

SION IMPROVEMENT DISTRICT

Financial Statements

Year Ended December 31, 2025

SION IMPROVEMENT DISTRICT
Index to Financial Statements
Year Ended December 31, 2025

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of Operations	4
Statement of Changes in Accumulated Surplus	5
Statement of Financial Position	6
Statement of Changes in Net Financial Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 12
Schedule of Tangible Capital Assets (<i>Schedule 1</i>)	13

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

In discharging its responsibilities for the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that the 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 composed entirely of Trustees who are neither management nor employees of the District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information.

The financial statements have been audited on behalf of the Trustees by KH Burch Kientz Inc., an independent external auditor appointed by the District, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on the District's financial statements.



Alex Padmoroff, Trustee

Grand Forks, BC
April 09, 2026

INDEPENDENT AUDITOR'S REPORT

To the Members of Sion Improvement District

Report on the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

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 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 the financial statements in accordance with PSAS, 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 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.

(continues)

Independent Auditor's Report to the Members of Sion Improvement District (*continued*)

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.

Grand Forks, British Columbia
April 9, 2026

KH Burch Kientz Inc.
CHARTERED PROFESSIONAL ACCOUNTANTS

SION IMPROVEMENT DISTRICT
Statement of Operations
Year Ended December 31, 2025

	Budget 2025	Total 2025	Total 2024
REVENUES			
Taxes levied	\$ 215,100	\$ 215,076	\$ 210,867
Tolls levied	173,900	173,864	170,412
Interest and penalties	23,000	23,873	32,120
Services and connections	3,600	13,401	574
Grants and rebates	5,000	1,139	7,402
	<u>420,600</u>	<u>427,353</u>	<u>421,375</u>
EXPENSES			
Amortization	70,000	68,540	64,781
Insurance	32,000	31,260	29,477
Interest and bank charges	1,150	1,728	942
Miscellaneous	11,500	4,637	3,652
Office	4,500	3,600	2,730
Power	85,100	105,430	82,865
Professional fees	46,000	33,813	28,035
Purchases	1,500	-	-
Rental	7,700	6,800	6,600
Repairs and maintenance	107,800	51,456	12,323
Telephone	7,700	7,370	6,803
Trustee fees	10,000	11,958	10,165
Vehicle	12,400	8,107	4,549
Wages and benefits	152,100	150,568	101,742
Water and testing costs	9,625	9,810	8,415
	<u>559,075</u>	<u>495,077</u>	<u>363,079</u>
ANNUAL SURPLUS (DEFICIT)	\$ (138,475)	\$ (67,724)	\$ 58,296

SION IMPROVEMENT DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2025

	2025	2024
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 1,214,119	\$ 1,155,823
ANNUAL SURPLUS (DEFICIT)	<u>(67,724)</u>	<u>58,296</u>
ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR	\$ 1,146,395	\$ 1,214,119

SION IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 5)</i>	\$ 552,460	\$ 620,775
Accounts receivable	40,104	32,101
Goods and services tax recoverable	6,993	8,518
	<u>599,557</u>	<u>661,394</u>
FINANCIAL LIABILITIES		
Accounts payable	25,095	51,709
Employee deductions payable	2,843	2,185
Prepaid taxes and tolls	18,765	17,148
	<u>46,703</u>	<u>71,042</u>
NET FINANCIAL ASSETS	<u>552,854</u>	<u>590,352</u>
NON-FINANCIAL ASSETS		
Inventory	7,611	11,387
Prepaid expenses	28,925	28,746
Tangible capital assets <i>(Schedule 1)</i>	557,005	583,634
	<u>593,541</u>	<u>623,767</u>
ACCUMULATED SURPLUS <i>(Note 6)</i>	<u>\$ 1,146,395</u>	<u>\$ 1,214,119</u>

LEASE COMMITMENTS *(Note 7)*

ON BEHALF OF THE TRUSTEES

Alex Padmaroff

Trustee

PA

Trustee

SION IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2025

	Budget 2025	2025	2024
ANNUAL SURPLUS (DEFICIT)	\$ (138,475)	\$ (67,724)	\$ 58,296
Amortization of tangible capital assets	70,000	68,540	64,782
Purchase of tangible capital assets	(50,000)	(41,912)	(25,855)
Decrease (increase) in prepaid expenses	-	(179)	(1,839)
Decrease (increase) in inventory	-	3,777	(337)
	20,000	30,226	36,751
CHANGE IN NET FINANCIAL ASSETS	(118,475)	(37,498)	95,047
NET FINANCIAL ASSETS - BEGINNING OF YEAR	590,352	590,352	495,305
NET FINANCIAL ASSETS - END OF YEAR	\$ 471,877	\$ 552,854	\$ 590,352

SION IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 420,968	\$ 409,280
Cash paid to suppliers and employees	(447,172)	(264,387)
Interest paid	(1,726)	(941)
Goods and services tax	1,526	(3,786)
Provincial sales tax	-	(122)
Cash flow from (used by) operating activities	<u>(26,404)</u>	140,044
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(41,911)</u>	(25,855)
Cash flow used by investing activity	<u>(41,911)</u>	(25,855)
INCREASE (DECREASE) IN CASH FLOW	(68,315)	114,189
Cash - beginning of year	<u>620,775</u>	506,586
CASH - END OF YEAR	\$ 552,460	\$ 620,775

SION IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2025

1. PURPOSE OF THE IMPROVEMENT DISTRICT

Sion Improvement District (the "District") is an improvement district incorporated on December 6, 1963 under the Water Act of British Columbia and is subject to the provisions of the Local Government Act of British Columbia. As a public sector organization, the Irrigation District is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The objective of the District is for the acquisition, maintenance, and operation of works for waterworks and irrigation purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards (PSAS) and in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Estimates have been used in determining the useful life of assets.

Revenue recognition

- a) Revenue from irrigation taxes is recognized on an annual basis, based on the acres irrigated with tax rates established by the Board of Trustees with a bylaw.
- b) Revenue from tolls are recognized on an annual basis according to the number of connections, at rates established by the Board of Trustees with a bylaw.
- c) Revenue from transactions with performance obligations are recognized when the District satisfies a performance obligation by providing the promised services to the payor. The performance obligation is evaluated as being satisfied upon completion of the work.
- d) Connection and capital expenditure charges are recognized when levied with rates established by the Board of Trustees with a bylaw.
- e) Interest and penalties are recognized when earned on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents consists of highly liquid accounts that are readily convertible to cash and term deposits cashable within 90 days to 1 year.

Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the change in net financial assets for the year.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a specific item basis. Inventory consists of pipes, clamps, fittings, couplings and service valves.

(continues)

SION IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Equipment	5 & 10 years
Signage	5 years
Motor vehicles	5 years
Water mains, south system	60 years
Water mains, north system	60 years
Other infrastructure, south	10, 20 & 80 years
Other infrastructure, north	5, 10, 30 & 80 years

The District regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Financial instruments

Cash and cash equivalents quoted in an active market are measured at fair value. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any accrued interest reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets include cash and accounts receivables and are measured at amortized cost as presented on the Statement of Financial Position. Financial liabilities include accounts payable and prepaid taxes and tolls. They are measured at cost as presented on the Statement of Financial Position.

3. FINANCIAL INSTRUMENTS

The District is exposed to various risks through its financial instruments. The following analysis provides information about the District'S risk exposure and concentration as of December 31, 2025.

Credit risk

Credit risk may arises from the potential that a counter party will fail to pay for the services provided. The organization has reduced the risk for the non-recovery of receivables on taxes as it is able to hold a tax sale on land where there are taxes owing for 24 months or longer and to shut off access to water for unpaid annual tolls. Revenues are spread over a significant number of customers, which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The District is exposed to this risk mainly in respect of its receipt of funds from its customers and accounts payable. The District maintains sufficient cash flow and has significant cash reserves to satisfy its liabilities.

SION IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2025

4. BUDGET FIGURES

There are differences between the budgeting model used by the District and generally accepted accounting principles established by PSAS. The unaudited budget figures presented in these financial statements have been approved by the Trustees for they year and are presented for information purposes only. Certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAS. The reconciliation of budgeted results to reported results is as follows:

	<u>2025</u>
Budgeted deficit as approved	(188,475)
Add: budgeted tangible capital asset acquisitions	<u>50,000</u>
Budgeted annual deficit as presented	<u>\$ (138,475)</u>

5. CASH AND CASH EQUIVALENTS

	<u>2025</u>	<u>2024</u>
One year term deposit, cashable after 90 days with interest of 2.9%, maturing on January 7, 2026	\$ 160,166	\$ -
One year term deposit, cashable after 90 days with interest of 2.15%, maturing on December 16, 2026	83,050	100,000
One year term deposit, cashable with interest of 2.4%, maturing on May 18, 2026	69,004	-
Beem Credit Union, chequing	20,155	48,705
Beem Credit Union, savings	439	438
Petty cash and cash to be deposited	165	226
Beem Credit Union, equity shares	28	27
One year term deposit, cashable-redeemable at August 16, 2024, with interest of 3%, matured on May 18, 2025	-	206,211
Unrestricted portion of one year term deposit, cashable after 180 days with interest of 3.80%, matured on May 18, 2025	-	51,753
	-	-
	<u>333,007</u>	<u>407,360</u>
<u>Designated reserve funds</u>		
One year term deposit, cashable after 1 year with interest of 2.40%, maturing on May 18, 2026	145,861	-
Beem Credit Union High interest Business savings	73,592	58,156
Restricted portion of one year term deposit, cashable after 180 days with interest of 3.80%, matured on May 18, 2025	-	155,259
	<u>219,453</u>	<u>213,415</u>
	<u>\$ 552,460</u>	<u>\$ 620,775</u>

SION IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2025

6. ACCUMULATED SURPLUS

	<u>2025</u>	<u>2024</u>
Renewal Reserve	\$ 238,928	\$ 213,415
Capital Development Reserve	4,485	-
	<u>243,413</u>	<u>213,415</u>
Net investment in tangible capital assets	557,005	583,634
Undesignated	345,977	417,070
	<u>\$ 1,146,395</u>	<u>\$ 1,214,119</u>

The Renewal Reserve was established with bylaw 136. Funds from the sale of District land, current revenue and general revenue surplus may, from time to time be paid into the Fund. The Funds may only be used for upgrading, replacement or renewal of existing works with the passing of a bylaw. The District is currently contributing \$1,000 per month to this Fund.

The Capital Development Reserve was established with bylaw 93. Funds collected under this bylaw shall be used to pay the capital costs of providing, constructing, altering or expanding water facilities included in the Capital Expenditure program on which the charge was based, in order to serve directly or indirectly, the development in respect to which the charge was collected. Funds shall be disbursed with the passing of a bylaw.

7. LEASE COMMITMENTS

The District has entered into a 24-month lease agreement for its premises located at 7920-B Donaldson Drive, Grand Forks, BC, which expires on April 30, 2027. Lease payments are \$550 plus GST per month until June 2025, \$580 plus GST per month from July 2025 to April 2027. Under the terms of the lease, the District is also responsible for utilities and maintenance costs.

On February 19, 2026 the District amended the previous lease to allow for an increase in leased area of both interior and exterior. Lease payments are \$1,450 plus GST per month from March 2026 to April 2027. Future minimum lease payments as at December 31, 2025, are as follows:

2026	\$ 15,660
2027	<u>5,800</u>
	<u>\$ 21,460</u>

SION IMPROVEMENT DISTRICT
Schedule of Tangible Capital Assets
Year Ended December 31, 2025

(Schedule 1)

	Land	Equipment	Motor vehicles	Water mains, south system	Water mains, north system	Other infrastructure, south	Other infrastructure, north	Signage	Total
COSTS									
Opening balances	\$ 1,430	\$ 16,938	\$ 28,350	\$ 1,041,196	\$ 305,726	\$ 1,001,312	\$ 373,192	\$ 4,594	\$ 2,772,738
Additions	-	3,686	25,680	-	-	-	10,953	1,592	41,911
Dispositions	-	-	-	-	-	-	-	-	-
Sub Total	1,430	20,624	54,030	1,041,196	305,726	1,001,312	384,145	6,186	2,814,649
ACCUMULATED AMORTIZATION									
Opening balance	-	12,631	28,350	886,810	250,405	800,491	210,187	230	2,189,104
Dispositions	-	-	-	-	-	-	-	-	-
Amortization	-	1,604	2,568	17,353	5,095	32,694	8,121	1,105	68,540
Sub Total	-	14,235	30,918	904,163	255,500	833,185	218,308	1,335	2,257,644
	\$ 1,430	\$ 6,389	\$ 23,112	\$ 137,033	\$ 50,226	\$ 168,127	\$ 165,837	\$ 4,851	\$ 557,005

See accompanying notes to financial statements