The Corporation of the Village of Lytton Consolidated Financial Statements

December 31, 2013

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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 Councilors 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.

Chief Financial Officer



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, 2013, 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, 2013 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 31, 2014

MNPLLP

Chartered Accountants





The Corporation of the Village of Lytton Consolidated Statement of Financial Position

Consolidated Statement of Financial Position December 31, 2013

		2012
		(Restated)
Financial assets		
Cash and short-term investments (Note 4)	1,118,209	648,032
Accounts receivable	414,685	813,691
M	1,532,894	1,461,723
Financial liabilities		
Accounts payable and accrued charges (Note 5)	187,993	183,808
Deferred revenue (Note 6)	736,348	751,800
Capital lease obligation (Note 7)	4,117	25,752
Long-term debt (Note 8)	185,884	199,958
	1,114,342	1,161,318
Net financial assets	418,552	300,405
Non-financial assets		
Tangible capital assets (Note 9)	3,393,327	3,484,610
Prepaid expenses	5,254	5,959
	3,398,581	3,490,569
Accumulated surplus (Note 10)	3,817,133	3,790,974

Contingent liability (Note 13)
Commitments (Note 14)

Approved by:

Mayor

Administrator

The Corporation of the Village of Lytton Consolidated Statement of Operations December 31, 2013

	2013	2013	2012
	Budget	Actual	Actual
	(Note 17)		(Restated)
Revenue			
Municipal taxation and grants-in-lieu of taxes	361,842	335,308	336,542
Sale of services	317,585	270,716	259,117
Revenue from own sources	12,400	62,740	87,661
Transfers from other governments	303,019	361,740	845,040
	994,846	1,030,504	1,528,360
Expenses (Note 12)			
General administration and legislative services	469,702	440,147	465,788
Protective services	43,267	83,355	197,640
Public works and transportation services	378,782	279,213	258,306
Environmental development services	· <u>-</u>	43,367	71,266
Recreation and cultural services	57,532	41,000	59,938
Loss (gain) on disposal of assets	-	•	(6,000)
Amortization	_	117,263	118,946
	949,283	1,004,345	1,165,884
Excess (deficiency) of revenue over expenses	45,563	26,159	362,476
Accumulated surplus, beginning of year, as previously stated	3,790,974	3,790,974	3,470,336
Correction of prior year error (Note 21)	.	-	(41,838)
Accumulated surplus, beginning of year, as restated	3,790,974	3,790,974	3,428,498
Accumulated surplus, end of year	3,836,537	3,817,133	3,790,974

The Corporation of the Village of Lytton Consolidated Statement of Change in Net Financial Assets December 31, 2013

	2013	2012
	-	(Restated)
Excess (deficiency) of revenue over expenses	26,159	362,476
Acquisition of tangible capital assets	(25,980)	(392,798)
Amortization of tangible capital assets	117,263	118,946
Disposal of tangible capital assets	-	(6,000)
Proceeds of disposal of tangible capital assets	-	16,000
Use of prepaid expenses	705	106
Increase in net financial assets	118,147	98,730
Net financial assets, beginning of year, as previously stated	300,405	243,513
Correction of prior year error (Note 21)		(41,838)
Net financial assets, beginning of year, as restated	300,405	201,675
Net financial assets, end of year	418,552	300,405

The Corporation of the Village of Lytton Consolidated Statement of Cash Flows

December 31, 2013

	2013	2012
Operating activities:		
Excess (deficiency) of revenue over expenses	26,159	362,476
Amortization	117,263	118,946
Net change in non-cash working capital balances related to operation	ons:	1 10,040
Accounts receivable	399,006	(446,756)
Prepaid expenses	705	106
Accounts payable and accrued charges	4,185	(127,752)
Deferred revenue	(15,452)	200,444
	531,866	107,464
Capital activities:		
Purchase of tangible capital assets	(25,980)	(392,798)
Loss on disposal of tangible capital assets	(20,000)	(6,000)
Proceeds on disposal of tangible capital assets	_	16,000
<u> </u>	(25,980)	(382,798)
Financing activities:		
Principal reduction in long-term debt	(14.074)	(42.405)
Repayment of capital lease obligation	(14,074)	(13,405)
(topa) ment of capital leade obligation	(21,635)	(21,205)
	(35,709)	(34,610)
Decrease in cash and short-term investments during the year	470,177	(309,944)
Cash and short-term investments, beginning of year	648,032	957,976
Cash and short-term investments, end of year	1,118,209	648,032
	1,110,200	040,002
Cash and short-term investments consists of:		
Cash	1,085,727	621,598
Restricted cash (Note 4)	32,482	26,434
	1,118,209	648,032
Supplementary cash flow information		
Interest paid	14,383	14,588

Notes to the Financial Statements December 31, 2013

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 include the following funds used for accounting purposes:

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	

Notes to the Financial Statements December 31, 2013

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 -

Services

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

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the balance sheet in the year of receipt.

Government Transfers

The Village recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Village recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Tax Revenue

The Village recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; and the taxable event has occurred.

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the Village evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Notes to the Financial Statements December 31, 2013

2. Significant accounting policies (continued)

g) Measurement uncertainty -

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenue and expenditures during the reporting period.

h) Segment Reporting -

The Village conducts its operations through five reportable segments: General, Administrative and Legislative Services, Protective Services, Public Works and Transportation Services, Environmental Development Services, and Recreation and Cultural Services. These segments are established by senior management to record specific activities to attain certain objectives in accordance with Council policies and the District's bylaws.

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:

	2013	2012
Cash Deposits	4,460	4,253
Demand Notes	8,699	8,699
	13,159	12,952

4. Cash

Included in cash balance are funds held on deposit for organizations who are independent of the Village of Lytton. These groups include the Hospital Coalition, the Lytton Museum and Archive, and The Kamloops Foundation. These amounts are held by the Village in trust as the groups have no separate bank accounts of their own. The total of the funds held in trust are \$32,482 (2012 - \$26,434).

Notes to the Financial Statements December 31, 2013

5. Federal government payables

Accounts payable and accrued charges include amounts payable to the federal government relating to the following accounts:

	2013	2012
Accounts payable		
GST/HST payable	5,943	5,938
Payroll remittances	5,033	4,573
	10,976	10,511

6. Deferred revenue

Included in deferred revenue is gas tax funding 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.

At December 31, 2013, the amount of gas tax funding included in deferred revenue is \$441,210 (2012 - \$387,025).

	2013	2012
Balance, beginning of year	751,800	551,356
Deferred revenues received during the year	183,321	364,775
Deferred revenues recognized during the year	(252,959)	(225,500)
Gas tax payments received during the year	52,651	59,473
Gas tax interest earned	1,535	1,696
Balance, end of year	736,348	751,800

Notes to the Financial Statements December 31, 2013

7. Capital lease obligation

	2013	2012
Municipal Finance Authority – Fire truck lease, bearing interest at 5.0%,		
with blended monthly payments of principal and interest totaling \$1,830,		
secured by the leased asset, maturity February, 2014	4,117	25,752

The Village is committed to the lease of a 1996 Freightliner Model FL80 fire

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

2014	4,821
Less: imputed interest	704
	4,117

8. Long-term debt

<u>, , , , , , , , , , , , , , , , , , , </u>	2013	2012
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	185,884	199,958

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
2014	9,073	5,706	14,779
2015	9,073	6,445	15,518
2016	9,073	7,221	16,294
2017	9,073	8,035	17,108
2018	9,073	8,891	17,964
Thereafter	45,364	58,857	104,221
	90,729	95,155	185,884

The Corporation of the Village of Lytton Notes to the Financial Statements

December 31, 2013

Tangible capital assets 9.

2013

	Cost	Additions	Disposals	amortization	Net book value
Engineering Structures	958,960	6,817	-	(331,435)	634,342
Buildings	96,131	-	-	(69,877)	26,254
Machinery and Equipment	674,267	-	•	(337,787)	336,480
Land	75,641	•	-	-	75,641
Sewer	1,284,966	-	-	(396,076)	888,890
Water	1,869,963	19,163	-	(457,406)	1,431,720
	4,959,928	25,980	_	(1,592,581)	3,393,327

2012

	Cost	Additions	Disposals	Accumulated amortization	Net book value
Engineering Structures	958,960	-	_	(315,903)	643,057
Buildings	96,131	_	_	(68,497)	27,634
Machinery and Equipment	581,437	147,080	(54,250)	(304,192)	370,075
Land	75,641	-	-	·	75,641
Sewer	1,284,966	-	_	(362,452)	922,514
Water	1,624,245	245,718	_	(424,274)	1,445,689
	4,621,380	392,798	(54,250)	(1,475,318)	3,484,610

Amortization expense of \$117,263 (2012 - \$118,946) was recorded.

The Corporation of the Village of Lytton Notes to the Financial Statements

December 31, 2013

10. Accumulated surplus

Accumulated surplus consists of individual fund surpluses

	2013	2012
		(Restated)
Surpluses		
General	212,917	164,594
Sewer	(5,180)	(53,688)
Water	(234,718)	(227,728)
Investment in tangible capital assets	3,203,326	3,258,899
	3,176,345	3,142,077
Statutory reserves and trust accounts		
Capital works	240,380	240,030
General	27,457	27,457
	267,837	267,487
Reserve for future expenditures		
Downtown revitalization	11,115	11,115
Economic development	8,365	8,365
Engineering, design and planning	-	11,506
Firehall	280,000	280,000
Raft take out	72,393	69,346
Search and Rescue	1,078	1,078
	372,951	381,410
, , , , , , , , , , , , , , , , , , , 	3,817,133	3,790,974

Notes to the Financial Statements December 31, 2013

11. 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.

12. Expense by object

	2013	2012
Insurance	24,823	23,712
Interest	14,383	14,588
Office and administration	303,480	412,976
Repairs and maintenance	81,236	99,142
Salaries and benefits	463,160	502,520
Amortization	117,263	118,946
Loss (gain) on disposal of assets		(6,000)
0- 11 1 11	1,004,345	1,165,884
Capital expenditures		392,798
	1,030,325	1,558,682

13. 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.

14. 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.

Notes to the Financial Statements December 31, 2013

14. Commitments (continued)

b) Pension liability

The municipality and its employees contribute to the Municipal Pension Plan (the 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 based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 35,000 contributors from local government.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015, with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the

The Village paid \$26,257 for employer contributions to the Plan in fiscal 2013.

15. 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.

	2013	2012
Balance, beginning of year Interest earned	12,436 128	12,294 142
Balance, end of year	12,564	12,436

16. Financial instruments

The Village's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable, capital leases obligations, 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, capital lease obligations and long-term debt information is provided elsewhere in the financial statements to allow the assessment of the fair values of these financial instruments.

Notes to the Financial Statements December 31, 2013

17. Budget figures

Budget figures shown represent the Annual Budget By-law adopted by Council May 13, 2013.

18. Segmented information

The Village is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes, the local government's operations and activities are organized and reported by service areas. Services areas were created for the purpose of recording specific activities to attain certain objectives in accordance with Council

General Administration and Legislative Services

General Administration and Legislative services include activities associated with Mayor and Council administration, bylaw review and adoption, financial management, and information systems, insurance and corporate services, including human resources.

Protective Services

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

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.

Environmental Development Services

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

Recreation and Culture Services

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

Utilities

Water and sewer services include all activities associated with water and sanitary sewer operations, items include maintenance and enhancements of the water supply system, water treatment, water distribution

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.

The Corporation of the Village of Lytton Notes to the Financial Statements December 31, 2013

18. Segmented information (continued)

	General Administration		Public Works		; ;			
(and Legislative Services	Protective Services	Protective Transportation Services Services		Recreation and Cultural Services	Utilities	2013	2012
Revenues Real property faces	100							(Restated)
Control in line of terring	321,378		r	•	ı	r	327,378	307.261
Granus in theu or taxes	7,930	ı	•	•		,	7,930	29.280
Sale of services	ı	71,645	2,108			197,312	271 065	259 117
Licenses and permits	1	1	•	2,190	875	1	3,065	2.750
Rentals and general services	12,889	•	4,461	1	15,828		33,178	51351
Return on investments	7,543	,	•	1		•	7,543	1 157
Penalties and interest on taxes	3,686	į	ı	1	1		3,686	5,004
Sundry income		1	3,994	•	•	5.002	17,793	27 109
ransfers from other governments		352,049	6,817	Ī	•	1	358 866	845,040
lotal revenue	368,223	423,694	17,380	2,190	16.703	202.314	1.030.504	1 528 360
							100,000,1	1,020,000
Expenditures								
Administration	140,368	63,735	34,421	43.127	12.387	0.442	303 480	442,676
Insurance	20,804	752	2,867	<u>;</u> •	į OV	1	00,460	412,970
Interest	1.464	331	; î		ř		24,023	25,712
Repairs and maintenance	4,090	14 505		•	• •	4,366	14,383	14,588
Sec. (V)	200,000	7,000	33,555	•	1,892	26,990	81,236	99,142
	156,022	3,941	138,407	•	26,321	74,140	463.160	502,519
	28/'D'/	83,355	209,363	43,127	41,000	123,160	887,082	1,052,937
Amortization	50,507		1	ı	1	25 756	1	977
Disposal of tangible capital assets	•	ŗ	•	ı	. 1	5,15	502,111	18,946
Total expenditure	437,584	83,355	209,363	43,127	41,000	189,916	1,004,345	1,165,884
Annual surplus (deficit)	(69.364)	340 230	7404 000)	200				
	1100000	0.00	(191,983)	(40,937)	(24,297)	12,398	26,159	362,476

Notes to the Financial Statements December 31, 2013

19. Government transfers

During the year, the Village recognized the following government transfers:

	2013	2012
Provincial Federal	352,049 9,691	480,040 365,000
	361,740	845,040

20. Tax revenue

	2013	2012
Property tax Grants in lieu of taxes	327,377 7,931	307,262 29,280
	335,308	336,542

21. Correction of prior year error

The Village is required to pay a portion of the Payment in Lieu of Taxes (PILT) received from the RCMP to the BC School Tax Authority, Municipal Finance Authority of BC, and BC Assessment. Amounts collected as PILT from 2004 to 2012 were not flowed through to these entities and an adjustment has been made in the financial statements to correct this error.

The correction results in a decrease of opening equity at January 1, 2012 of \$41,838, a decrease in 2012 revenues of \$6,651, and an increase in accounts payable at December 31, 2012 of \$48,489.