------|
| Surplus – Statement of Operations | 2,710,222 |
| Adjust for budgeted cash items not included in statement of operations | |
| Capital expenditures | (3,380,762) |
| Amortization | 170,057 |
| Reduction in long-term debt | (18,862) |
| Transfers to Reserves/Surplus | (178,649) |
| Reserves/Surplus used for Capital Funding | 572,992 |
| Reserves/Surplus used to Fund Operations | 125,000 |
| Total adjustments | (2,710,222) |
| Financial plan balance | - |

15. Endowments

The Village has endowment funds totaling to \$251,907 (2018 - \$251,907) held by the BC Interior Foundation. The funds are permanent funds with the Foundation and provide income for health and other Lytton village community needs and this income can only be distributed if the recipient meets the criteria and there is approval by the Village's Council. The funds are owned by Lytton Village but are not under the control of the Village and therefore, are not included as long-term investments.

In 2018, the Village received a \$50,000 gift from Northern Development initiative Trust (NDIT) under a matching grant program. The Village transferred the NDIT gift plus an additional \$50,000 into this matching grant making another Lytton Community Fund-Matching endowment fund of \$100,000. The cumulative interest amounting to \$66,497 (2018 - \$68,161) received from these endowment funds is owned by the Lytton Village but are restricted for specific purposes and therefore not recognized as revenue until spent as required.

Changes to the endowment balances as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| Lytton Community Fund | 5,045 | 5,045 |
| Lytton Community Health Fund | 146,862 | 146,862 |
| Lytton Community Fund - Matching Grant | 100,000 | 100,000 |
| | 251,907 | 251,907 |

Village of Lytton
Notes to the Financial Statements
For the year ended December 31, 2019

16. Funds held in Trust

These funds account for assets that must be administered as directed by statute and are for the columbaria constructed in 2018. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the Village's Financial Statements. A summary of these assets are shown below:

| | 2019 | 2018 |
|--------------------|---------------|--------|
| Cash held in trust | 13,625 | 13,625 |
| Care Fund equity | 13,625 | 13,625 |

17. Subsequent event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Village of Lytton as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.