

HEDLEY IMPROVEMENT DISTRICT
Consolidated Financial Statements
Year Ended December 31, 2024

HEDLEY IMPROVEMENT DISTRICT
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Year Ended December 31, 2024

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Hedley Improvement District have been prepared in accordance with Canadian public sector accounting standards (PSAS). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. 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.

The integrity and reliability of Hedley Improvement District's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility by meeting periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Board approves the financial statements and considers, for review and approval by the members, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the members by Morine Thomas CPA LLP, in accordance with Canadian public sector accounting standards (PSAS)



Maria Manazza, Administrator

Hedley, B.C.
April 14, 2025

MORINE THOMAS CPA LLP
CHARTERED PROFESSIONAL ACCOUNTANT



INDEPENDENT AUDITOR'S REPORT

To the Members of Hedley Improvement District

Opinion

We have audited the consolidated financial statements of Hedley Improvement District (the "organization"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the organization as at December 31, 2024, and the consolidated results of its operations and consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the organization in accordance with ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 organization'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 organization'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 consolidated 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

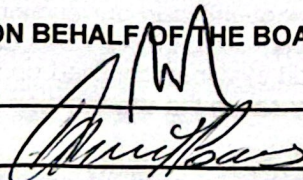
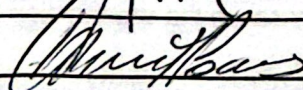
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Morine + Thomas

HEDLEY IMPROVEMENT DISTRICT
Consolidated Statement of Financial Position
December 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash	\$ 554,297	\$ 721,632
Term deposits	260,457	-
Accounts receivable	30,752	18,282
Goods and services tax recoverable	3,588	4,542
	849,094	744,456
LIABILITIES		
Accounts payable	8,396	11,397
Employee deductions payable	7,704	-
Long term debt (Note 4)	-	16,675
	16,100	28,072
NET FINANCIAL ASSETS	832,994	716,384
NON-FINANCIAL ASSETS		
Prepaid expenses	2,199	2,070
Tangible capital assets (Note 3)	870,780	932,785
	872,979	934,855
ACCUMULATED SURPLUS	\$ 1,705,973	\$ 1,651,239

ON BEHALF OF THE BOARD


 _____ Trustee

 _____ Trustee

HEDLEY IMPROVEMENT DISTRICT
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2024

	Budget 2024	Total 2024	Total 2023
REVENUES			
Fire protection and street lighting	\$ 103,900	\$ 116,650	\$ 149,000
Water tolls and related services	136,200	121,699	149,554
Interest income	9,500	10,362	5,529
Parcel taxes	-	64,405	63,248
Capital tax advances	-	16,994	16,994
Interest and penalties on water services	-	4,398	4,114
Other revenue	-	100	300
	249,600	334,608	388,739
EXPENSES			
Advertising and promotion	2,000	638	2,030
Amortization	-	62,006	62,623
Firefighting remuneration	25,000	25,453	23,524
Licenses and memberships	650	220	290
Street lighting	5,000	5,291	5,150
Hydrant maintenance	3,500	2,433	3,206
System maintenance	31,000	5,430	18,825
Equipment rentals	-	246	-
Insurance	23,000	24,751	21,558
Interest and bank charges	200	293	134
Interest on long term debt	-	318	1,479
Honorariums	-	500	400
Water pumping power	10,000	9,260	8,680
Vehicle Insurance and maintenance	5,200	9,637	4,851
Office	8,250	5,841	14,146
Professional fees	10,000	11,000	11,000
Building maintenance	2,000	13,525	1,302
Salaries and wages	59,800	49,930	47,647
Janitorial	2,000	1,600	2,025
Water Operator	30,000	33,859	23,745
Firefighting supplies	7,000	5,269	2,104
Telephone	3,000	2,969	2,826
Training and travel	16,000	7,834	5,092
Utilities	6,000	3,771	3,889
	249,600	282,074	266,526
ANNUAL SURPLUS	-	52,534	122,213
ACCUMULATED SURPLUS - BEGINNING OF YEAR	1,651,239	1,651,239	1,529,026
ACCUMULATED SURPLUS - END OF YEAR	\$ 1,651,239	\$ 1,703,773	\$ 1,651,239

See notes to financial statements

HEDLEY IMPROVEMENT DISTRICT
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2024

	Budget 2024	2024	2023
ANNUAL SURPLUS	\$ -	\$ 52,534	\$ 122,213
Amortization of tangible capital assets	-	62,006	62,623
Decrease in prepaid expenses	-	2,069	374
	-	64,075	62,997
INCREASE IN NET FINANCIAL ASSETS	-	116,609	185,210
NET FINANCIAL ASSETS - BEGINNING OF YEAR	716,385	716,384	531,174
NET FINANCIAL ASSETS - END OF YEAR	\$ 716,385	\$ 832,993	\$ 716,384

See notes to financial statements

HEDLEY IMPROVEMENT DISTRICT
Consolidated Statement of Cash Flows
Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Annual surplus	\$ 52,534	\$ 122,213
Item not affecting cash:		
Amortization of tangible capital assets	62,006	62,623
	<u>114,540</u>	<u>184,836</u>
Changes in non-cash working capital:		
Accounts receivable	(12,470)	50,672
Accounts payable	4,703	(38,825)
Deferred income	-	(30,509)
Prepaid expenses	2,070	375
Goods and services tax payable	954	11,798
	<u>(4,743)</u>	<u>(6,489)</u>
Cash flow from operating activities	<u>109,797</u>	<u>178,347</u>
FINANCING ACTIVITY		
Repayment of long term debt	<u>(16,675)</u>	<u>(15,514)</u>
Cash flow used by financing activity	<u>(16,675)</u>	<u>(15,514)</u>
INCREASE IN CASH FLOW	93,122	162,833
Cash - beginning of year	<u>721,632</u>	<u>558,799</u>
CASH - END OF YEAR	\$ 814,754	\$ 721,632
CASH CONSISTS OF:		
Cash	\$ 554,297	\$ 721,632
Term deposits	<u>260,457</u>	<u>-</u>
	<u>\$ 814,754</u>	<u>\$ 721,632</u>

See notes to financial statements

HEDLEY IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. PURPOSE OF THE ORGANIZATION

Hedley Improvement District (the "district") operates under Part 17 of the Local Government Act (British Columbia) to provide water, firefighting and street lighting to property owners of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in GIC's and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Basis of presentation

The consolidated financial statements were prepared in accordance with Canadian public sector accounting standards (PSAS).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported 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.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2023. At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2023 the District has not recorded any liability for contaminated sites as no sites exist.

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HEDLEY IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the consolidated financial statement date when there is a legal obligation for the District to incur retirement costs in relation to a tangible capital asset (or component thereof), 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. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2024. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the District reviews the carrying amount of the liability. The District recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives (ranging from 10 to 50 years) on a straight-line basis.

The organization regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a reduction of tangible capital assets cost.

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

Revenue recognition

The organization recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured
- amounts received but not earned are recorded as deferred revenue.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses 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.

HEDLEY IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

3. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	2023 Balance	Additions	Disposals	2024 Balance
Land	\$ 200	\$ -	\$ -	\$ 200
Water System	1,189,693	-	-	1,189,693
Building	199,373	-	-	199,373
Firehydrants	23,615	-	-	23,615
Fire Equipment	256,649	-	-	256,649
Firetrucks	332,843	-	-	332,843
Office equipment	8,178	-	-	8,178
	<u>\$ 2,010,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,010,551</u>

<u>Accumulated Amortization</u>	2023 Balance	Amortization	Accumulated Amortization on Disposals	2024 Balance
Land	\$ -	\$ -	\$ -	\$ -
Water System	453,699	23,794	-	477,493
Building	107,945	3,987	-	111,932
Firehydrants	12,317	472	-	12,789
Fire Equipment	213,015	17,110	-	230,125
Firetrucks	282,612	16,642	-	299,254
Office equipment	8,178	-	-	8,178
	<u>\$ 1,077,766</u>	<u>\$ 62,005</u>	<u>\$ -</u>	<u>\$ 1,139,771</u>

<u>Net book value</u>	2024	2023
Land	\$ 200	\$ 200
Water System	712,200	735,994
Building	87,441	91,428
Firehydrants	10,826	11,298
Fire Equipment	26,524	43,634
Firetrucks	33,589	50,231
	<u>\$ 870,780</u>	<u>\$ 932,785</u>

4. LONG TERM DEBT

	2024	2023
Ministry of Small Business and Revenue loan bearing interest at 3.7% per annum, repayable in annual blended payments of \$16,994. The loan matured on July 1, 2024 and was secured by a fire truck.	\$ -	\$ 16,675
	<u>\$ -</u>	<u>\$ 16,675</u>

HEDLEY IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

5. FINANCIAL INSTRUMENTS

The District, as part of its operations, carries a number of financial instruments. The District's financial instruments consist of cash and term deposits, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

HEDLEY IMPROVEMENT DISTRICT**Water****(Schedule 1)****Year Ended December 31, 2024**

	2024	2023
REVENUES		
Water tolls and related services	\$ 121,699	\$ 149,554
Interest income	4,307	2,313
Parcel taxes	64,405	63,248
Interest and penalties on water services	4,398	4,114
Other revenue	100	300
	<u>194,909</u>	<u>219,529</u>
EXPENSES		
Licenses and memberships	220	290
Insurance	12,376	11,250
Interest and bank charges	118	34
Office	3,505	6,794
Advertising and promotion	337	1,107
Honorariums	250	200
Professional fees	5,500	5,500
Water Operator	33,859	23,745
Janitorial	800	1,050
Building maintenance	11,704	1,054
Salaries and wages	27,738	26,411
System maintenance	5,430	18,825
Utilities	1,754	1,696
Telephone	1,485	1,482
Water pumping power	9,260	8,680
Equipment rentals	246	-
Training and travel	880	2,338
	<u>115,462</u>	<u>110,456</u>
ANNUAL SURPLUS	<u>79,447</u>	<u>109,073</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>118,203</u>	<u>9,131</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 197,650</u>	<u>\$ 118,204</u>

See notes to financial statements

HEDLEY IMPROVEMENT DISTRICT
Fire Protection and Street Lighting
Year Ended December 31, 2024

(Schedule 2)

	2024	2023
REVENUES		
Fire protection and street lighting	\$ 116,650	\$ 149,000
Capital tax advances	16,994	16,994
Interest income	6,055	3,216
	139,699	169,210
EXPENSES		
Interest and bank charges	174	99
Firefighting remuneration	25,453	23,524
Advertising and promotion	301	923
Insurance	12,376	10,308
Interest on long term debt	318	1,479
Office	2,336	7,352
Professional fees	5,500	5,500
Hydrant maintenance	2,433	3,206
Building maintenance	1,822	248
Salaries and wages	22,192	21,236
Street lighting	5,291	5,150
Firefighting supplies	5,269	2,104
Training and travel	6,954	2,754
Vehicle Insurance and maintenance	9,637	4,851
Utilities	2,017	2,192
Telephone	1,485	1,344
Honorariums	250	200
Janitorial	800	975
	104,608	93,445
ANNUAL SURPLUS	35,091	75,765
ACCUMULATED SURPLUS, BEGINNING OF YEAR	616,926	556,677
TRANSFERS		
Transfer principal payments	(16,675)	(15,514)
ACCUMULATED SURPLUS, END OF YEAR	\$ 635,342	\$ 616,928

HEDLEY IMPROVEMENT DISTRICT
Equity in Tangible Capital Assets
Year Ended December 31, 2024

(Schedule 3)

	2024	2023
REVENUES	\$ -	\$ -
EXPENSES		
Amortization	62,006	62,623
ANNUAL SURPLUS	(62,006)	(62,623)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	916,110	963,218
TRANSFERS		
Transfer principal payments	16,675	15,514
ACCUMULATED SURPLUS, END OF YEAR	\$ 870,779	\$ 916,109