AQUATERA UTILITIES INC.

Non-Consolidated Financial Statements

December 31, 2022

AQUATERA UTILITIES INC.

Index to Non-Consolidated Financial Statements

Year Ended December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The non-consolidated financial statements of Aquatera Utilities Inc. have been prepared in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These non-consolidated financial 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 non-consolidated financial statements are presented fairly in all material respects.

The integrity and reliability of Aquatera Utilities Inc.'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 Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the non-consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. Following its review of the non-consolidated financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the non-consolidated financial statements. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The non-consolidated financial statements have been audited on behalf of the shareholders by Fletcher Mudryk LLP, in accordance with International Financial Reporting Standards.

CEO

CFO

Grande Prairie, Alberta
March 29, 2023

FLETCHER MUDRYK LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aquatera Utilities Inc.

Opinion

We have audited the non-consolidated financial statements of Aquatera Utilities Inc., which comprise the non-consolidated statement of financial position as at December 31, 2022, and the non-consolidated statements of income and comprehensive income and changes in equity and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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 *Independent Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Non-consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

(continues)

Independent Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 non-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 non-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 company'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-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.

Fletcher Mudryk LLP

Grande Prairie, Alberta
March 29, 2023

Chartered Professional Accountants

AQUATERA UTILITIES INC.
Non-Consolidated Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash and cash equivalents *(Note 4)*	**$ 7,452,872**	$ 12,998,525
Trade and other receivables *(Note 5)*	**20,414,774**	22,245,016
Inventory and work in progress *(Note 6)*	**1,908,961**	1,498,620
Due from subsidiary *(Note 7)*	**629,811**	1,066,362
Investments maturing in one year *(Note 8)*	**23,329,412**	12,274,672
	53,735,830	50,083,195
LONG-TERM INVESTMENTS *(Note 8)*	**44,780,040**	44,666,665
INVESTMENT IN SUBSIDIARY *(Note 9)*	**100**	100
PROPERTY, PLANT AND EQUIPMENT, NET *(Note 10)*	**398,409,749**	389,169,613
	$ 496,925,719	$ 483,919,573
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 11)*	**$ 11,178,646**	$ 10,516,127
Dividends payable	**5,318,651**	4,543,821
Deferred revenue	**486,402**	193,175
Current portion of other long-term liabilities *(Note 12)*	**941,415**	175,376
Customer deposits	**1,769,198**	2,079,684
Callable debt due in one year *(Note 13)*	**4,708,455**	4,547,031
	24,402,767	22,055,214
Callable debt due thereafter *(Note 13)*	**42,436,478**	47,504,778
	66,839,245	69,559,992
DEFERRED REVENUE OF CAPITAL CONTRIBUTIONS *(Note 14)*	**214,408,198**	206,380,979
PROVISIONS FOR LANDFILL CLOSURE AND OTHER LONG-TERM LIABILITIES *(Note 12)*	**7,589,635**	6,080,193
DEFERRED INFRASTRUCTURE CHARGES *(Note 15)*	**14,566,587**	21,702,577
STOCK DIVIDEND PAYABLE *(Note 16)*	**10,326,072**	14,973,661
SHAREHOLDER DEPOSITS *(Note 17)*	**3,000,000**	-
PREFERRED SHARES *(Note 18)*	**180,194,275**	165,220,614
	496,924,012	483,918,016
CONTINGENT LIABILITIES *(Note 28)*		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
COMMON SHARES *(Note 18)*	**1,707**	1,557
	$ 496,925,719	$ 483,919,573

ON BEHALF OF THE BOARD

_______________ *Director*   Dave Unness _______________ *Director*

Please see accompanying notes to financial statements

AQUATERA UTILITIES INC.
Non-Consolidated Statement of Income and Comprehensive Income and Changes in Equity
Year Ended December 31, 2022

	2022	2021
REVENUE		
Sale of services	**$ 58,474,707**	$ 55,401,451
Other *(Note 20)*	**8,392,115**	4,475,728
Franchise fees	**4,573,550**	4,120,275
	71,440,372	63,997,454
EXPENSES		
Salaries, wages and benefits *(Note 21)*	**20,486,082**	16,853,996
General, administrative and contracted services	**14,029,733**	10,967,491
Utilities	**4,005,417**	3,022,762
Major maintenance	**225,158**	267,614
Materials, goods and supplies	**4,770,951**	3,029,682
Depreciation	**11,042,540**	10,636,428
Franchise fees	**4,573,550**	4,120,275
	59,133,431	48,898,248
OPERATING INCOME	**12,306,941**	15,099,206
Other income (expenses)		
Recognition of deferred revenue for capital contributions	**4,239,197**	3,907,947
Finance income *(Note 22)*	**677,850**	1,453,168
Finance costs *(Note 22)*	**(2,145,868)**	(1,795,276)
Dividends declared *(Note 22)*	**(5,318,651)**	(4,543,821)
Fair value adjustment of interest rate swap *(Note 22)*	**1,220,850**	1,039,385
Loss on disposal of property, plant and equipment	**(642,696)**	(106,591)
Net subsidiary operations - 25 By 20 Holdings Inc. *(Note 9)*	**(11,551)**	(80,357)
	(1,980,869)	(125,545)
NET INCOME AND COMPREHENSIVE INCOME	**10,326,072**	14,973,661
RETAINED EARNINGS - BEGINNING OF YEAR	**-**	-
Stock dividend *(Note 16)*	**(10,326,072)**	(14,973,661)
RETAINED EARNINGS - END OF YEAR	**$ -**	$ -

Please see accompanying notes to financial statements

AQUATERA UTILITIES INC.
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Net income and comprehensive income	**$ 10,326,072**	$ 14,973,661
Reconciliation to cash from (used in) operating activities:		
Net finance costs including fair market value of interest rate swap *(Note 22)*	**5,565,819**	3,846,544
Depreciation of property, plant and equipment	**11,042,540**	10,636,428
Recognition of deferred revenue for capital contributions	**(4,239,197)**	(3,907,947)
Loss on disposal of property, plant and equipment	**642,696**	106,591
Net subsidiary operations - 25 By 20 Holdings Inc.	**11,551**	80,357
	23,349,481	25,735,634
Changes in non-cash working capital:		
Trade and other receivables	**1,830,242**	(5,810,464)
Inventory and work in progress	**(410,341)**	(261,188)
Accounts payable and accrued liabilities	**662,518**	5,614,948
Deferred revenue	**293,227**	(94,520)
Customer deposits	**(310,486)**	200,399
Provisions - current	**766,039**	-
	2,831,199	(350,825)
Cash from operating activities	**26,180,680**	25,384,809
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(13,077,995)**	(13,503,305)
Construction in progress	**(3,734,898)**	(20,120,290)
Proceeds on disposal of property, plant and equipment	**732,624**	134,442
Capital contributions from external parties	**8,832,753**	17,853,739
Loan repayments from subsidiary	**425,000**	39,737
Investment income earned	**677,850**	1,453,168
Investment purchases	**(26,195,910)**	(12,559,719)
Maturity of investments	**15,027,795**	15,638,816
Cash used by investing activities	**(17,312,781)**	(11,063,412)
FINANCING ACTIVITIES		
Infrastructure charges collected	**1,884,027**	2,269,527
Infrastructure charges expended	**(9,020,017)**	(1,435,800)
Repayment of callable debt	**(4,708,554)**	(18,115,937)
Changes in non-current provisions	**820,622**	(175,376)
Shareholder deposits	**3,000,000**	-
Issuance of shares	**150**	150
Dividends paid on preferred shares	**(4,543,821)**	(4,368,344)
Interest expense and bad debts	**(1,845,959)**	(1,571,478)
Cash used by financing activities	**(14,413,552)**	(23,397,258)
DECREASE IN CASH	**(5,545,653)**	(9,075,861)
CASH - BEGINNING OF YEAR	**12,998,525**	22,074,386
CASH - END OF YEAR *(Note 4)*	**$ 7,452,872**	$ 12,998,525

Please see accompanying notes to financial statements

1. REPORTING ENTITY

The company provides water, wastewater and solid waste services to residents and commercial customers of the City of Grande Prairie, the Town of Sexsmith, the Town of Wembley and to residents residing in specific service areas within the County of Grande Prairie No. 1.

The company has a wholly owned subsidiary, 25 By 20 Holdings Inc., which operates as a holding company for its own investments. 25 By 20 Holdings Inc. currently has no active operations conducted within the company.

The company operates in Canada with its registered office located at 11101 – 104 Avenue, Grande Prairie, Alberta, Canada, T8V 8H6.

The common shares of the company are owned by the City of Grande Prairie, the County of Grande Prairie No. 1, the Town of Sexsmith and the Town of Wembley.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These non-consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 29, 2023.

(b) Basis of measurement

The company's non-consolidated financial statements are prepared on the historical cost basis except for the landfill closure and post-closure liability, which is based on the present value of future cash flows, certain investments subject to market price fluctuations and the CIBC interest rate swap, which are recorded at fair value through profit or loss. Revenue and expenses are recognized in the period in which the transactions or events occurred that gave rise to the revenue and expenses and when a liability is incurred.

(c) Additional IFRS financial measure

The company uses “operating income” as an additional IFRS financial measure. In management’s opinion, the measure is a more effective indicator of the company's reportable business segments’ operating performance than net income because it only includes items directly related to or resulting from management’s operating decisions and actions.

(d) Functional and presentation currency

These non-consolidated financial statements are presented in Canadian dollars, which is the company's functional currency.

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2. BASIS OF PRESENTATION *(continued)*

(e) Use of estimates and judgments

The preparation of the non-consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may differ from prior estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant estimates made by the company include the allowance for doubtful accounts, the useful life of property, plant and equipment, the provision for landfill closure and post-closure, carbon dioxide equivalent (CO_2e) offsets revenue, the fair value of interest rate swaps and certain of its investments which are recorded at fair value. Information about criteria and assumptions used in making these judgments is included in the specific notes that follow related to these areas.

(f) Separate financial statements

The company has elected to prepare these separate non-consolidated financial statements as its only financial statements in accordance with IFRS 10.4(a). The shareholders of the company prepare their financial statements in accordance with Canadian Public Sector Accounting Standards and account for their investments in the company on the modified equity basis in accordance with those standards. Their financial statements are available as follows:

City of Grande Prairie – www.cityofgp.com
County of Grande Prairie No. 1 – www.countygp.ab.ca
Town of Sexsmith – www.sexsmith.ca
Town of Wembley – www.wembley.ca

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these non-consolidated financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents include cash or guaranteed investment certificates less than a year in term and are recorded at amortized cost.

(b) Inventory

Small parts and other consumables, the majority of which are consumed by the company in the provision of its goods and services, are valued at the lower of cost and net realizable value with cost being determined on a weighted average basis. Cost includes the purchase price, transportation and other costs incurred to bring the inventories to their present location and condition.

Work in progress consists of supplies and labour costs related to contracting work that have not been included in progress billings and is valued at the lower of cost and net realizable value, with cost being determined on a specific project basis.

(continues)

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

(c) Investment in subsidiary

The company's subsidiary, 25 By 20 Holdings Inc., of which it owns 100% of the outstanding voting shares, is not consolidated as the company has met all conditions under IFRS to account for its investment using the equity method. Accordingly, the investment is recorded at acquisition cost and is increased for the proportionate share of post-acquisition earnings and decreased by post acquisition losses and dividends received. Cumulative losses in excess of the company's investment in shares are applied to the loan receivable from the subsidiary. Intercorporate transactions and balances are not eliminated.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, contracted services and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2011. For items acquired prior to the transition date of January 1, 2011, cost was determined consistent with previous Canadian generally accepted accounting principles, using that carrying cost as the deemed cost at the date of transition as allowed through IFRS 1.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, when its cost can be estimated reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of property, plant and equipment, from the year they become available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets. The useful economic lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

(continues)

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

The range of estimated useful lives used is as follows:

Engineering structures	60 – 75 years
Buildings	50 years
Leasehold improvements	Terms of lease
Equipment	3 – 40 years
Equipment under finance lease	5 – 15 years
Vehicles and mobile equipment	5 – 15 years
Right-of-use assets	Terms of lease

In the year of acquisition, depreciation is applied at half of normal rates. No depreciation is recorded in the year of disposition.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

(e) Capitalized borrowing costs

The company capitalizes interest during construction of an asset when using specific borrowings to finance qualifying assets. Qualifying assets are considered to be those that take a substantial period of time to construct.

(f) Leased assets

At inception of a contract, the company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the company uses the incremental borrowing rate. When terms of a lease change, the company remeasures the lease liability by discounting the revised lease payments. The amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

(continues)

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

Lease payments include fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, the exercise price under a purchase option or optional renewal period that the company is reasonably certain to exercise and penalties for early termination of a lease unless the company is reasonably certain not to terminate early. The lease liability is remeasured to reflect any reassessments or lease modifications.

The company has elected not to recognize right-of-use assets and lease liabilities for lease contracts where the total term of the respective lease contract is less than or equal to 12 months or for low value lease contracts. The company recognizes the payments relating to such leases (including principal and interest associated with these leases) as an expense on a straight-line basis over the lease term.

(g) Service concession arrangements

Service concession arrangements are contracts between the company and government entities and can involve the design, build, finance, operation and maintenance of public infrastructure in which the government entity controls the services provided by the company and significant residual interest in the infrastructure.

Service concession arrangements entered into by the company are classified as financial assets. Financial assets arise when it has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement. The financial asset is measured at the fair value of consideration received or receivable.

(h) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

The company considers evidence of impairment for receivables and held to maturity investment securities at both a specific asset and collective level. All individually significant receivables and held to maturity investment securities are assessed for specific impairment. All individually significant receivables and held to maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held to maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held to maturity investment securities with similar risk characteristics.

In assessing collective impairment the company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(continues)

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

An impairment loss in respect or a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

Non-financial assets

The carrying amounts of the company's non-financial assets, consisting of property, plant and equipment, inventory and its investment in 25 By 20 Holdings Inc., are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on estimated market values based on actual market transactions, if available, or a fair value estimation model. The value in use is the present value of estimated future cash flows that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit, or CGU").

The company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount, and is recorded in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss will be recorded in net income for the period as the excess of the carrying amount of the asset over its recoverable amount. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

At the end of each reporting period, the company makes an assessment as to whether there is any indication that any previously incurred impairment losses have reversed. If such an indication exists, the company estimates the asset's recoverable amount, and compares it to the carrying amount, including accumulated depreciation that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

(i) Deferred revenue

Deferred revenue consists of levies and infrastructure charges collected from developers and customers to be utilized for future capital or other projects, capital contributions from developers, government grants and other deferrals.

Certain assets may be acquired or constructed using non-repayable government grants or infrastructure charges. Contributions received towards construction or acquisition of an item of property, plant and equipment which are used to provide ongoing service to a customer are recorded as deferred revenue and are amortized on a straight-line basis over the estimated economic useful lives of the assets to which they relate.

(continues)

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

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the company will comply with the conditions associated with the grant. Grants that compensate the company for expenses incurred are recognized in net income as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the company for the cost of an item of property, plant and equipment are recorded as deferred revenue of capital contributions and recognized in net income on a systematic basis over the useful life of the asset.

Infrastructure charges levied on customers are available to be used for future capital or other projects, as determined by management. Infrastructure charges relating to the acquisition or construction of property, plant and equipment are deferred until the related asset is available for use and then recorded as deferred revenue of capital contributions and recognized in revenue over the estimated useful life of the related asset. Other infrastructure levies are recorded as revenue in net income in the period in which the related expense is incurred.

(j) Provisions

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Landfill closure obligation

The company recognizes a decommissioning liability relating to estimated landfill closure and post-closure costs for which it has a legal obligation to restore. The provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The accretion of the provision is recognized as a finance cost.

Other long-term liabilities

Other long-term liabilities consist of contractor financing agreements not payable within the next fiscal year.

(k) Loans and borrowings

The company's callable debt consists of loans for which the lender has the right to demand repayment.

(l) Revenue recognition

Revenue from customers is recognized once the company's performance obligations have been satisfied and the product or service is delivered to the customer. Revenue is measured at the transaction price agreed to between the parties for each performance obligation and when collection is probable. For contracts where non-cash consideration is received, revenue is measured at fair value when determinable.

Sale of services

Revenues from the sale of water and other services are recognized upon delivery or provision of the services to the customer. The company provides a series of distinct services, which are simultaneously received and consumed by the customers. Customers are generally billed on a monthly basis based on the usage at the applicable rates set by the company periodically and payment is due within 30 days of billing. These revenues include an estimate of the value of services consumed by customers in the year but billed subsequent to year-end.

(continues)

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

Franchise fees

Franchise fee revenue is recognized on this same basis and as part of the same billing process as sale of services. Franchise fees are collected from customers on behalf of the municipality in which the goods or services were provided in accordance with franchise agreements between the company and the municipal shareholders.

Penalties

Revenue from penalties is earned at a rate of 3% per month on trade receivable balances outstanding for more than thirty days.

Other revenue

Other revenue as per *Note 20* is recognized as noted above other than landfill gas sales, which are based on contracts for the sale of carbon dioxide equivalent (CO2e) offsets produced at the company's landfill based on an agreed upon price per tonne. Revenue is recognized once the tonnes produced are determinable based on internal estimates each year. The amount is verified by an independent review in accordance with the Standard for Greenhouse Gas Verification and any adjustments at the time of verification are recognized in the period when any adjustments become known. The amount also consists of energy sold which is generated through the company's landfill gas to energy project which is recognized consistent with the company's general revenue recognition policies.

(m) Finance income and finance costs

Finance income comprises interest income, dividend income, realized and unrealized gains and losses on its investments in publicly-traded Preferred or Common Shares. Interest income is accrued monthly in net income. Dividend income is accrued when the company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, changes in the fair market value of interest rate swap agreements, accretion of provisions, dividends on preferred shares classified as liabilities and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method *(Note 13)*.

(n) Income taxes

The company is exempt from income taxes as long as it is municipally-owned and the revenue earned from non-municipal customers outside the geographical boundaries of its Shareholders does not exceed 10% of net income before dividends.

The company's subsidiary, 25 By 20 Holdings Inc. is subject to taxation on any taxable income each year.

(o) Employee future benefits

Pension plans

Selected employees of the company are members of the Local Authorities Pension Plan (“LAPP”), a multi-employer defined benefit pension plan. The President of the Alberta Treasury Board and the Minister of Finance are the legal trustees and administrators of the Plan, which is governed by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the company does not recognize its share of any plan surplus or deficit.

(continues)

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

A supplementary plan ("APEX") is available through the Alberta Urban Municipalities Association for selected employees conditional upon the company being a member of the LAPP. The plan is a top-up of the LAPP.

Other long-term employee benefits

The company's obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned for their service in the current and past periods. That benefit is discounted to determine its present value and adjusted based on probability analysis of all eligibility factors.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(p) Non-derivative financial assets and liabilities

Non-derivative financial assets and liabilities are comprised of financial assets or liabilities at amortized cost, at fair value through other comprehensive income or profit or loss.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Amortized cost

Cash and cash equivalents, trade and other receivables and certain long-term investments are classified as financial assets measured at amortized cost. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to maturity financial assets are measured at amortized cost when they are held for collection of cash flows using the effective interest method, less any impairment losses.

The company recognizes all financial liabilities initially at fair value on the trade date at which the company becomes a party to the contractual provisions of the instrument, plus any directly attributable transaction costs. Subsequently, these liabilities are measured at amortized cost using the effective interest method. Other liabilities are comprised of callable debt, accounts payable and accrued liabilities, other long-term liabilities and preferred shares.

Financial assets or liabilities through other comprehensive income

The company does not currently have any financial assets or liabilities at fair value through other comprehensive income.

(continues)

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

Financial assets or liabilities at fair value through profit or loss

The company does not have any financial assets or liabilities at fair value through profit or loss with the exception of certain investments as disclosed in *Note 8* that are subject to market price fluctuation and the interest swap agreement as disclosed in *Note 13*.

(q) Derivative financial instruments

The company recognizes interest rate swap agreements at fair market value in callable debt, to the extent that they have not been settled, with all changes in the fair value recorded in net income.

Fair value is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

(r) Share capital

Common shares

Common share capital is classified as equity.

Preferred share capital

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if the dividend payments are not discretionary. Dividends thereon are recognized as a financing expense in profit or loss as accrued.

(s) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's components. All operating segments' operating results are reviewed regularly by the company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) New standards and interpretations not yet adopted

A number of new standards or amendments have been issued effective for periods beginning on or after January 1, 2023. These changes are not expected to have a significant impact on the company.

4. CASH AND CASH EQUIVALENTS

	2022	2021
Cash on hand	**$ 3,149**	$ 4,748
Cash in banks	**7,449,723**	12,993,777
	$ 7,452,872	$ 12,998,525

Cash in banks bears interest at the bank's prime rate less a discount that varies between banks. At December 31, 2022, the company was earning approximately 4.5% per annum on cash in banks.

Cash is held for use by the company in accordance with Board Cash Management, Investment and Restricted Cash policies:

	2022	2021
Dividends payable	**$ 5,318,651**	$ 4,543,821
Capital accounts payable	**5,600,927**	6,260,888
Other long-term liabilities - current	**941,415**	175,376
Trust liabilities		
Customer deposits	**1,769,198**	2,079,684
Deferred revenue	**486,402**	193,175
Deferred infrastructure charges	**14,566,587**	21,702,577
Working capital cash requirement	**2,619,185**	8,243,654
Internally Restricted Funds		
Capital expenditure funds	**19,175,062**	3,496,990
Growth funds	**18,666,634**	17,514,254
Landfill liability	**6,418,263**	5,729,443
Total allocated cash	**$ 75,562,324**	$ 69,939,862
Held as follows:		
Cash and cash equivalents	**$ 7,452,872**	$ 12,998,525
Investments maturing in one year	**23,329,412**	12,274,672
Long-term investments	**44,780,040**	44,666,665
	$ 75,562,324	$ 69,939,862

5. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade accounts receivable	**$ 5,380,767**	$ 4,150,525
Estimated unbilled accrual	**2,404,635**	2,209,329
Grants receivable	**5,244,130**	9,346,621
Accrued investment earnings	**3,075,921**	3,803,587
GST receivable	**431,775**	540,431
Other receivables	**3,951,546**	2,228,523
	20,488,774	22,279,016
Allowance for doubtful accounts	**(74,000)**	(34,000)
	$ 20,414,774	$ 22,245,016

6. INVENTORY AND WORK IN PROGRESS

In 2022, inventory consumables recognized as materials, goods and supplies expense amounted to $1,604,549 (2021 - $1,006,045). In 2022, the write-down of inventories to net realizable value amounted to $NIL (2021 - $NIL).

7. DUE FROM SUBSIDIARY

	2022	2021
Loan	**$ 3,335,000**	$ 3,335,000
Advances	**4,776,699**	5,201,699
Cumulative investment losses applied *(Note 9)*	**(7,481,888)**	(7,470,337)
	$ 629,811	$ 1,066,362

The loan to the company's subsidiary, 25 By 20 Holdings Inc., is unsecured, bears interest at 10% per annum and has no fixed terms of repayment. The company's Board of Directors have indicated that no interest will be charged for the 2022 fiscal year.

8. LONG-TERM INVESTMENTS

	2022	2021
Investments at amortized cost	**$ 59,740,090**	$ 53,935,477
Investments at fair value	**8,369,362**	3,005,860
Investments maturing in one year	**(23,329,412)**	(12,274,672)
	$ 44,780,040	$ 44,666,665

Investments at amortized cost consist of held to maturity fixed income investments, bear interest at rates between 0.85% and 3.37% and mature between January, 2023 and December, 2026.

Investments at fair value include ETF funds and publicly-traded common shares recorded at fair value through profit and loss.

9. INVESTMENT IN SUBSIDIARY

The company holds 100% of the voting share capital of 25 By 20 Holdings Inc., which was incorporated under the Alberta Business Corporations Act on December 19, 2013 and operates as a holding company for its own subsidiaries. 25 By 20 Holdings Inc. operates in Canada with its registered office located at 11101 – 104 Avenue, Grande Prairie, Alberta, Canada, T8V 8H6.

	2022	2021
Investment in subsidiary	**$ 100**	$ 100
Cumulative share of earnings (losses)	**(7,481,888)**	(7,470,337)
Cumulative losses applied to loan receivable from subsidiary *(Note 7)*	**7,481,888**	7,470,337
	$ 100	$ 100

The following is condensed financial information of 25 By 20 Holdings Inc. for the year ended December 31, 2022:

Results of financial performance

	2022	2021
Revenue	**$ 11,644**	$ 659
Expenses	**(23,195)**	(8,067)
Net subsidiary operations	**-**	(72,949)
Net income (loss)	**$ (11,551)**	$ (80,357)

Financial position

	2022	2021
ASSETS		
Current assets	**$ 657,054**	$ 1,094,468
Property, plant and equipment	**2,484**	2,484
	$ 659,538	$ 1,096,952
LIABILITIES		
Current liabilities	**$ 2,374**	$ 19,182
Due to Aquatera Utilities Inc.	**8,138,952**	8,548,007
	8,141,326	8,567,189
SHAREHOLDER'S DEFICIENCY		
Share capital	**100**	100
Retained earnings (deficit)	**(7,481,888)**	(7,470,337)
	(7,481,788)	(7,470,237)
	$ 659,538	$ 1,096,952

10. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	**2022 Net book value**	2021 Net book value
Land	$ 2,190,961	$ -	**$ 2,190,961**	$ 2,146,277
Buildings	95,894,972	20,954,398	**74,940,574**	71,184,330
Leasehold improvements	2,551,939	2,477,967	**73,972**	185,483
Engineering structures	286,981,178	33,387,841	**253,593,337**	229,773,075
Equipment	76,628,981	24,592,802	**52,036,179**	48,358,145
Vehicles and mobile equipment	11,161,484	8,483,351	**2,678,133**	3,073,872
Construction in progress	10,922,037	-	**10,922,037**	33,133,670
Right-of-use assets - building	3,955,407	1,980,851	**1,974,556**	1,314,761
	$ 490,286,959	$ 91,877,210	**$ 398,409,749**	$ 389,169,613

Borrowing costs capitalized during the year ended December 31, 2022 were $NIL (2021 - $NIL). To date, there has been no other borrowing on projects included in construction in progress.

There are no restrictions on assets.

During the year ended December 31, 2022, the company performed a detailed analysis of existing property, plant and equipment and no impairments were found.

See *Schedule 1* for additional information.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade payables	**$ 4,284,905**	$ 3,069,027
Capital payables	**5,600,927**	6,260,888
Accrued employee benefits	**1,292,814**	1,186,212
	$ 11,178,646	$ 10,516,127

12. PROVISIONS

	Landfill Closure and Post-Closure Liability	Other Long-Term Liabilities	Total
Balance at the beginning of year	$ 5,729,443	$ 526,126	$ 6,255,569
Provisions made during the year	-	1,762,037	1,762,037
Provisions used during the year	-	(175,376)	(175,376)
Prospective change in estimate	491,987	-	491,987
Accretion of liability	196,833	-	196,833
Balance at December 31, 2022	6,418,263	2,112,787	8,531,050
Current	-	941,415	941,415
Non-current	6,418,263	1,171,372	7,589,635

Landfill closure and post-closure liability

The company has recognized a decommissioning liability for the estimated expected costs for closure and post-closure activities the landfill site. The estimated costs are based on estimates and assumptions related to future events and using information currently available to management. Future events may result in significant changes to the estimated total costs and the estimated liability.

The company estimates the discounted amount of cash flow required to settle its decommissioning liability is approximately $6,418,263 (2021 – $5,729,443), calculated using long-term inflation rates of 2.00% and a long-term discount rate of 5.00%.

The majority of closure costs are related to cells 1 - 9 of the landfill and are expected to occur in approximately six years dependent upon future usage rates. Annual post closure costs are expected to extend 25 years beyond closure of the landfill in accordance with Alberta Environment regulations. The expected capacity remaining is 582,077 (2021 – 649,203) metric tonnes remaining with an annual estimated utilization of 97,013 metric tonnes. The current year liability and capacity reflect cells 1 - 9 with a total further capacity of approximately 7.5 million metric tonnes and a total lifespan of approximately 50 years once cells 10 - 17 are completed.

Other long-term liabilities

The company has entered into a contractor agreement on a long-term construction project. The company is required to pay the balance of the liability in eight equal instalments on the anniversary of the holdback each year for eight years. Payments commenced on November 25, 2017 and bear no interest.

In addition, the company has entered into a contractor arrangement in the amount of $1,762,037 whereby the company is required to repay the amount annually in an amount equal to half of the infrastructure charges collected from customers for that year in a specific service area of the company. The amount bears no interest. The current amount payable relates to the infrastructure charges collected for the 2021 and 2022 years.

13. CALLABLE DEBT

	2022	2021
Due to the Federation of Canadian Municipalities	**$ 2,000,000**	$ 2,500,000
Due to RBC Royal Bank	**10,716,153**	12,229,021
Due to CIBC	**32,933,328**	35,333,320
Fair value adjustment of interest rate swap	**(665,263)**	555,587
Lease liability	**2,160,715**	1,433,881
	47,144,933	52,051,809
Loans and borrowings due in one year	**(4,708,455)**	(4,547,031)
	$ 42,436,478	$ 47,504,778

Principal repayment terms of loans and borrowings if renewed at similar terms are as follows:

Less than one year	$ 4,708,455
Between one and five years	17,753,239
More than five years	24,683,239
	$ 47,144,933

Due to the Federation of Canadian Municipalities

A loan from the Federation of Canadian Municipalities is secured by a general security agreement and is repayable in semi-annual payments of $250,000 plus interest at a rate of 3.75% per annum and matures in 2026. The Federation of Canadian Municipalities has agreed to subordinate its loan to the company's credit facilities with RBC Royal Bank and CIBC.

Bank loans

Bank loans from RBC Royal Bank are due on demand, secured by a general security agreement and are repayable in monthly payments aggregating $126,072 plus interest. The loans bear interest at the relevant bankers' acceptance rate plus a 0.70% stamping fee and mature in 2029.

Bank loans from CIBC are due on demand, secured by a general security agreement and are repayable in monthly payments aggregating $200,000 plus interest. $22.4 million of the loans bear interest at the relevant bankers' acceptance rate plus a 0.70% stamping fee subject to an interest rate swap agreement which exchanges the loan's floating rate for a fixed rate of 3.86% and expires December 31, 2024. The remaining $10.5 million of the loans bear interest at the relevant bankers' acceptance rate plus a 0.70% stamping fee.

As a condition of its bank facilities and Federation of Canadian Municipalities financing, the company is subject to restrictive bank covenants, whereby it is required to maintain a funded debt to total capital ratio not exceeding 0.5 to 1 and maintain a fixed charge coverage ratio to not be less than 1.25 to 1. The company is in compliance with these ratios, as understood by management. For 2022, the funded debt to total capital ratio is calculated at 0.20 to 1 (2021 – 0.24 to 1) and the fixed charge ratio is calculated at 1.99 to 1 (2021 – 2.51 to 1).

The effective interest rate of each loan currently equals the actual interest rate attached to the loan.

(continues)

13. CALLABLE DEBT (*continued)*

Fair value adjustment of interest rate swap

The company has recognized the effect of an interest rate swap agreement at fair market value, determined by the net present value of future cash flows of the difference between the agreed upon interest rate and current prevailing interest rates available to the company. The agreement settles December 31, 2024 and the amount will be adjusted each year based on current market interest rates at net present value and the effect recorded in profit and loss.

Credit facilities

The company has available bank credit facilities from RBC Royal Bank consisting of revolving demand facilities limited to $30.0 million, all of which is unused at December 31, 2022 (2021 - $30.0 million unused).

The company has available bank facilities from CIBC consisting of revolving demand facilities limited to $2,000,000, all of which is unused at December 31, 2022 (2021 - $2,000,000 unused).

Lease liability

The company has recognized a lease liability in regards to their corporate head office lease, effective January 1, 2019. The lease is initially recognized at net present value of future cash flows for the term of the lease. During the year, due to a change in the terms of the lease agreement, the lease liability was remeasured and the lease liability was adjusted by $919,452, with a corresponding adjustment to the right-of-use asset. The lease is now repayable in monthly payments of $24,641 plus interest at an implied rate of 4.4% per annum and matures in 2031.

The company has recognized a lease liability in regards to a warehouse lease, effective January 1, 2019. The lease is initially recognized at net present value of future cash flows for the term of the lease and is repayable in monthly payments of $4,333 plus interest at an implied rate of 4.4% per annum and matures in 2024.

14. DEFERRED REVENUE OF CAPITAL CONTRIBUTIONS

	Developer Contributions	Government Grants and Infrastructure Charges	Total Deferred Revenue of Capital Contributions
Balance at the beginning of the year	$ 73,584,522	$ 132,796,457	$ 206,380,979
Contributions received	3,433,663	8,832,753	12,266,416
Revenue recognized	(784,251)	(3,454,946)	(4,239,197)
Balance at December 31, 2022	**$ 76,233,934**	**$ 138,174,264**	**$ 214,408,198**

	Developer Contributions	Government Grants and Infrastructure Charges	Total Deferred Revenue of Capital Contributions
Balance at the beginning of the year	$ 74,132,802	$ 118,102,385	$ 192,235,187
Contributions received	200,000	17,853,739	18,053,739
Revenue recognized	(748,280)	(3,159,667)	(3,907,947)
Balance at December 31, 2021	$ 73,584,522	$ 132,796,457	$ 206,380,979

15. DEFERRED INFRASTRUCTURE CHARGES

	2022	2021
Balance at the beginning of the year	**$ 21,702,577**	$ 20,868,850
Contributions received	**1,884,027**	2,269,527
Transfer to deferred revenue	**(9,020,017)**	(1,435,800)
	$ 14,566,587	$ 21,702,577

16. STOCK DIVIDEND PAYABLE

In accordance with the Unanimous Shareholders Agreement, a preferred share stock dividend is declared prior to any cash contribution or asset transfer to the company, effectively distributing common and preferred shares and not cash, equal to the retained earnings of the company to the existing shareholders based on their common shares. As the stock dividend is paid via share issuance on the day following the year-end in accordance with the Unanimous Shareholders Agreement, the amounts have been excluded from current liabilities to ensure consistent treatment with all other preferred shares issues by the company.

	2022	2021
City of Grande Prairie		
7,435 Class C common shares and Class H preferred shares	**$ 7,435,444**	$ 10,775,053
County of Grande Prairie No. 1		
1,998 Class C common shares and Class H preferred shares	**1,998,081**	2,882,300
Town of Sexsmith		
851 Class C common shares and Class H preferred shares	**851,473**	1,255,772
Town of Wembley		
41 Class C common shares and Class I preferred shares	**41,074**	60,536
	$ 10,326,072	$ 14,973,661

17. SHAREHOLDER DEPOSITS

Effective December 31, 2022, the County of Grande Prairie contributed cash for the construction of infrastructure in the amount of $3,000,000 to the company in exchange for 3,000 Class A common shares and 3,000 Class D preferred shares. In accordance with the Unanimous Shareholders Agreement these shares will be issued on January 1, 2023.

18. SHARE CAPITAL

Authorized:

Unlimited	Class A voting common shares
Unlimited	Class B common shares with restricted voting rights
Unlimited	Class C common shares with restricted voting rights
Unlimited	Class D non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class E non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class F non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class G non-cumulative, redeemable, retractable, non-voting preferred share
Unlimited	Class H non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class I non-cumulative, redeemable, retractable, non-voting preferred shares

		2022	2021
The following common and preferred shares have been issued:			
Common shares			
58,734	Class A shares (2021 - 58,734)	**$ 587**	$ 587
555	Class B shares (2021 - 555)	**6**	6
111,416	Class C shares (2021 - 96,442)	**1,114**	964
		$ 1,707	$ 1,557
Preferred shares			
48,008	Class D shares (2021 - 48,008)	**$ 48,006,836**	$ 48,006,836
555	Class E shares (2021 - 555)	**554,473**	554,473
10,712	Class F shares (2021 - 10,712)	**10,711,631**	10,711,631
120,797	Class H shares (2021 - 105,884)	**120,796,521**	105,883,396
125	Class I shares (2021 - 64)	**124,814**	64,278
		$ 180,194,275	$ 165,220,614

The holders of redeemable Class D and E preferred shares are entitled to receive dividends in accordance with the Unanimous Shareholders Agreement. Redeemable preferred shares do not carry the right to vote. All shares rank equally with regard to the company's residual assets, except that holders of redeemable preferred shares participate only to the extent of the face value of the shares. The redeemable preferred shares are classified as financial liabilities (see *Note* 25). As no amounts are expected to be redeemed in the next fiscal year and the fact that the company would not be able to fund any redemption request, the shares are presented as a long-term liability.

There is a dividend restriction on preferred shares issued in consideration for a cash or asset transfer into the company such that dividends cannot be declared on these shares for two years from the effective date of any such asset transfer.

19. COMMITMENTS

Dividends

In accordance with the Unanimous Shareholders Agreement, the company has committed to pay annual non-cumulative dividends on the outstanding Class D and E preferred shares, subject to the dividends not putting the company in violation of its bank covenants as discussed in *Note 13*.

A dividend will become payable in 2023 to the shareholders as follows:

City of Grande Prairie	**$**	**1,808,050**
County of Grande Prairie No. 1		**398,100**
Town of Sexsmith		**194,250**
Town of Wembley		**27,750**

20. OTHER REVENUE

		2022		2021
Service connections	**$**	**601,721**	$	575,161
Operator assistance		**4,900,401**		1,176,515
Infrastructure charge - engineering fees		**183,598**		219,406
Distribution and collection commercial services		**274,127**		257,254
Customer shut-off fees		**343,736**		310,286
Landfill gas sales		**2,069,657**		1,894,449
Miscellaneous revenues and sales		**18,875**		42,657
	$	**8,392,115**	$	4,475,728

21. EMPLOYEE BENEFITS

		2022		2021
Salaries, wages and short-term benefits	**$**	**18,623,693**	$	15,246,760
Post-employment benefits		**1,404,614**		1,295,891
Termination benefits		**457,775**		311,345
	$	**20,486,082**	$	16,853,996

(a) Salaries, wages and short-term benefits

Short-term benefits consist of wages and salaries paid or payable to employees, accrued vacation and other benefits paid or payable within twelve months.

(b) Post-employment benefits

Local Authorities Pension Plan

Employees of the company participate in the Local Authorities Pension Plan ("LAPP"), which is covered by the Public Sector Pension Plans Act. The LAPP serves over 280,000 people and over 400 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The company is required to make current service contribution to the LAPP of 8.45% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on the excess.

Employees of the company are required to make current service contributions to the Plan of 7.45% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.80% on the excess.

Total current and past service contributions by the company to the LAPP in 2022 were $1,272,408 (2021 - $1,221,549). Total current and past service contributions by the employees of the company to the LAPP in 2022 were $1,138,985 (2021 - $1,107,963).

At December 31, 2021, the Plan disclosed an accounting surplus of $11.9 billion (2020 - $5.0 billion).

Effective January 1, 2023, member contribution rates will remain at 7.45% of pensionable earnings up to the year's maximum pensionable earnings and decreased to 11.23% thereafter for employees and remain at 8.45% of pensionable earnings up to the year's maximum pensionable earnings and decrease to 12.23% thereafter for employers.

APEX Supplementary Pension Plan

Eligible employees may also elect to participate in the voluntary APEX Supplementary Pension Plan ("APEX") offered through the Alberta Urban Municipalities Association, which is covered by the Public Sector Pensions Plans Act. It is funded by employer and employee contributions and investment earnings of the APEX fund.

The company is required to make current service contributions to the APEX of 3.85% of pensionable payroll above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of $171,000 for employees who have elected to participate in the APEX. No contributions are required on earnings above the maximum threshold.

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21. EMPLOYEE BENEFITS *(continued)*

Employees electing to participate in the APEX are required to make current service contributions of 2.61% of pensionable payroll service above the APEX maximum pensionable earnings up to the year's maximum pensionable earnings of $171,000 with no contributions on earnings above the maximum threshold.

Total current and past service contributions by the company to APEX in 2022 were $89,819 (2021 - $74,342). Total current and past service contributions by the employees of the company to APEX in 2022 were $61,122 (2021 - $50,398).

At December 31, 2021, the APEX disclosed an actuarial deficiency of $2,063,935 (2020 - $2,624,114).

APEX has announced that member contribution rates will be reduced in 2023 to 2.96% for employers and 2.42% for employees.

(c) Termination benefits

Termination benefits consist of retirement allowances payable to employees for which there is an irrevocable documented plan in place for the termination of an employee's service.

22. FINANCE INCOME AND FINANCE COSTS

	2022	2021
Interest income	**$ (1,471,747)**	$ (1,453,168)
Unrealized (gain) loss on investments	**793,897**	-
Finance income	**(677,850)**	(1,453,168)
Interest expense	**1,764,023**	1,555,277
Accretion of landfill provision	**196,833**	157,558
Unwinding of discount on right-of-use assets	**103,076**	66,240
Dividend declared	**5,318,651**	4,543,821
Fair value adjustment of interest rate swap	**(1,220,850)**	(1,039,385)
Bad debts	**81,936**	16,201
Finance costs	**6,243,668**	5,299,712
Net finance costs recognized in net income	**$ 5,565,819**	$ 3,846,544

23. RELATED PARTY TRANSACTIONS

The following is a summary of the company's related party transactions and balances:

	2022	2021
City of Grande Prairie (the majority shareholder)		
Sale of services	**$ 759,920**	$ 499,629
Franchise fees expense	**3,504,946**	3,423,817
Special dividends declared	**2,095,162**	1,577,842
Regular dividends declared	**1,808,050**	1,808,050
Common shares issued	**108**	87
Preferred shares issued	**10,775,053**	8,658,798
Trade receivables	**176,337**	5,844
Trade payables	**294,252**	828,472
Dividends payable	**3,903,212**	3,385,892
Stock dividend payable	**7,435,444**	10,775,053
County of Grande Prairie No. 1 (a minority shareholder)		
Sale of services	**149,036**	133,995
General, administrative and contracted services expense	**207,754**	298,811
Franchise fees expense	**146,180**	163,109
Special dividends declared	**560,182**	366,728
Regular dividends declared	**398,100**	398,100
Common shares issued	**29**	22
Preferred shares issued	**2,882,300**	2,167,529
Trade payables	**1,740**	30,890
Dividends payable	**958,282**	764,828
Stock dividend payable	**1,998,081**	2,882,300
Town of Sexsmith (a minority shareholder)		
Sale of services	**32,672**	27,948
General, administrative and contracted services expense	**273,144**	217,446
Franchise fees expense	**110,823**	104,750
Special dividends declared	**224,227**	172,423
Regular dividends declared	**194,250**	194,250
Common shares issued	**13**	10
Preferred shares issued	**1,255,772**	1,009,148
Trade payables	**9,527**	52,519
Dividends payable	**418,477**	366,673
Stock dividend payable	**851,473**	1,255,772

(continues)

23. RELATED PARTY TRANSACTIONS *(continued)*

	2022	2021
Town of Wembley (a minority shareholder)		
Sale of services	**13,866**	7,679
General, administrative and contracted services expense	**153,157**	139,445
Franchise fees expense	**67,134**	59,952
Special dividends declared	**10,930**	6,178
Regular dividends declared	**27,750**	20,230
Common shares issued	**1**	4
Preferred shares issued	**60,536**	36,911
Trade payables	**5,736**	35,761
Dividends payable	**38,680**	26,428
Stock dividend payable	**41,074**	60,536
Transactions with key management personnel		
Salaries, wages and short-term benefits	**1,322,699**	1,151,611
Post-employment and termination benefits	**510,059**	96,345
	$ 1,832,758	$ 1,247,956

These transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

24. SEGMENTED DISCLOSURE

	Water	Wastewater	Solid Waste	**2022**
Revenue				
Sales of service	$ 21,841,220	$ 23,436,166	$ 13,197,321	**$ 58,474,707**
Franchise fees	1,832,220	2,247,448	493,882	**4,573,550**
Other	5,271,661	912,400	2,208,054	**8,392,115**
	28,945,101	26,596,014	15,899,257	**71,440,372**
Expenses				
Salaries, wages and benefits	9,363,085	7,587,502	3,535,495	**20,486,082**
General administrative and contracted services	4,532,720	3,676,171	5,820,842	**14,029,733**
Utilities	2,652,540	943,052	409,825	**4,005,417**
Major maintenance	23,811	201,347	-	**225,158**
Materials, goods and supplies	2,729,326	1,502,077	539,548	**4,770,951**
Depreciation	3,979,282	5,971,331	1,091,927	**11,042,540**
Franchise fees	1,832,219	2,247,448	493,883	**4,573,550**
	25,112,983	22,128,928	11,891,520	**59,133,431**
Other items				
Recognition of deferred revenue for capital contributions	1,723,794	2,480,636	34,767	**4,239,197**
Net finance income excluding dividends	(93,924)	(93,924)	(59,320)	**(247,168)**
Gain (loss) on disposal of property, plant and equipment	2,409	(645,105)	-	**(642,696)**
	1,632,279	1,741,607	(24,553)	**3,349,333**
Net income	$ 5,464,397	$ 6,208,693	$ 3,983,184	**15,656,274**
Net subsidiary operations - 25 By 20 Holdings Inc.				**(11,551)**
Dividends				**(5,318,651)**
				$ 10,326,072

(continues)

24. SEGMENTED DISCLOSURE *(continued)*

	Water	Wastewater	Solid Waste	2021
Revenue				
Sale of services	$ 20,345,505	$ 21,918,357	$ 13,137,589	$ 55,401,451
Franchise fees	1,624,260	1,999,518	496,497	4,120,275
Other	1,082,981	1,364,457	2,028,290	4,475,728
	23,052,746	25,282,332	15,662,376	63,997,454
Expenses				
Salaries, wages and benefits	6,811,573	6,315,986	3,726,437	16,853,996
General administrative and contracted services	2,265,176	3,440,193	5,262,122	10,967,491
Utilities	1,933,426	746,253	343,083	3,022,762
Major maintenance	18,992	248,622	-	267,614
Materials, goods and supplies	1,565,155	1,052,054	412,473	3,029,682
Depreciation	3,857,673	5,628,163	1,150,592	10,636,428
Franchise fees	1,624,259	1,999,518	496,498	4,120,275
	18,076,254	19,430,789	11,391,205	48,898,248
Other items				
Recognition of deferred revenue for capital contributions	1,679,826	2,184,329	43,792	3,907,947
Net finance income excluding dividends	264,965	264,965	167,347	697,277
Gain on disposal of property, plant and equipment	(54,220)	(54,220)	1,849	(106,591)
	1,890,571	2,395,074	212,988	4,498,633
Net income	$ 6,867,063	$ 8,246,617	$ 4,484,159	19,597,839
Net subsidiary operations - 25 By 20 Holdings Inc.				(80,357)
Dividends				(4,543,821)
				$ 14,973,661

25. FINANCIAL INSTRUMENTS

Categories of financial instruments

The classification of the company's financial instruments, as well as their carrying amounts and fair values, are shown in the tables below.

December 31, 2022	Fair Value through Profit or Loss (fair value)	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Financial Liabilities (assets) (fair value)	**Total Carrying Amount**	**Fair Value**
Financial assets							
Cash	-	7,452,872	-	-	-	**7,452,872**	**7,452,872**
Trade and other receivables	-	-	20,414,774	-	-	**20,414,774**	**20,414,774**
Investments	8,369,362	59,740,090	-	-	-	**68,109,452**	**68,108,452**
Due from subsidiary	-	-	629,811	-	-	**629,811**	**629,811**
Financial liabilities							
Trade and other payables	-	-	-	11,178,646	-	**11,178,646**	**11,178,646**
Dividends payable	-	-	-	5,318,651	-	**5,318,651**	**5,318,651**
Bank loans	-	-	-	43,649,481	(665,263)	**42,984,218**	**42,984,218**
Other long-term liability	-	-	-	2,112,787	-	**2,112,787**	**2,112,787**
Lease liability	-	-	-	2,160,715	-	**2,160,715**	**2,160,715**
Federation of Canadian Municipalities loan	-	-	-	2,000,000	-	**2,000,000**	**2,000,000**
Stock dividend payable	-	-	-	10,326,072	-	**10,326,072**	**10,326,072**
Preferred shares	-	-	-	183,194,275	-	**183,194,275**	**183,194,275**

December 31, 2021	Fair Value through Profit or Loss (fair value)	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Financial Liabilities (fair value)	**Total Carrying Amount**	**Fair Value**
Financial assets							
Cash	-	12,998,525	-	-	-	**12,998,525**	**12,998,525**
Trade and other receivables	-	-	22,245,016	-	-	**22,245,016**	**22,245,016**
Investments	3,005,860	53,935,477	-	-	-	**56,941,337**	**56,941,337**
Due from subsidiary	-	-	1,066,362	-	-	**1,066,362**	**1,066,362**
Financial liabilities							
Trade and other payables	-	-	-	10,516,127	-	**10,516,127**	**10,516,127**
Dividends payable	-	-	-	4,543,821	-	**4,543,821**	**4,543,821**
Bank loans	-	-	-	47,562,341	555,587	**48,117,928**	**48,117,928**
Other long-term liability	-	-	-	526,126	-	**526,126**	**526,126**
Lease liability	-	-	-	1,433,881	-	**1,433,881**	**1,433,881**
Federation of Canadian Municipalities loan	-	-	-	2,500,000	-	**2,500,000**	**2,500,000**
Stock dividend payable	-	-	-	14,973,661	-	**14,973,661**	**14,973,661**
Preferred shares	-	-	-	165,220,614	-	**165,220,614**	**165,220,614**

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25. FINANCIAL INSTRUMENTS *(continued)*

Determination of fair values and accounting treatment

A number of the company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following assumptions and methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

For cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, their fair values approximate their carrying values due to the immediate or short term maturities of these instruments.

The fair value of the investments at amortized cost approximates their carrying value as the interest rates are consistent with current rates available to the company in the investment market for such investment instruments. The estimated fair value is disclosed above.

The fair value of term loans and borrowings approximates the carrying value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

The fair value of the ETF funds and common shares are based on published trading prices and any gain or loss being recorded through profit or loss.

The fair value of the interest rate swap agreement is valued by CIBC to represent the present value of all future swap settlements.

The fair value of Class D and E preferred shares approximates the fair value as the shares are carried at the fixed redemption value and bear 5% dividend rights in accordance with the terms of the Unanimous Shareholders Agreement.

The fair value of the Class F, H and I preferred shares are less than the carrying value, as the amounts bear no fixed dividend rate. The amount is likely insignificant and it has been assumed that fair value approximates carrying value.

Financial risk management

The company is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, liquidity risk and market risk. The risks related to the company's financial instruments are discussed below.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The company’s Audit and Risk Committee oversees how management monitors compliance with the company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

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25. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a customer will fail to perform its obligations. The following table summarizes the company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2022	2021
Trade accounts receivable	**$ 5,380,767**	$ 4,150,525
Estimated unbilled accrual	**2,404,635**	2,209,329
Grants receivable	**5,244,130**	9,346,621
Accrued investment earnings	**3,075,921**	3,803,587
GST receivable	**431,775**	540,431
Other receivables	**3,951,546**	2,228,523
	20,488,774	22,279,016
Allowance for doubtful accounts	**(74,000)**	(34,000)
	$ 20,414,774	$ 22,245,016

The company is exposed to credit risk from customers. In order to reduce its credit risk, the company conducts regular reviews of its existing customers' credit performance. New customers are required to pay a deposit which may be applied against any future unpaid amounts. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk. No one customer makes up a significant portion of either revenue or the trade receivables balance at year-end.

Amounts are considered past due when payment has not been received in accordance with a customer agreement, which is typically 30 days. The trade receivable balances include $1,105,634 that is past due as at December 31, 2022 (2021 - $811,014).

At December 31, 2022, there are no financial assets that the company deems to be impaired or that are past due according to their terms and conditions, for which allowances have not been recorded. Aging of trade receivables and the related impairment allowances are provided in the following table:

	December 31, 2022	Gross Impairment Allowance December 31 2022	December 31, 2021	Gross Impairment Allowance December 31 2021
Not past due	**4,275,133**	**-**	3,339,511	-
Past due 0-30 days	**644,587**	**-**	582,532	-
Past due 31-90 days	**353,492**	**37,000**	111,802	17,000
More than 91 days	**107,555**	**37,000**	116,680	17,000
	5,380,767	**74,000**	4,150,525	34,000

(continues)

25. FINANCIAL INSTRUMENTS *(continued)*

The movement in the allowance for doubtful accounts in respect of accounts receivable during the year was as follows:

	2022	2021
Balance at the beginning of year	**$ 34,000**	$ 70,000
Impairment losses recognized	**(81,936)**	(16,201)
Amounts written off as uncollectible	**81,936**	16,201
Increase (decrease) in allowance	**40,000**	(36,000)
	$ 74,000	$ 34,000

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The company measures and monitors its liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on regular basis by management. The company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short-term as well as the long-term.

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25. FINANCIAL INSTRUMENTS *(continued)*

The following table presents the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flow	Under 1 year	Between 2 - 3 years	Between 4 - 5 years	More than 5 years
December 31, 2022						
Accounts payable and accrued liabilities	**11,178,646**	**11,178,646**	11,178,646	-	-	-
Dividends payable	**5,318,651**	**5,318,651**	5,318,651	-	-	-
Loans and borrowings	**47,144,933**	**47,810,196**	4,708,455	9,416,909	9,001,593	24,683,239
Other long-term liabilities	**2,112,787**	**2,112,787**	941,415	1,171,372	-	-
Stock dividend payable	**10,326,072**	**10,326,072**	-	-	-	10,326,072
Shareholder deposits	**3,000,000**	**3,000,000**	-	-	-	3,000,000
Preferred shares	**180,194,275**	**180,194,275**	-	-	-	180,194,275
	259,275,364	**259,940,627**	**22,147,167**	**10,588,281**	**9,001,593**	**218,203,586**
December 31, 2021						
Accounts payable and accrued liabilities	**10,516,127**	**10,516,127**	10,516,127	-	-	-
Dividends payable	**4,543,821**	**4,543,821**	4,543,821	-	-	-
Loans and borrowings	**52,051,809**	**51,496,222**	4,547,031	9,112,315	9,138,500	28,698,376
Other long-term liabilities	**526,126**	**526,126**	175,376	350,750	-	-
Stock dividend payable	**14,973,661**	**14,973,661**	-	-	-	14,973,661
Preferred shares	**165,220,614**	**165,220,614**	-	-	-	165,220,614
	247,832,158	**247,276,571**	**19,782,355**	**9,463,065**	**9,138,500**	**208,892,651**

It is not expected that the cash flows included in the maturity analysis will occur significantly earlier, or at significantly different amounts.

The company's trade payables are all current and due within 75 days of the statement of financial position.

The company's future obligations under operating leases are discussed in *Note 3(f)*.

The company's loans and borrowings are further discussed in *Note 13*.

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25. FINANCIAL INSTRUMENTS *(continued)*

Market risk

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 is comprised of interest rate risk, currency risk and publicly-traded equity market risk.

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 company is exposed to interest rate risk as a result of the issuance of variable rate debt, as disclosed in *Note 13*.

The interest rate risk related to investment portfolios is managed by investing in fixed rate investments. The sensitivity rate is determined using the historical annualized standard deviation for the total portfolio over a five-year period as determined by the company's investment advisors. If interest rates or market prices increase or decrease by 0.85%, and all other variables are held constant, the potential impact to the company would be approximately $507,467.

Interest rate risk on long-term debt is managed through fixed rate, variable rate interest based on the 30-day bankers' acceptance rate and an interest rate swap agreement. If interest rates increased by 1.0%, and all other variables are held constant, the potential impact to the company would be $456,496.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates.

The company is not directly exposed to significant foreign currency exchange risk with the exception that the company has certain investments in US and foreign publicly-traded common share investments that are denominated in currencies other than the Canadian dollar. A 1% diminution in the value of the Canadian dollar in regards to these currencies would have a $54,294 impact on the company.

Publicly-traded equity market risk

Publicly-traded equity market risk is the risk to the company's earnings that arise from fluctuations in the values of its investments in publicly-trade ETFs and common equities. A 1% change in the market prices of these investments would have a $85,008 impact on the company.

26. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	December 31, 2021	Issued or received	Adjustments/ Repayments	December 31, 2022
Federation of Canadian Municipalities	2,500,000	-	(500,000)	**2,000,000**
RBC	12,229,021	-	(1,512,868)	**10,716,153**
CIBC	35,333,320	-	(2,399,992)	**32,933,328**
Fair value adjustment of interest rate swap	555,587	-	(1,220,850)	**(665,263)**
Lease liabilities	1,433,881	919,452	(192,618)	**2,160,715**
Total long-term debt (including current portion)	52,051,809	919,452	(5,826,328)	**47,144,933**
Deferred infrastructure charges	21,702,577	1,884,027	(9,020,017)	**14,566,587**

	December 31, 2020	Issued or received	Adjustments/ Repayments	December 31, 2021
Federation of Canadian Municipalities	3,000,000	-	(500,000)	**2,500,000**
RBC	27,241,890	-	(15,012,869)	**12,229,021**
CIBC	37,733,323	-	(2,400,003)	**35,333,320**
Fair value adjustment of interest rate swap	1,594,972	-	(1,039,385)	**555,587**
Lease liabilities	1,570,707	-	(136,826)	**1,433,881**
Total long-term debt (including current portion)	71,140,892	-	(19,089,083)	**52,051,809**
Deferred infrastructure charges	20,868,850	2,269,527	(1,435,800)	**21,702,577**

27. CAPITAL MANAGEMENT

The capital structure of the company includes cash, shareholders' equity and loans and borrowings. The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern; and
- to provide a stable low risk return to shareholders on capital investments.

The company manages the capital structure and makes adjustments based on planned expenditures for property, plant and equipment acquisitions and construction, including transfers of assets from municipalities.

The Board-approved capital Budget for 2023 approves total spending of approximately $30 million in 2023. It is expected that the funding for the capital will be funded primarily by operating cash flow and existing Capital and Growth Funds, infrastructure charges, and developer contributions. Future capital programs will be similarly financed with the potential for additional debt where warranted. As described in Note 13, the company has unused credit facilities if required.

28. CONTINGENT LIABILITIES

The company has been named as a defendant in a lawsuit related to waterline construction activity by one of its contractors. Based on the opinion of management and through consultation with legal counsel, the amount cannot be currently determined but any liability is likely to be insignificant to the company. The ultimate settlement will be recorded in the period in which it becomes known.

The company continues to be supported by their insurer in defence of a claim from October, 2014 whereby the claimant is seeking damages resulting from a sewer back up. The company and its insurers continue to defend the allegations. Any settlement would be recorded in the period in which it becomes known.

The company has been named as one of a number of defendants in a statement of claim seeking damages from a vehicle incident in September, 2021 where a vehicle allegedly struck an unconcealed maintenance hole cover. The company is being defended by their insurers in this claim. Any settlement would be recorded in the period in which it becomes known.

The company expects that settlement or awards in relation to the above-noted claims will not exceed available insurance coverage.

Aquatera Utilities Inc. is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, Aquatera Utilities Inc. could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

29. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

AQUATERA UTILITIES INC.
Non-Consolidated Property, Plant and Equipment
Year Ended December 31, 2022

(Schedule 1)

	Land	Buildings	Leasehold Improvements	Engineering Structures	Equipment	Vehicles and Mobile Equipment	Construction in Progress	Right-of-use assets	Total
Cost or deemed cost									
Balance at December 31, 2021	$ 2,146,277	$ 89,944,607	$ 2,533,379	$ 259,317,979	$ 69,536,812	$ 10,693,684	$ 33,133,670	$ 3,035,955	$ 470,342,363
Additions	44,684	6,322,582	18,560	28,952,797	7,117,429	494,123	14,420,719	919,452	58,290,346
Disposals	-	(372,217)	-	(1,289,598)	(25,260)	(26,323)	-	-	(1,713,398)
Transfer to assets available for use	-	-	-	-	-	-	(36,632,352)	-	(36,632,352)
Balance at December 31, 2022	2,190,961	95,894,972	2,551,939	286,981,178	76,628,981	11,161,484	10,922,037	3,955,407	490,286,959
Accumulated depreciation									
Balance at December 31, 2021	-	(18,760,277)	(2,347,896)	(29,544,904)	(21,178,667)	(7,619,812)	-	(1,721,193)	(81,172,749)
Depreciation for year	-	(2,289,678)	(130,071)	(4,054,340)	(3,422,395)	(886,398)	-	(259,658)	(11,042,540)
Disposals	-	95,557	-	211,403	8,260	22,859	-	-	338,079
Balance at December 31, 2022	-	(20,954,398)	(2,477,967)	(33,387,841)	(24,592,802)	(8,483,351)	-	(1,980,851)	(91,877,210)
Net book value at December 31, 2022	**$ 2,190,961**	**$ 74,940,574**	**$ 73,972**	**$ 253,593,337**	**$ 52,036,179**	**$ 2,678,133**	**$ 10,922,037**	**$ 1,974,556**	**$ 398,409,749**
Net book value at December 31, 2021	$ 2,146,277	$ 71,184,330	$ 185,483	$ 229,773,075	$ 48,358,145	$ 3,073,872	$ 33,133,670	$ 1,314,761	$ 389,169,613

Please see accompanying notes to financial statements