

GENELLE IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2025

Draft for discussion purposes

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Independent auditor's report

To the Board of Trustees of
Genelle Improvement District

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Genelle Improvement District as at December 31, 2025, and its results of operations, its changes in its 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 District 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.

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 District's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

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 District'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 District'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 District 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.

Castlegar, Canada
DATE

Chartered Professional Accountants

Management's Responsibility for Financial Reporting

Management is composed entirely of the Board of Trustees who is elected by the Members of the Genelle Improvement District. 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. 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 the financial statements.

The Board of Trustees is responsible for overseeing the financial reporting responsibilities and for approving the financial information and discussing relevant matters with the external auditors. The Board of Trustees is also responsible for recommending the appointment of the District's external auditors.

Doane Grant Thornton LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Trustees to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to meet with the Board of Trustees to discuss their audit findings.

Trustee

Trustee

Date

Date

GENELLE IMPROVEMENT DISTRICT

Statement of Financial Position

As at December 31

	2025	2024
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 510,546	\$ 652,264
Short-term investments (Note 3)	200,000	-
Restricted assets - reserve funds (Note 4)	200,000	200,000
Accounts receivable (Note 5)	13,167	11,459
	<u>923,713</u>	<u>863,723</u>
Financial Liabilities		
Accounts payable	14,597	15,101
Deferred revenue	1,612	1,612
Asset Retirement Obligation (Note 6)	223,033	333,699
	<u>239,242</u>	<u>449,412</u>
Net Financial Assets	<u>684,471</u>	<u>513,311</u>
Non-Financial Assets		
Inventory of supplies	18,894	18,894
Prepaid expenses	33,723	33,815
Tangible capital assets (Note 7)	1,132,748	1,287,671
	<u>1,185,365</u>	<u>1,340,380</u>
Accumulated Surplus (Schedule)	<u>\$ 1,869,836</u>	<u>\$ 1,853,691</u>

Approved by the Trustees:

_____ Trustee

_____ Trustee

GENELLE IMPROVEMENT DISTRICT

Statement of Operations and Accumulated Surplus

For the Year Ended December 31

	Budget Budget	2025 Actual	2024
Revenues			
Water taxes	\$ 119,000	\$ 120,303	\$ 119,072
Water tolls	85,300	87,205	80,834
Garbage taxes	-	-	14,090
Connection fees and miscellaneous	1,000	2,838	10,007
Interest - unrestricted	100	3,868	901
Interest - internally restricted	10,000	11,017	10,789
	<u>215,400</u>	<u>225,231</u>	<u>235,693</u>
Operating Expenses			
Garbage collection	-	-	13,475
Insurance and licences	37,100	35,881	32,868
Repairs and maintenance	13,000	14,512	14,988
Utilities	16,000	15,774	13,518
Water study	3,000	32	999
Water system operator	28,000	25,303	23,088
	<u>97,100</u>	<u>91,502</u>	<u>98,936</u>
	<u>118,300</u>	<u>133,729</u>	<u>136,757</u>
Administrative Expenses			
Advertising and promotion	300	70	192
Accretion	-	9,638	3,394
Amortization	70,000	63,520	64,577
Bank charges and interest	50	602	89
Honorariums	9,000	7,235	7,529
Office	3,800	1,903	3,579
Professional fees	25,000	22,433	23,907
Telephone	3,000	4,242	3,075
Utilities	3,000	3,315	2,671
Wages and benefits	3,500	4,626	6,580
	<u>117,650</u>	<u>117,584</u>	<u>115,593</u>
Annual surplus	650	16,145	21,164
Accumulated surplus, beginning of year	<u>1,853,691</u>	<u>1,853,691</u>	<u>1,832,527</u>
Accumulated surplus, end of year	<u>\$ 1,854,341</u>	<u>\$ 1,869,836</u>	<u>\$ 1,853,691</u>

GENELLE IMPROVEMENT DISTRICT

Statement of Changes in Net Financial Assets

For the Year Ended December 31

	2025 Budget	2025 Actual	2024
Annual surplus	\$ 650	\$ 16,145	\$ 21,164
Changes in tangible capital assets			
Acquisition of tangible capital assets	(125,654)	(28,901)	(10,970)
Amortization of tangible capital assets	70,000	63,520	64,577
Change in cash flows from Asset Retirement Obligations	-	120,304	-
	(55,654)	154,923	53,607
Changes in other non-financial assets			
Acquisition of prepaid expenses	-	(33,721)	(33,813)
Use of inventory of supplies	-	-	(215)
Use of prepaid expenses	-	33,813	31,402
	-	92	(2,626)
Changes in net financial assets	(55,004)	171,160	72,145
Net financial assets, beginning of year	513,311	513,311	441,166
Net financial assets, end of year	\$ 458,307	\$ 684,471	\$ 513,311

Draft for discussion purposes

GENELLE IMPROVEMENT DISTRICT

Statement of Cash Flows

For the Year Ended December 31

	2025	2024
Cash Flows Provided By (Used In) Operating Activities		
Cash received from users	\$ 208,638	\$ 220,296
Cash paid to suppliers and employees	(136,340)	(147,350)
Cash received from internally restricted interest	11,017	10,789
Cash received from unrestricted interest	3,868	901
	<u>87,183</u>	<u>84,636</u>
Cash Flows Provided By (Used In) Investing Activities		
Purchase of tangible capital assets	(28,901)	(10,970)
Purchase of short-term investments	(200,000)	-
	<u>(228,901)</u>	<u>(10,970)</u>
(Decrease) increase in cash	(141,718)	73,666
Cash, beginning of year	<u>652,264</u>	<u>578,598</u>
Cash, end of year	<u>\$ 510,546</u>	<u>\$ 652,264</u>

GENELLE IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2025

Nature of Operations

The Genelle Improvement District was formed as an Improvement District on April 12, 1962. The objectives of the District are the acquisition, maintenance and operation of the waterworks and all incidental matters thereto for the land within the District.

1. Summary of Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Funds are segregated for the purpose of carrying on specific activities or attaining specific objectives. The following funds are currently in use:

Unrestricted operating fund - this fund is used to report the operating activities of the District, including general operations and the water utilities.

Internally restricted reserve funds - these funds have been established to hold funds for specific future requirements. The use of these funds is at the discretion of the Board of Trustees and consists of a capital expenditure fund and a capital works renewal reserve fund.

Short-term investments

Short-term investments are recorded at cost. Investment income is recorded on the accrual basis and recognized when earned.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions which affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, accrued liabilities included in accounts payable, the valuation of inventory of supplies, asset retirement obligations and estimated useful lives of tangible capital assets. Actual results may differ from these estimated amounts.

GENELLE IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2025

Financial instruments

The District's financial instruments consist of cash and cash equivalents, short-term investments, restricted fund investments, accounts receivable, and accounts payable which are recorded at cost/amortized cost.

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expire.

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.

Inventory of supplies

Inventory of supplies consist of materials and supplies for use and consumption. Inventory of supplies are measured at the lower of cost and net replacement value. Cost has been determined using the specific identification method.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is calculated on the straight-line basis over the following periods:

Building	20 years
Fence	10 years
Fire hydrants	40 years
Office equipment	5 years
Paving	12 years
Reservoir	50 years
Soft start system	5 years
Storage container	5 years
Tools	5 years
Vehicle	8 years
Water system and equipment	5-50 years

GENELLE IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2025

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset that the District will be required to settle. The District recognizes asset retirement obligations when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

Asset retirement obligations are initially measured at the best estimate of the amount required to retire a tangible capital asset at the financial statement date. The estimate of a liability includes costs directly attributable to asset retirement activities.

Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the related tangible capital asset. Subsequently, the asset retirement costs are allocated to expenses over the useful life of the tangible capital asset. The obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and for revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate.

Revenue recognition

Tolls and taxes revenues are recognized on an accrual basis and recognized in the period to which they relate provided that collection is reasonably assured. Capital expenditure charges, subdivision fees and connection fees are recognized when services are rendered provided that collection is reasonably assured. All other revenue is recognized when collection is reasonably assured.

Expense recognition

Expenses are recognized on an accrual basis in the period in which they are incurred.

Donated goods and services

The District benefits from donated goods and services in the form of volunteer time and donated goods. Donated materials and services that relate to tangible capital assets are recognized at fair value. Any other donated goods and services are not recognized in these financial statements.

Budget data

The budget data presented in these financial statements was adopted by the Board of Trustees at the Annual General Meeting on May 2, 2025.

GENELLE IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2025

2. Cash and cash equivalents

Cash and cash equivalents comprise unrestricted operating accounts that consist of bank accounts and member shares and internally restricted reserve funds that consist of Kootenay Savings Credit Union savings funds. The reserve funds have been established by the Board for specific operating uses. Funds received from capital expenditure charges and interest earned on these funds are included in the capital expenditure fund. These funds may only be used to increase source capacity, enlarge supply mains, increase storage or augment the capacity of the works of the District. Funds received from the sale of District land, current revenue, general revenue surplus or as otherwise provided in the Municipal Act may from time to time be paid into the capital works renewal reserve fund. These funds and interest earned on these funds may only be used for expenditures for any upgrading, replacement or renewal of existing works. The funds may be disbursed by a Bylaw of the Trustees of the District.

	2025	2024
Operating accounts	\$ 114,424	\$ 260,052
Capital expenditure fund	30,353	30,081
Capital works renewal reserve fund	<u>365,769</u>	<u>362,131</u>
	<u>\$ 510,546</u>	<u>\$ 652,264</u>

3. Short-term Investments

Short-term investments are comprised of two, flexible, one-year \$100,000, term portfolio investments with a 2.52% interest return, maturing on June 9, 2026, and redeemable after 90 days without penalty.

	2025	2024
KSCU Guaranteed Investment Certificates	\$ <u>200,000</u>	\$ <u>-</u>

4. Restricted Fund Investments

Restricted fund investments are comprised of two, flexible, one-year \$100,000, term portfolio investments with a 2.33% interest return, maturing October 20, 2026, and redeemable after 90 days without penalty.

	2025	2024
Restricted fund investments	\$ <u>200,000</u>	\$ <u>200,000</u>

5. Accounts Receivable

	2025	2024
Trade receivables	\$ 4,219	\$ 538
GST recoverable	<u>8,948</u>	<u>10,921</u>
	<u>\$ 13,167</u>	<u>\$ 11,459</u>

GENELLE IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2025

6. Asset Retirement Obligation

The District has recognized an asset retirement obligation related to the decommissioning of its wells and reservoirs. The recognition of the asset retirement obligation involved an accompanying increase to the wells and reservoirs tangible capital asset. The increase in capital assets is amortized on a straight-line basis over the remaining expected useful life of the related assets.

	2025	2024
Opening balance	\$ 333,699	\$ 330,305
Decrease due to revisions in estimated cash flows	(120,304)	-
Increase due to accretion	9,638	3,394
	<u>\$ 223,033</u>	<u>\$ 333,699</u>

The liability is estimated using a present value technique that discounts the expected future expenditures. The discount rate used was based on the Bank of Canada's December 31, 2025 interest rate for mortgage loans extended to the corporate sector of 4.73%. Undiscounted present costs total to \$518,500 and expected decommissioning dates are estimates. The decommissioning dates are expected to occur on dates ranging from 8 years to 66 years in the future.

The decrease due to revisions in estimated cash flows is due to an increase in the discount rate.

GENELLE IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2025

7. Tangible Capital Assets

As at December 31, 2025	Cost	Accumulated Amortization	Net Book Value
Land - second well	\$ 7,723	\$ -	\$ 7,723
Reservoir easement	4,052	-	4,052
Building	90,618	78,089	12,529
Fence	1,098	1,098	-
Fire hydrants	41,559	22,386	19,173
Office equipment	13,891	9,049	4,842
Paving	22,125	9,326	12,799
Reservoir	799,814	204,466	595,348
Soft start system	22,897	16,315	6,582
Storage container	4,958	4,958	-
Tools	3,529	3,400	129
Vehicle	24,694	24,694	-
Water system and equipment	1,066,100	596,529	469,571
	<u>\$ 2,103,058</u>	<u>\$ 970,310</u>	<u>\$ 1,132,748</u>

As at December 31, 2024	Cost	Accumulated Amortization	Net Book Value
Land - second well	\$ 7,723	\$ -	\$ 7,723
Reservoir easement	4,052	-	4,052
Building	90,619	76,645	13,974
Fence	1,098	1,098	-
Fire hydrants	41,559	21,347	20,212
Office equipment	9,766	7,573	2,193
Paving	22,125	7,556	14,569
Reservoir	915,654	175,545	740,109
Soft start system	22,897	13,977	8,920
Storage container	4,958	4,958	-
Tools	3,529	3,111	417
Vehicle	24,694	24,694	-
Water system and equipment	1,045,788	570,286	475,502
	<u>\$ 2,194,462</u>	<u>\$ 906,790</u>	<u>\$ 1,287,671</u>

Additions for the year amounted to \$4,125 in office equipment (2024: \$Nil), \$24,775 (2024: \$Nil) in water systems and \$Nil in soft start system (2024: \$10,970).

There were \$Nil (2024: \$Nil) disposals in the year.

Amortization expense for the year amounted to \$63,520 (2024: \$64,577).

GENELLE IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2025

8. Renewal Reserve Fund

	2025	2024
Balance at beginning of year	\$ 562,131	\$ 494,457
Interest earned	9,858	10,518
Transfer from replacement reserve	(6,220)	-
Transfer to replacement reserve	-	57,156
	<u>\$ 565,769</u>	<u>\$ 562,131</u>

9. Capital Expenditure Fund

	2025	2024
Balance at beginning of year	\$ 30,081	\$ 29,811
Interest earned	272	270
	<u>\$ 30,353</u>	<u>\$ 30,081</u>

10. Financial Instruments

Credit risk exposure

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 District's exposure to credit risk is primarily related to its accounts receivable. Under the Local Government Act every assessment, tax, toll or charge fixed under the bylaw forms a lien and charge on the land on which it has been imposed and, accordingly, the District does not anticipate significant loss for non-performance.

Liquidity risk exposure

Liquidity risk is the risk that a District will encounter difficulty in meeting obligations associated with financial liabilities. The District's exposure to liquidity risk arises mainly in respect to its accounts payable and asset retirement obligations. The District mitigates this risk by monitoring cash activities and expected outflows through budgeting.

Market risk exposure

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, price risk and foreign currency risk. The District's financial instruments are transacted in Canada and do not include publicly traded investments which results in little exposure to price risk or foreign currency risk. The District's main financial assets and liabilities are non-interest bearing which results in little exposure to interest rate risk.

GENELLE IMPROVEMENT DISTRICT

Schedule of Changes in Accumulated Surplus

For the Year Ended December 31

	Unrestricted operating fund	Internally restricted capital expenditure fund	Internally restricted capital works, renewal reserve fund	Invested in tangible capital assets	Total 2025	Total 2024
Accumulated surplus, beginning of year	\$ 307,505	\$ 30,081	\$ 562,131	\$ 953,974	\$ 1,853,691	\$ 1,832,527
Annual surplus	89,303	-	-	(73,158)	16,145	21,164
Restricted interest - transfer	(10,130)	272	9,858	-	-	-
Additions to tangible capital assets	(28,901)	-	-	28,901	-	-
Decrease in tangible capital assets due to asset retirement obligations	120,304	-	-	(120,304)	-	-
Renewal reserve fund - transfer	6,220	-	(6,220)	-	-	-
Accumulated surplus, end of year	\$ 484,301	\$ 30,353	\$ 565,769	\$ 789,413	\$ 1,869,836	\$ 1,853,691