

Village of Lytton
Financial Statements
For the year ended December 31, 2025

Village of Lytton
Financial Statements
For the year ended December 31, 2025

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Village of Lytton (the "Village") are the responsibility of management and have been approved by the Mayor and Council of the Village.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Village of Lytton maintains systems of internal accounting and administrative controls of reasonable quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Village's assets are appropriately accounted for and adequately safeguarded.

The Village of Lytton is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its Finance Committee.

The Mayor and Council review the Village's financial statements and recommend their approval. The Mayor and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Mayor and Council take this information into consideration when approving the financial statements for issuance to the taxpayers. The Mayor and Council also appoint the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards. BDO Canada LLP has full access to the Council and management.

Signed by:



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Chief Financial Officer

Independent Auditor's Report

To the Members of Council of the Village of Lytton

Qualified Opinion

We have audited the financial statements of Village of Lytton (the "Village"), which comprise the statement of financial position as at December 31, 2025, and the statement of changes in net financial assets, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2025, and its changes in net financial assets, its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified of Opinion

As disclosed in Note 2, approximately 90% of the Village of Lytton, including city hall and administrative buildings, were burned beyond repair by the Lytton Creek Wildfire on June 30, 2021. Throughout the 2025 and 2024 years, management worked with Provincial and other agencies to begin the planning for the rebuild of the community and continued to receive emergency funding. However, until the rebuild of the community has entered the final planning stages management will be unable to determine if there are any additional tangible capital assets that were impaired as a result of the wildfires. As a result, it is not possible to quantify the impact of any potential impairments of underground assets and tangible capital assets as at December 31, 2025.

Effective January 1, 2023, the Village was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. This standard has not yet been adopted because the management is waiting for the Village to be further recovered from the wildfires in order to determine if there are possible asset retirement obligations. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using the assumptions as of January 1, 2023. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy.

Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended December 31, 2025 and 2024, tangible capital assets and the asset retirement obligation as at December 31, 2025 and 2024, and accumulated surplus as at January 1 and December 31 for both the 2025 and 2024 years.



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 qualified opinion.

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

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Village's financial statements in accordance with Canadian generally accepted auditing standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were 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.

Other Matter - Restated Comparative Figures

Without modifying our opinion, we draw attention to Note 11 to the financial statements, which explains that certain comparative information for the year ended December 31, 2024 has been restated.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedule on pages 30-32 of the Village's Financial Statements.

Chartered Professional Accountants

Kamloops, British Columbia
May 26, 2026

Village of Lytton

Statement of Financial Position

As at December 31	2025	2024
		(Restated - Note 11)
Financial assets		
Cash and cash equivalents (Note 3)	\$ 18,632,806	\$ 18,969,257
Short-term investments (Note 4)	1,146,801	1,116,157
Taxes and utilities receivable	12,837	23,639
Accounts receivable	1,328,666	758,678
	<u>21,121,110</u>	<u>20,867,731</u>
Liabilities		
Accounts payable and accrued liabilities	219,354	172,993
Employee payables	34,521	34,252
Deferred revenue (Note 6)	10,329,845	9,936,480
	<u>10,583,720</u>	<u>10,143,725</u>
Net financial assets	<u>10,537,390</u>	<u>10,724,006</u>
Non-financial assets		
Tangible capital assets (Note 7)	9,943,450	7,117,878
Prepaid expenses and deposits	68,035	74,818
	<u>10,011,485</u>	<u>7,192,696</u>
Accumulated surplus (Note 8)	<u>\$ 20,548,875</u>	<u>\$ 17,916,702</u>

Contingent Liabilities (Note 12)

Signed by: <u>Diane Mombourquette</u> 72AEBD8F64AC4CB...	Chief Financial Officer	Signed by: <u>Denise O'Connor</u> 6666679AC464496...	Mayor
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Village of Lytton

Statement of Operations

For the year ended December 31	Fiscal Plan	2025	2024
			(Restated - Note 11)
Revenue (Note 18)			
Taxation - net (Note 9)	\$ 393,402	\$ 402,913	\$ 352,662
Sale of services	181,152	154,400	143,600
Return on investments	250,000	434,899	622,750
Other income	121,063	236,322	3,260,850
Government transfers (Note 10)	1,657,580	500,839	593,985
Recovery funding (Note 10)	-	5,709,922	2,708,320
Loss on impairment (Note 7)	-	(108,860)	-
	<u>2,603,197</u>	<u>7,330,435</u>	<u>7,682,167</u>
Expenses (Note 18)			
General administrative and legislative services	1,293,285	1,615,943	1,543,443
Protective services	300,346	112,734	113,302
Public works and transportation services	215,208	157,573	198,152
Recreation and cultural services	6,000	2,164	6,912
Recovery and planning services	177,000	2,221,220	1,642,836
Water services	302,051	396,679	242,865
Sewer services	166,893	191,949	126,928
	<u>2,460,783</u>	<u>4,698,262</u>	<u>3,874,438</u>
Annual surplus	142,414	2,632,173	3,807,729
Accumulated surplus, beginning of year	17,916,702	17,916,702	14,108,973
Accumulated surplus, end of year	\$18,059,116	\$20,548,875	\$ 17,916,702

Village of Lytton
Statement of Change in Net Financial Assets

For the year ended December 31	Fiscal Plan	2025	2024
			(Restated - Note 11)
Annual surplus	\$ 142,414	\$ 2,632,173	\$ 3,807,729
Acquisition of tangible capital assets	(175,000)	(3,289,438)	(937,096)
Amortization of tangible capital assets	194,120	355,006	194,108
Impairment of tangible capital assets	-	108,860	-
	161,534	(193,399)	3,064,741
Acquisition of prepaid expenses and deposits	-	6,783	(69,353)
Net change in net financial assets	161,534	(186,616)	2,995,388
Net financial assets, beginning of year	10,724,006	10,724,006	7,728,618
Net financial assets, end of year	\$ 10,885,540	\$ 10,537,390	\$ 10,724,006

Village of Lytton
Statement of Cash Flows

For the year ended December 31	2025	2024
		(Restated - Note 11)
Operating transactions		
Annual surplus	\$ 2,632,173	\$ 3,807,729
Items not involving cash		
Amortization	355,006	194,108
Impairment of tangible capital assets	108,860	-
Changes in non-cash operating balances		
Accounts receivable	(559,185)	6,156,580
Employee benefits plan liability	46,629	(1,420,469)
Deferred revenue	393,365	(412,867)
Prepaid expenses and deposits	6,783	(69,534)
	<u>2,983,631</u>	<u>8,255,547</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(3,289,438)</u>	<u>(937,096)</u>
Investing transaction		
Purchase of short-term investments	<u>(30,644)</u>	<u>(53,430)</u>
Net increase in cash	(336,451)	7,265,021
Cash, beginning of year	<u>18,969,257</u>	<u>11,704,236</u>
Cash, end of year	<u>\$ 18,632,806</u>	<u>\$ 18,969,257</u>

The accompanying notes are an integral part of these financial statements.

Village of Lytton

Notes to the Financial Statements

December 31, 2025

1. Significant Accounting Policies

Government Reporting Entity

The Village of Lytton (the "Village") was incorporated on May 3, 1945 under the statute of the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. Its principal activities include the provision of local government services to the residents of the Lytton area. These include administration, protective, transportation, environmental, recreational, water and sewer services.

Basis of Presentation

The financial statements of the Village have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. All other financial instruments, are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

For portfolio measurements measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

1. Significant Accounting Policies (continued)

**Financial Instruments -
continued**

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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.

Village of Lytton

Notes to the Financial Statements

December 31, 2025

1. Significant Accounting Policies (continued)

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs.

Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue.

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

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

Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset, commencing once the asset is available for productive use as follows:

Buildings and building improvements	20 years
Engineering structures	50 years
Machinery and equipment	10 to 20 years
Water systems and equipment	10 to 75 years
Sewer systems and equipment	10 to 75 years

Amortization is charged to the date the asset is sold in the year of disposal.

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Village's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

1. Significant Accounting Policies (continued)

**Collection of Taxes on
Behalf of Other Taxation
Authorities**

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Thompson-Nicola Regional District, Hospital District and any other government entities with which the Village interacts are not reflected in these financial statements.

Trust Funds

Funds held in trust by the Village, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

Reserve Funds

Reserves represent amounts set aside for specific or future expenditures. Statutory reserves require the passing of a by-law to establish the reserve. Reserve accounts require an approved council budget and resolution.

**Retirement Benefits and
Other Employee
Benefit Plans**

The Village's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. The costs of other pensions and other retirement benefits that accumulate over the period of service provided by employees are actuarially determined using the projected benefit method prorated on services based on management's best estimate of retirement ages, inflation rates, investment returns, wage and salary escalation, insurance and health care costs trends, employee turnover and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group.

Deferred Revenue

Funds received for specific purposes, which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes, are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

**Government Grants
and Transfers**

Government grants and transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

1. Significant Accounting Policies (continued)

Contaminated Sites Governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

Revenue Recognition Taxation for municipal purposes is recorded at estimated amounts when it meets the definition of an asset, has been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decision, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

The Village recognizes revenue from users of the water, sewer, and rentals of Village property services on a straight-line basis over the period of time that the relevant performance obligations are satisfied by the Village.

The Village recognizes revenue from administrative services, building permits, development permits, sales of goods and other licenses and permits at the point in time that the Village has performed the related performance obligations and control of the related benefits has passed to the payors.

Revenue from transactions without performance obligation is recognized at realizable value when the Village has the authority to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources.

Long-term Debt Term debt acquired through the Municipal Finance Authority ("MFA") is recorded net of related sinking fund balances. Earnings on sinking funds investments are allocated to the Village as an actuarial adjustment, which is recorded as a revenue and a reduction in the related debt.

Property Subject to Redemption Property subject to redemption is recorded at the lower of cost and net realizable value. Cost is defined as the cost deemed paid to acquire the property at tax sale, plus amounts for improvements to prepare the property for sale or servicing. Net realizable value is defined as the outstanding taxes receivable by the Village on that property, plus land title registry and other fees payable at the time of the tax sale.

Village of Lytton

Notes to the Financial Statements

December 31, 2025

2. Significant Events

On June 30, 2021, approximately 90% of the Village of Lytton, including city hall and administrative buildings, were burned beyond repair by the Lytton Creek Wildfire. The full extent of the damages, or costs to rebuild, has not yet been fully assessed. The council has pledged to rebuild Lytton and multiple organizations have pledged support to help rebuild the Village, including donations from charities and individuals, and support from the Provincial and Federal Government. Due to the speed of the wildfire, all equipment and records were burned by the fire, resulting in a loss of all data and records. Government officials continue to work remotely. Although work to restore the Village is ongoing, the total impact of the damage to infrastructure is still unknown.

3. Cash and Cash Equivalents

	2025	2024
General funds	\$ 18,555,749	\$ 18,878,574
Museum - operating	77,057	77,057
	<u>\$ 18,632,806</u>	<u>\$ 18,955,631</u>

General funds include amounts in reserve for donations of \$354,243 and insurance proceeds of \$4,604,585.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

4. Short-term Investments

	2025	2024
MFA money market fund	\$ 1,096,801	\$ 1,066,157
Scotiabank GIC with an interest rate of 3.45% maturing in February 2027	50,000	50,000
	<u>\$ 1,146,801</u>	<u>\$ 1,116,157</u>

5. Employee Future Benefits

The Village and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustees 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 provided are based on a formula. As at December 31, 2024, the Plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 contributors from local government.

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 actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation as at December 31, 2024 indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis.

The Village paid \$82,779 (2024 - \$57,441) for employer contributions to the Plan in fiscal 2025.

The next valuation will be as at December 31, 2027.

Employers participating in the Plan record their pension expenses 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 no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

6. Deferred Revenue

	Balance at December 31, 2024	Funds Collected	Recognized	Balance at December 31, 2025
BC Interior Community Foundation and Other	\$ 100,274	\$ 8,183	\$ (1,000)	\$ 107,457
OCP Funding	151,247	-	(32,792)	118,455
BC Department of Forestry	445,998	-	-	445,998
Government of Canada - Infrastructure Grant	-	1,428,750	(328,097)	1,100,653
Miscellaneous grants	106,358	64,594	(32,057)	138,895
Municipal Affairs - Core Operations for 2025 - 2026	2,100,000	-	(327,529)	1,772,471
EMCR Recovery Grant	1,536,204	-	-	1,536,204
Municipal Affairs - Sewer	4,034,026	-	(252,413)	3,781,613
Municipal Affairs - Wildfire Response	1,448,748	-	(120,649)	1,328,099
	<u>\$ 9,922,855</u>	<u>\$ 1,501,527</u>	<u>\$ (1,094,537)</u>	<u>\$ 10,329,845</u>

Village of Lytton

Notes to the Financial Statements

December 31, 2025

7. Tangible Capital Assets

	2025						
	Land	Buildings and building improvements	Roads and linear assets	Vehicles, machinery and equipment	Water infrastructure	Sewer infrastructure	Assets under construction
Total							
Cost, beginning of year	\$ 520,000	\$ 156,287	\$ 186,046	\$ 1,323,769	\$ 5,494,006	\$ 1,379,316	\$ 462,953
Additions	50,000	1,266,533	74,231	206,909	6,848	23,750	1,661,167
Disposals	-	-	-	(115,431)	-	(7,523)	-
Cost, end of year	570,000	1,422,820	260,277	1,415,247	5,500,854	1,395,543	2,124,120
Accumulated amortization, beginning of year	-	4,086	68,011	521,334	1,035,566	775,502	-
Amortization	-	61,171	5,206	94,587	101,453	92,589	-
Disposals	-	-	-	(13,441)	-	(653)	-
Accumulated amortization, end of year	-	65,257	73,217	602,480	1,137,019	867,438	-
Net carrying amount, end of year	\$ 570,000	\$ 1,357,563	\$ 187,060	\$ 812,767	\$ 4,363,835	\$ 528,105	\$ 2,124,120
							\$ 9,943,450

Village of Lytton
Notes to the Financial Statements

December 31, 2025

7. Tangible Capital Assets (continued)

								2024 (Restated - Note 11)
	Land	Buildings and building improvements	Roads and linear assets	Vehicles, machinery and equipment	Water infrastructure	Sewer infrastructure	Assets under construction	Total
Cost, beginning of year	\$ 354,536	\$ 27,225	\$ 186,046	\$ 1,166,920	\$ 5,494,006	\$ 1,356,548	- \$	8,585,281
Additions	165,464	129,062	-	156,849	-	22,768	462,953	937,096
Cost, end of year	520,000	156,287	186,046	1,323,769	5,494,006	1,379,316	462,953	9,522,377
Accumulated amortization, beginning of year	-	2,723	64,290	462,690	943,184	737,504	-	2,210,391
Amortization	-	1,363	3,721	58,644	92,382	37,998	-	194,108
Accumulated amortization, end of year	-	4,086	68,011	521,334	1,035,566	775,502	-	2,404,499
Net carrying amount, end of year	\$ 520,000	\$ 152,201	\$ 118,035	\$ 802,435	\$ 4,458,440	\$ 603,814	\$ 462,953	\$ 7,117,878

Village of Lytton

Notes to the Financial Statements

December 31, 2025

8. Accumulated Surplus

The Village segregates its accumulated surplus in the following categories:

	2025	2024
		(Restated - Note 11)
Unrestricted surplus (deficit):		
Operating surplus - general	\$ 3,472,440	\$ 3,143,202
Operating surplus - water	(121,979)	110,964
Operating deficit - sewer	(177,552)	(137,178)
	<u>3,172,909</u>	<u>3,116,988</u>
Investment in tangible capital assets:		
Equity in tangible capital assets - general	2,650,114	1,485,056
Equity in tangible capital assets - sewer	1,399,158	671,204
Equity in tangible capital assets - water	5,894,178	4,961,618
	<u>9,943,450</u>	<u>7,117,878</u>
Non-statutory reserves:		
ATCO reserve	-	50,000
Water utility reserve fund	55,892	55,982
Sewer utility reserve fund	10,210	10,210
Capital works	631,650	631,650
Community works fund	1,044,834	971,860
Recovery operating reserve	-	376,321
Donations reserve	353,953	354,243
Insurance proceeds reserve	4,604,586	4,410,033
Climate action reserve	112,391	202,537
Growing communities fund	619,000	619,000
	<u>7,432,516</u>	<u>7,681,836</u>
	<u>\$ 20,548,875</u>	<u>\$ 17,916,702</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

9. Municipal Taxation and Grants-in-Lieu of Taxes

	<u>2025</u>	<u>2024</u>
Municipal taxes	\$ 369,471	\$ 327,727
Property tax penalties	10,190	11,615
Payments in-lieu of taxes	23,981	12,559
Thompson-Nicola Regional District	36,875	30,909
Thompson Regional Hospital District	17,370	14,675
Province of British Columbia - school taxes	115,617	96,016
Province of British Columbia - police taxes	16,394	14,669
British Columbia Assessment Authority	3,928	3,567
Municipal Finance Authority	12	10
	<u>593,838</u>	<u>511,747</u>
Transfers		
Thompson-Nicola Regional District	37,323	30,257
Thompson Regional Hospital District	17,579	95,806
Province of British Columbia - school taxes	115,617	15,109
Province of British Columbia - police taxes	16,394	14,323
British Columbia Assessment Authority	4,012	3,590
Municipal Finance Authority	-	-
	<u>190,925</u>	<u>159,085</u>
Available for municipal purposes	<u>\$ 402,913</u>	<u>\$ 352,662</u>

Village of Lytton
Notes to the Financial Statements

December 31, 2025

10. Government Grants and Transfers

	<u>2025</u>	<u>2024</u>
Provincial transfers		
Small Community Protection Grant	\$ 413,000	\$ 408,000
Municipal Affairs - Core Operations for 2022-2024	-	2,632,129
Council Governance Grant	-	20,247
Recovery funding	5,098,985	-
Other contributions	29,979	409,074
Local Government Climate Action Program	-	161,455
Union of BC Municipalities Grant	45,426	239,414
BC Hydro Community ReGreening Grant	7,339	-
	<u>5,594,729</u>	<u>3,870,319</u>
Federal transfers		
Community Works Funding	14,035	122,639
ICIP Grant	252,413	-
INFC Community Hub Grant	328,097	74,982
INFC Infrastructure Grant	21,487	-
	<u>616,032</u>	<u>197,621</u>
	<u>\$ 6,210,761</u>	<u>\$ 4,067,940</u>

Village of Lytton

Notes to the Financial Statements

December 31, 2025

11. Restatement of Prior Year

During the year, management identified that certain expenses related to tangible capital assets for projects in process were recorded as operating expenses in the 2024 year. These amounts have been corrected in the comparative figures as follows:

	Original Balance	Restatement	Restated Balance
Tangible capital assets (work in progress)	\$ 6,654,925	\$ 462,953	\$ 7,117,878
Recovery and planning services expense	2,105,789	(462,953)	1,642,836
Annual surplus	3,344,776	462,953	3,807,729
Accumulated surplus - end of year	17,453,749	462,953	17,916,702

12. Contingent Liabilities

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

From time to time the Village is brought forth as a defendant in various lawsuits. The Village reviews its exposure to any potential litigation for which it would not be covered by insurance and assesses whether a successful claim would materially affect the financial statements of the Village. The Village is currently not aware of any claims brought against it that if not defended successfully would result in a material change to the financial statements.

The Village is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible the Village, along with other participants, would be required to contribute towards the deficit.

13. Contaminated Sites

Management has assessed its potential liabilities under the standard including sites that are no longer in productive use and sites which the Village accepts responsibility. There were no such sites that had contamination in excess of an environmental standard which required remediation at this time, therefore no liability is recognized at December 31, 2025 or 2024.

14. Funds Held in Trust

The Village maintains a cemetery perpetual care fund in accordance with the Cremation, Interment and Funeral Services Act of British Columbia. Trust fund assets, the related reserve balance and the operations of the fund have been excluded from the financial statements as the assets are beneficially held only, in trust for unrelated third parties. At December 31, 2025 the Village held \$18,835 (2024 - \$13,625) in trust.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

15. Budget

The Financial Plan (Budget) Bylaw adopted by Council on April 22, 2025 was not prepared on a basis consistent with that used to report actual results (public sector accounting standards). The budget was prepared on a modified accrual basis, while public sector accounting standards require a full accrual basis. The budget expensed all tangible capital expenditures. As a result, the budget figures presented in the statements of financial operations and change in net financial assets represent the Financial Plan adopted by Council on April 22, 2025 with adjustments as follows:

	<u>2025</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Acquisition of tangible capital assets	(50,000)
Long-term debt principal payments	-
Transfers to reserves	386,534
Transfer from equity in tangible capital assets for amortization	<u>(194,120)</u>
Financial Plan (Budget) Bylaw surplus per statement of financial operations	<u>\$ 142,414</u>

16. Endowments

The Village has endowment funds totaling to \$254,062 (2024 - \$254,062) 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 \$103,542 (2024-\$98,751) 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.

Endowment balances as follows:

	<u>2025</u>	<u>2024</u>
Lytton Community Fund	\$ 6,975	\$ 6,975
Lytton Community Health Fund	146,887	146,887
Lytton Community Fund - Matching Grant	<u>100,200</u>	<u>100,200</u>
	<u>\$ 254,062</u>	<u>\$ 254,062</u>

Village of Lytton

Notes to the Financial Statements

December 31, 2025

17. Financial Instruments

The Village is potentially exposed to credit risk, liquidity risk, and interest rate risk from the its financial instruments. This note describes the Village's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

There have not been any changes from the prior year in the Village's exposure to above risks or the policies, procedures and methods it uses to manage and measure the risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Village is exposed to credit risk through its cash and accounts receivable.

The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined on the statement of financial position. Accounts receivable arise primarily as a result of taxes, utilities, and grants receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

Liquidity risk

Liquidity risk is the risk that the Village will encounter difficulty in meeting obligations associated with financial liabilities. The Village is exposed to liquidity risk through its accounts payable and investments.

The Village manages liquidity risk around investments by maintaining a balance of short-term or highly liquid investments, and by maintaining investments that may be converted to cash in the near-term if needed. The Village manages liquidity risk around accounts payable and long-term debt as they have the ability to raise property taxes and revenues if needed. Also to help manage and measure the risk, the Village has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Village's five-year financial plan is approved by the Mayor and Council, which includes operational activities and capital investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Village is exposed to interest rate risk through its value of investments.

Investments that are subject to interest rate risk are MFA pooled investment funds and GIC's (see note 4). The risk is caused by changes in interest rates. As interest rates rise, the fair value of the MFA pooled investment funds notes decrease and, as interest rates fall, the fair value of these investments increase.

To manage and measure interest rate risk and market risk on its portfolio investments, the Village monitors its holdings on a regular basis.

Village of Lytton

Notes to the Financial Statements

December 31, 2025

18. Segmented Information

Segmented information has been identified based upon lines of service provided by the 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 activities they encompass, are as follows:

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.

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.

Recovery and planning services

Recovery and planning services include all activity related to recovery and rebuild in the Village as well as planning functions for the Village.

Parks, 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, and tourism services.

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.

Village of Lytton
Notes to the Financial Statements

December 31, 2025

18. Segmented Information (continued)

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 a separate bank accounts and maintains a separate ledger. The Village helps in fundraising, issues and signs all fundraising receipts and helps in applications and processing of funds and grants, and keeps all directors' minutes. The cumulative surpluses have been included in deferred revenue (see note 5).

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Village of Lytton

Notes to the Financial Statements

December 31, 2025

18. Segmented Information (continued)

	2025							
	General Administrative and Legislative Services	Protective Services	Public Works and Transportation Services	Recreation and Cultural Services	Recovery and Planning Services	Water Services	Sewer Services	Total
Revenue								
Taxation - net	\$ 402,913	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,913
Sale of services	39,216	1,200	8,230	-	-	48,853	56,901	154,400
Return on investments	434,899	-	-	-	-	-	-	434,899
Other income	191,858	-	-	-	42,379	-	2,085	236,322
Government transfers	500,839	-	-	-	-	-	-	500,839
Impairment Loss	(108,860)	-	-	-	-	-	-	(108,860)
Recovery funding	-	-	-	-	5,709,922	-	-	5,709,922
	1,460,865	1,200	8,230	-	5,752,301	48,853	58,986	7,330,435
Expenditures								
Special projects	-	-	-	-	-	107	-	107
Salaries, wages and benefits	875,171	4,561	111,739	-	-	153,639	54,865	1,199,975
Materials, goods and supplies	303,452	7,276	33,616	1,914	-	19	140	346,417
Contracted property service costs	168,531	5,072	10,371	250	-	48,328	28,184	260,736
Contract professional service costs	101,269	95,825	1,847	-	6,989	93,133	16,171	315,234
Recovery costs	-	-	-	-	2,214,231	-	-	2,214,231
Fiscal expenses	167,520	-	-	-	-	101,453	92,589	361,562
	1,615,943	112,734	157,573	2,164	2,221,220	396,679	191,949	4,698,262
Surplus (deficit)	\$ (155,078)	\$ (111,534)	\$ (149,343)	\$ (2,164)	\$ 3,531,081	\$ (347,826)	\$ (132,963)	\$ 2,632,173

2024

19. Comparative Figures

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Village of Lytton
Schedule 1: Growing Communities Fund
(Unaudited)

	2025	2024
Surplus, for the year	-	-
Surplus, beginning of year	<u>619,000</u>	<u>619,000</u>
Surplus, end of year	<u>619,000</u>	<u>619,000</u>

The Growing Communities Fund (GCF) provided a one time grant to the Village to support local government to deliver infrastructure projects necessary to enable community growth and address infrastructure and amenities demands. Local governments are required to annually report about how GCF grants were spent to ensure transparency regarding the use of those funds. The grant is being carried forward to 2026 to be used for eligible infrastructure projects.

Village of Lytton
Schedule 2: Operational Grant expenses
(Unaudited)

	2025	2024
Revenue		
Core Operating Grant	<u>\$ 1,050,000</u>	<u>\$ 700,000</u>
Accounting, finance and audit	293,573	323,529
Corporate officer	116,015	96,871
Council expenses	11,674	24,748
Legal services	19,530	1,366
Office rental space	38,371	-
Public works and IT services	42,689	219,264
Water operations and repair	181,999	52,747
Sewer operations and repair	-	47,109
	<u>703,851</u>	<u>765,634</u>
Surplus, for the year	346,149	(65,634)
Surplus, beginning of year	<u>376,322</u>	<u>441,956</u>
Surplus, end of year	<u>\$ 722,471</u>	<u>\$ 376,322</u>

Village of Lytton
Schedule 3: Municipal Affairs Grant expenses
(Unaudited)

	Budget	2025	2024
(1) Disaster Financial assistance projects	\$ 237,737	\$ -	\$ -
(2) Consultants/Contractors	-	-	-
Emergency response	772,842	-	-
Recovery support	300,000	2,635	-
(3) Staff	-	-	-
Executive	563,107	-	-
Administration	46,314	5,400	6,279
Emergency recovery	394,337	-	-
Executive staff cost	343,695	-	-
Admin staff cost	100,000	43,230	1,572
(4) Operations	-	-	-
Record retrieval + financial rebuild	350,000	-	-
Communications, permitting, travel	425,000	1,777	2,339
(5) Recovery planning	-	-	-
Recovery planning costs	509,906	56,397	24,974
(6) Environmental remediation	1,165,984	-	218
(7) Capital	-	-	-
Fire truck, generators	543,220	-	3,374
Software	50,000	4,894	10,700
PW truck	-	-	140,919
(8) Legal	150,000	6,316	16,189
(9) Archaeology Monitoring	8,614	-	-
Subtotal	5,960,756	120,649	206,564
(11) Fire department assessment	32,000	-	-
(12) Public works vehicle and snow plow apparatus	49,812	-	-
(13) Fire yard upgrades	31,799	-	-
(14) Source water Assessment by Golder	28,000	-	-
(15) Locating/GPS of curb stops to Matcon	56,344	-	-
(19) Snow plow	15,000	-	-
(20) Public works/ Fire response truck	86,289	-	-
Total	\$ 6,260,000	\$ 120,649	\$ 206,564