

AQUATERA UTILITIES INC.
Non-Consolidated Financial Statements
December 31, 2023

AQUATERA UTILITIES INC.
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Year Ended December 31, 2023

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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 Canadian Auditing Standards.



CEO

01/04/24



CFO

01/04/24

Grande Prairie, Alberta
March 27, 2024

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, 2023, 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, 2023 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.

INDEPENDENT AUDITORS' REPORT

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 Moody & LLP

Grande Prairie, Alberta
March 27, 2024

Chartered Professional Accountants



AQUATERA UTILITIES INC.
Non-Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT		
Cash and cash equivalents <i>(Note 4)</i>	\$ 9,744,558	\$ 7,452,872
Trade and other receivables <i>(Note 5)</i>	15,971,097	20,414,774
Inventory and work in progress <i>(Note 6)</i>	3,500,161	1,908,961
Due from subsidiary <i>(Note 7)</i>	-	629,811
Investments maturing in one year <i>(Note 8)</i>	37,060,918	23,329,412
	66,276,734	53,735,830
LONG-TERM INVESTMENTS <i>(Note 8)</i>	23,365,494	44,780,040
INVESTMENT IN SUBSIDIARY <i>(Note 9)</i>	100	100
SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS <i>(Note 10)</i>	3,085,413	-
PROPERTY, PLANT AND EQUIPMENT, NET <i>(Note 11)</i>	412,579,668	398,409,749
	\$ 505,307,409	\$ 496,925,719
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 12)</i>	\$ 10,461,172	\$ 11,178,646
Dividends payable	5,547,045	5,318,651
Current portion of other long-term liabilities <i>(Note 13)</i>	438,068	941,415
Customer deposits	1,964,056	1,769,198
Callable debt due in one year <i>(Note 14)</i>	4,269,700	4,708,455
	22,680,041	23,916,365
Callable debt due thereafter <i>(Note 14)</i>	38,927,180	42,436,478
	61,607,221	66,352,843
DEFERRED REVENUE OF CAPITAL CONTRIBUTIONS <i>(Note 15)</i>	219,387,257	214,894,600
PROVISIONS FOR LANDFILL CLOSURE AND OTHER LONG-TERM LIABILITIES <i>(Note 13)</i>	7,356,563	7,589,635
DEFERRED INFRASTRUCTURE CHARGES <i>(Note 16)</i>	7,843,884	14,566,587
STOCK DIVIDEND PAYABLE <i>(Note 17)</i>	15,551,113	10,326,072
SHARES TO BE ISSUED <i>(Note 18)</i>	39,183	3,000,000
PREFERRED SHARES <i>(Note 19)</i>	193,520,347	180,194,275
	505,305,568	496,924,012
CONTINGENT LIABILITIES <i>(Note 29)</i>		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
COMMON SHARES <i>(Note 19)</i>	1,841	1,707
	\$ 505,307,409	\$ 496,925,719

APPROVED ON BEHALF OF THE BOARD:


Lionel Lallamie (Apr 10, 2024 08:48 MDT)

Director



Director

AQUATERA UTILITIES INC.
Non-Consolidated Statement of Income and Comprehensive Income and Changes in Equity
Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE		
Sale of services	\$ 61,278,527	\$ 58,670,044
Other (Note 21)	9,310,271	8,063,624
Recognition of deferred revenue for capital contributions	4,736,573	4,239,197
Franchise fees	4,557,890	4,573,550
	<u>79,883,261</u>	<u>75,546,415</u>
EXPENSES		
Salaries, wages and benefits (Note 22)	21,097,920	20,486,082
General and administrative	3,533,477	3,402,917
Contracted services	10,042,975	10,036,689
Utilities	2,945,944	4,005,417
Major maintenance	162,179	73,030
Materials, goods and supplies	5,906,249	5,461,989
Depreciation	11,050,046	11,042,540
Franchise fees	4,557,890	4,573,550
	<u>59,296,680</u>	<u>59,082,214</u>
OPERATING INCOME	<u>20,586,581</u>	<u>16,464,201</u>
Other income (expenses)		
Finance income	3,010,309	807,227
Fair value adjustment on investments	237,023	(129,377)
Finance costs (Note 23)	(1,464,235)	(2,063,271)
Regular dividends declared	(5,632,095)	(5,318,651)
Fair value adjustment of interest rate swap	(269,535)	1,220,190
Loss on disposal of property, plant and equipment	(575,436)	(642,696)
Net subsidiary operations - 25 By 20 Holdings Inc. (Note 9)	(341,499)	(11,551)
	<u>(5,035,468)</u>	<u>(6,138,129)</u>
NET INCOME AND COMPREHENSIVE INCOME	<u>15,551,113</u>	<u>10,326,072</u>
RETAINED EARNINGS - BEGINNING OF YEAR	-	-
Stock dividend (Note 17)	(15,551,113)	(10,326,072)
RETAINED EARNINGS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

AQUATERA UTILITIES INC.
Non-Consolidated Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Net income and comprehensive income	\$15,551,113	\$ 10,326,072
Reconciliation to cash from (used in) operating activities:		
Finance expense including fair market value of interest rate swap	1,733,770	843,082
Dividends declared	5,632,095	5,318,651
Finance income including fair market value adjustments	(3,247,332)	(677,850)
Depreciation of property, plant and equipment	11,050,046	11,042,540
Recognition of deferred revenue for capital contributions	(4,736,573)	(4,239,197)
Amortization of SAAS	29,090	-
Loss on disposal of property, plant and equipment	575,436	642,696
Net subsidiary operations - 25 By 20 Holdings Inc.	341,499	11,551
	<u>26,929,144</u>	<u>23,267,544</u>
Changes in non-cash working capital:		
Trade and other receivables	4,443,677	1,830,242
Inventory and work in progress	(1,591,200)	(410,341)
Accounts payable and accrued liabilities	(717,474)	662,518
Customer deposits	194,858	(310,486)
Provisions - current	(503,347)	766,039
	<u>1,826,514</u>	<u>2,537,972</u>
Cash from operating activities	<u>28,755,658</u>	<u>25,805,516</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(19,707,800)	(13,077,995)
Construction in progress	(6,615,248)	(3,734,898)
Proceeds on disposal of property, plant and equipment	2,021,315	732,624
Capital contributions from external parties	7,924,260	9,125,980
Investment in software	(3,114,503)	-
Loan repayments from subsidiary	625,000	425,000
Investment income earned	2,910,644	677,850
Investment purchases	(29,892,022)	(26,195,910)
Maturity of investments	37,575,063	15,027,795
	<u>(8,273,291)</u>	<u>(17,019,554)</u>
Cash from (used by) investing activities	<u>(8,273,291)</u>	<u>(17,019,554)</u>
FINANCING ACTIVITIES		
Infrastructure charges collected	1,545,810	1,884,027
Infrastructure charges expended	(8,268,513)	(9,020,017)
Repayment of callable debt	(4,536,718)	(4,708,554)
Changes in non-current provisions	(438,068)	820,622
Shareholder deposits	-	3,000,000
Issuance of shares	133	150
Dividends paid on preferred shares	(5,403,701)	(4,543,821)
Interest expense	(1,089,624)	(1,764,022)
	<u>(18,190,681)</u>	<u>(14,331,615)</u>
Cash used by financing activities	<u>(18,190,681)</u>	<u>(14,331,615)</u>
INCREASE (DECREASE) IN CASH	2,291,686	(5,545,653)
CASH - BEGINNING OF YEAR	<u>7,452,872</u>	<u>12,988,525</u>
CASH - END OF YEAR (Note 4)	\$ 9,744,558	\$ 7,452,872

AQUATERA UTILITIES INC.
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2023 and 2022

1. REPORTING ENTITY

Aquatera Utilities Inc. (the company or Aquatera) 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 also provides water and wastewater management services to other small municipalities across Alberta.

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.

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 27, 2024.

(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.

(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, carbon dioxide equivalent (CO₂e) offsets inventory, the useful life of property, plant and equipment and software-as-a-service arrangements, the provision for landfill closure and post-closure, 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.

AQUATERA UTILITIES INC.
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2023 and 2022

(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 at the respective website of each shareholder listed:

City of Grande Prairie
County of Grande Prairie No. 1
Town of Sexsmith
Town of Wembley

3. SUMMARY OF MATERIAL 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, except for meter and remote inventory which is determined on the specific item 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.

Carbon dioxide equivalent (CO₂e) offsets inventory is a byproduct of the landfill and power generation operations and is valued at the lower of cost and net realizable value. Cost is determined as an allocation of the costs of the landfill and power generation activities that relate to the creation of carbon credits.

(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, borrowing costs 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.

AQUATERA UTILITIES INC.
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2023 and 2022

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. 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 date 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.

The range of estimated useful lives used is as follows:

Engineering structures	15 – 75 years
Buildings	50 years
Leasehold improvements	Terms of lease
Machinery and equipment	5 – 40 years
Vehicles and mobile equipment	5 years
Right-of-use assets	Terms of lease

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) Capitalization of borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are eligible for capitalization. Qualifying assets are assets for which a substantial period of time is required to prepare the asset for its intended use. The company borrows funds to finance its capital construction projects. The borrowing costs are capitalized until construction is completed, at a rate based on the actual costs of debt used to finance the capital construction projects, net of any investment income.

(f) Software-as-a-service (SaaS) arrangements

SaaS arrangements are service contracts providing the company with the right to access the cloud provider's application software over the contract period. The ongoing fees to obtain access to the cloud provider's application software are recognized as operating expenses when the services are received.

The costs incurred to configure or customize the application and integration to other SaaS applications are recognized as a software intangible asset and amortized to general and administrative expense over the expected useful life.

Amortization is charged on a straight-line basis over the estimated economic useful life of 10 years from the date they become available for use, as this most closely reflects the expected usage of the assets. Estimating the appropriate useful life of these assets requires significant judgement and is generally based on estimates of life characteristics of similar assets. The useful economic life, method of amortization and residual values are reviewed annually with any changes adopted on a prospective basis.

(g) 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.

AQUATERA UTILITIES INC.
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2023 and 2022

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.

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.

(h) Service concession arrangements

The company's managed contracts fall under IFRS's service concession arrangements. These 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.

The 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.

(i) 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.

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Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2023 and 2022

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.

An impairment loss in respect to 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.

(j) **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.

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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.

(k) 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.

(l) Loans and borrowings

The company's callable debt consists of loans for which the lender has the right to demand repayment. Demand debt is treated as a current liability.

(m) 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 unbilled revenue. Unbilled revenue is the value of services consumed by customers in the year but billed subsequent to year-end.

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, and remitted to, the municipality in which the goods or services were provided in accordance with franchise agreements between the company and the municipal shareholders.

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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 is recognized consistently with sale of services, other than landfill gas sales.

Landfill gas sales are based on contracts for the sale of carbon dioxide equivalent (CO₂e) offsets. Revenue is recognized once the offsets produced are transferred to a customer. The amount of offsets available for transfer is verified by an independent review in accordance with the Standard for Greenhouse Gas Verification prior to the transfer occurring. Landfill gas sales also include energy sold from the company's landfill gas to energy project, which is recognized consistently with sale of services.

(n) 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 14).

(o) 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 a taxable corporation.

The company did not record a tax provision in 2023 as it was exempt from tax in accordance with the above.

(p) Employee future benefits

Pension plans

Certain 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.

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.

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(q) 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.

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 14.

(r) Derivative financial instruments

The company recognizes interest rate swap agreements at fair market value and groups them with 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.

(s) 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.

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(t) 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.

(u) New standards and interpretations in effect

The following amendments are in effect for annual reporting periods beginning on or after January 1, 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity disclose its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. These amendments had a minor impact on the company's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. This amendment had no impact on the company's financial statements.

(v) New standards and interpretations not yet adopted

The following standards, amendments and interpretations have been issued but are not yet effective:

The IASB has issued amendments to International Accounting Standard ("IAS") 1, Presentation of Financial Statements titled Non-current liabilities with covenants, IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments Disclosures. None of these amendments are expected to have a material impact on the company.

There are no other IFRS Accounting Standards or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have a significant impact on the company.

4. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	\$ 2,600	\$ 3,149
Cash in banks	9,741,958	7,449,723
	\$ 9,744,558	\$ 7,452,872

Cash in banks bears interest at the bank's prime rate less a discount that varies between banks. At December 31, 2023, the company was earning approximately 5.25% per annum on cash in banks.

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5. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade accounts receivable	\$ 9,197,804	\$ 8,243,688
Estimated unbilled revenue	3,059,551	2,404,635
Grants receivable	141,310	5,244,130
Accrued investment earnings	2,779,383	3,075,921
GST receivable	61,561	431,775
Other receivables	866,487	1,088,625
	16,106,097	20,488,774
Allowance for doubtful accounts	(135,000)	(74,000)
	\$ 15,971,097	\$ 20,414,774

6. INVENTORY AND WORK IN PROGRESS

	2023	2022
Consumables and supplies	\$ 1,373,618	\$ 1,231,948
Meters and meter components	526,620	673,740
Work in progress	132,003	3,273
Carbon dioxide equivalent (CO2e) offsets	1,467,920	-
	\$ 3,500,161	\$ 1,908,961

In 2023, the write-down of inventories to net realizable value amounted to \$98,811 (2022 - \$NIL). In 2023, inventory consumables recognized as materials, goods and supplies expense amounted to \$1,006,413 (2022 - \$1,604,549). Included in carbon dioxide equivalent (CO2e) offsets is \$376,096 of depreciation of tangible assets utilized in the production of this inventory (2022 - \$NIL).

7. DUE FROM SUBSIDIARY

	2023	2022
Loan	\$ 3,335,000	\$ 3,335,000
Advances	4,488,387	4,776,699
Cumulative investment losses applied (<i>Note 9</i>)	(7,823,387)	(7,481,888)
	\$ -	\$ 629,811

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.

8. LONG-TERM INVESTMENTS

	2023	2022
Investments at amortized cost	\$ 51,808,002	\$ 59,740,090
Investments at fair value	8,618,410	8,369,362
Investments maturing within one year	(37,060,918)	(23,329,412)
	\$ 23,365,494	\$ 44,780,040

Investments at amortized cost consist of held to maturity fixed income investments, bear interest at rates between 0.85% and 5.51% and mature between January, 2024 and January, 2028.

Investments at fair value include exchange-traded funds (ETF) and publicly traded common shares recorded at fair value through profit and loss. Subsequent to year-end, the company re-balanced its portfolio to only cash and fixed income investments.

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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. 25 By 20 Holdings Inc. operates in Canada with its registered office located at 11101 – 104 Avenue, Grande Prairie, Alberta, Canada, T8V 8H6.

	2023	2022
Investment in subsidiary	\$ 100	\$ 100
Cumulative share of earnings (losses)	(7,823,387)	(7,481,888)
Cumulative losses applied to loan receivable from subsidiary <i>(Note 7)</i>	7,823,387	7,481,888
	\$ 100	\$ 100

The following is condensed financial information of 25 By 20 Holdings Inc. for the year ended December 31, 2023:

Results of financial performance

Revenue	\$ 3,177	\$ 11,644
Expenses	(344,676)	(23,195)
Net income (loss)	\$ (341,499)	\$ (11,551)

Financial position

ASSETS

Current assets	\$ 23,954	\$ 657,054
Property, plant and equipment	2,484	2,484
	\$ 26,438	\$ 659,538

LIABILITIES

Current liabilities	\$ 3,500	\$ 2,374
Due to Aquatera Utilities Inc.	7,846,225	8,138,952
	7,849,725	8,141,326

SHAREHOLDER'S DEFICIENCY

Share capital	100	100
Retained earnings (deficit)	(7,823,387)	(7,481,888)
	(7,823,287)	(7,481,788)
	\$ 26,438	\$ 659,538

10. SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS

	2023	2022
Cost	\$ 3,114,503	\$ -
Accumulated amortization	(29,090)	-
	\$ 3,085,413	\$ -

Costs are incurred to configure or customize SaaS arrangements and amortized to general and administrative expense over the expected useful life of the software on a straight-line basis.

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11. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	2023 Net book value
Land	\$ 4,824,587	\$ -	\$ 4,824,587
Buildings	93,537,826	(23,025,089)	70,512,737
Leasehold improvements	2,714,491	(2,493,351)	221,140
Engineering structures	308,949,155	(37,724,190)	271,224,965
Equipment	78,911,619	(28,127,924)	50,783,695
Vehicles and mobile equipment	12,014,984	(9,155,714)	2,859,270
Construction in progress	10,107,084	-	10,107,084
Right-of-use assets - building	4,274,537	(2,228,347)	2,046,190
	<u>\$ 515,334,283</u>	<u>\$ (102,754,615)</u>	<u>\$ 412,579,668</u>

	Cost	Accumulated depreciation	2022 Net book value
Land	\$ 2,190,961	\$ -	\$ 2,190,961
Buildings	95,894,972	(20,954,398)	74,940,574
Leasehold improvements	2,551,939	(2,477,967)	73,972
Engineering structures	286,981,178	(33,387,841)	253,593,337
Equipment	76,628,981	(24,592,802)	52,036,179
Vehicles and mobile equipment	11,161,484	(8,483,351)	2,678,133
Construction in progress	10,922,037	-	10,922,037
Right-of-use assets - building	3,955,407	(1,980,851)	1,974,556
	<u>\$ 490,286,959</u>	<u>\$ (91,877,210)</u>	<u>\$ 398,409,749</u>

Borrowing costs capitalized during the year ended December 31, 2023 were \$584,466 (2022 - \$NIL).

There are no restrictions on assets.

During the year ended December 31, 2023, the company performed a detailed analysis of existing property, plant and equipment and no impairments were found.

See Schedule 1 for additional information.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade payables	\$ 5,898,016	\$ 4,284,905
Capital payables	3,130,896	5,600,927
Accrued employee benefits	1,432,260	1,292,814
	<u>\$ 10,461,172</u>	<u>\$ 11,178,646</u>

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13. PROVISIONS

	Landfill Closure and Post-Closure Liabilities	Other Long- Term Liability	2023 Total
Balance at the beginning of year	\$ 6,418,263	\$ 2,112,787	\$ 8,531,050
Provisions made during the year	-	-	-
Provisions used during the year	-	(941,415)	(941,415)
Prospective change in estimate	-	-	-
Accretion of liability	204,997	-	204,997
Balance at December 31, 2023	6,623,259	1,171,372	7,794,631
Current	-	438,068	438,068
Non-current	6,623,259	733,304	7,356,563

	Landfill Closure and Post-Closure Liabilities	Other Long- Term Liability	2022 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 of 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 \$6,623,259 (2022 – \$6,418,263), calculated using long-term inflation rates of 2.70% and a long-term discount rate of 5.60%.

The majority of closure costs are related to cells 1 - 9 of the landfill and are expected to occur in approximately five 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 485,064 (2022 – 582,077) 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 oversizing agreements with contractors on long-term construction projects. Under these agreements the company is required to repay the contractors over time. One agreement requires the balance to be repaid in eight equal annual instalments from 2017 to 2024 and bears no interest. The second agreement requires the company to repay an annual amount equal to half of the infrastructure charges collected from customers for that year in a specific service area of the company and bears no interest.

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14. CALLABLE DEBT

	2023	2022
Due to the Federation of Canadian Municipalities	\$ 1,516,490	\$ 2,000,000
Due to RBC Royal Bank	9,216,636	10,716,153
Due to CIBC	30,572,785	32,933,328
Fair value adjustment of interest rate swap	(395,728)	(665,263)
Lease liability	2,286,697	2,160,715
	43,196,880	47,144,933
Loans and borrowings due in one year	(4,269,700)	(4,708,455)
	\$ 38,927,180	\$ 42,436,478

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

Less than one year	\$ 4,269,700
Between one and five years	17,753,669
More than five years	21,173,511
	\$ 43,196,880

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. \$19.2 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 \$11.4 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 2023, the funded debt to total capital ratio is calculated at 0.14 to 1 (2022 – 0.20 to 1) and the fixed charge ratio is calculated at 2.44 to 1 (2022 – 1.99 to 1).

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

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.

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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, 2023 (2022 - \$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, 2023 (2022 - \$2,000,000 unused).

Lease liability

The company has recognized a lease liability in regard 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. The lease is repayable in monthly payments of \$24,641 including interest at an implied rate of 4.4% per annum and matures in 2031.

The company has recognized a lease liability in regard 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 including interest at an implied rate of 4.4% per annum and matures in 2024.

During the year, the company remeasured the lease liabilities in the amount of \$319,130, with a corresponding adjustment to the right-of-use assets.

15. 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	\$ 76,720,336	\$ 138,174,264	\$ 214,894,600
Contributions received	1,579,265	7,649,965	9,229,230
Revenue recognized	(1,111,493)	(3,625,080)	(4,736,573)
Balance at December 31, 2023	\$ 77,188,108	\$ 142,199,149	\$ 219,387,257

	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	3,920,065	8,832,753	12,752,818
Revenue recognized	(784,251)	(3,454,946)	(4,239,197)
Balance at December 31, 2022	\$ 76,720,336	\$ 138,174,264	\$ 214,894,600

16. DEFERRED INFRASTRUCTURE CHARGES

	2023	2022
Balance at the beginning of the year	\$ 14,566,587	\$ 21,702,577
Contributions received	1,545,810	1,884,027
Transfer to deferred revenue	(8,268,513)	(9,020,017)
	\$ 7,843,884	\$ 14,566,587

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17. 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.

	2023	2022
City of Grande Prairie		
11,015 Class C common shares and Class H preferred shares	\$ 11,015,238	\$ 7,435,444
County of Grande Prairie No. 1		
3,214 Class C common shares and Class H preferred shares	3,213,570	1,998,081
Town of Sexsmith		
1,261 Class C common shares and Class H preferred shares	1,261,378	851,473
Town of Wembley		
61 Class C common shares and Class I preferred shares	60,927	41,074
	\$ 15,551,113	\$ 10,326,072

18. SHARES TO BE ISSUED

Effective December 31, 2023, the County of Grande Prairie transferred infrastructure assets for the amount of \$39,183 to the company in exchange for 39 Class A common shares and 39 Class F preferred shares. In accordance with the Unanimous Shareholders Agreement, these shares will be issued on January 1, 2024.

19. 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

	2023	2022	
The following common and preferred shares have been issued:			
<i>Common shares</i>			
61,734	Class A shares (2022 - 58,734)	\$ 617	\$ 587
555	Class B shares (2022 - 555)	6	6
121,741	Class C shares (2022 - 111,416)	1,218	1,114
		\$ 1,841	\$ 1,707
<i>Preferred shares</i>			
52,589	Class D shares (2022 - 49,589)	\$ 52,588,292	\$ 49,588,292
555	Class E shares (2022 - 555)	554,473	554,473
9,131	Class F shares (2022 - 9,131)	9,130,175	9,130,175
131,081	Class H shares (2022 - 120,797)	131,081,519	120,796,521
166	Class I shares (2022 - 125)	165,888	124,814
		\$ 193,520,347	\$ 180,194,275

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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 26). 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.

20. 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 14.

A dividend will become payable in 2024 to the shareholders as follows:

City of Grande Prairie	\$ 1,808,050
County of Grande Prairie No. 1	454,650
Town of Sexsmith	216,750
Town of Wembley	27,750

Operational commitments

The company has various outstanding purchase orders and commitments as part of the ordinary course of business. The company has also entered into contracts related to residential waste and recycling pickups as follows:

Less than one year	\$ 3,140,000
Between one and five years	5,368,332
More than five years	-

21. OTHER REVENUE

	<u>2023</u>	<u>2022</u>
Service connections	\$ 360,941	\$ 388,728
Operator assistance	7,145,371	4,840,471
Infrastructure charge - engineering fees	142,985	183,645
Distribution and collection commercial services	307,451	274,127
Customer shut-off fees	163,778	195,464
Landfill gas sales	796,352	2,069,657
Miscellaneous revenues and sales	393,393	111,532
	<u>\$ 9,310,271</u>	<u>\$ 8,063,624</u>

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22. EMPLOYEE BENEFITS

	2023	2022
Salaries, wages and short-term benefits	\$ 19,352,318	\$ 18,623,693
Post-employment benefits	1,441,457	1,404,614
Termination benefits	304,145	457,775
	\$ 21,097,920	\$ 20,486,082

(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 290,000 people and over 430 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 12.23% 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 11.23% on the excess.

Total current and past service contributions by the company to the LAPP in 2023 were \$1,370,671 (2022 - \$1,272,408). Total current and past service contributions by the employees of the company to the LAPP in 2023 were \$1,228,487 (2022 - \$1,138,985).

At December 31, 2023, the Plan disclosed an actuarial surplus of \$12.7 billion (2022 - \$11.9 billion).

Effective January 1, 2024, member contribution rates will remain at 7.45% of pensionable earnings up to the year’s maximum pensionable earnings and decreased to 10.65% thereafter for employees and remain at 8.45% of pensionable earnings up to the year’s maximum pensionable earnings and decrease to 11.65% 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 2.96% of pensionable payroll above the LAPP maximum pensionable earnings up to the year’s maximum pensionable earnings of \$175,333 for employees who have elected to participate in the APEX. No contributions are required on earnings above the maximum threshold.

Employees electing to participate in the APEX are required to make current service contributions of 2.42% of pensionable payroll service above the LAPP maximum pensionable earnings up to the year’s maximum pensionable earnings of \$173,333 with no contributions on earnings above the maximum threshold.

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Total current and past service contributions by the company to APEX in 2023 were \$70,786 (2022 - \$89,819). Total current and past service contributions by the employees of the company to APEX in 2023 were \$57,442 (2022 - \$61,122).

At December 31, 2022, the APEX disclosed an actuarial deficiency of \$3.3 million (2021 - \$2.1 million).

APEX has announced that member contribution rates will remain the same in 2024.

(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.

23. FINANCE COSTS

	<u>2023</u>	<u>2022</u>
Interest expense	\$ 1,089,624	\$ 1,764,022
Accretion of landfill provision	204,997	196,833
Unwinding of discount on right-of-use assets	169,614	102,416
Finance costs	<u>\$ 1,464,235</u>	<u>\$ 2,063,271</u>

24. RELATED PARTY TRANSACTIONS

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

	<u>2023</u>	<u>2022</u>
City of Grande Prairie (the majority shareholder)		
Sale of services	\$ 912,801	\$ 759,920
General and administrative services expense	51,886	-
Salaries, wages and benefits	8,989	-
Franchise fees expense	3,702,766	3,504,946
Special dividends declared	2,193,223	2,095,162
Regular dividends declared	1,808,050	1,808,050
Common shares issued	74	108
Preferred shares issued	7,435,444	10,775,053
Deposits and holdbacks receivable	331,500	-
Trade receivables	322,416	176,337
Trade payables	641,715	294,252
Dividends payable	4,001,273	3,903,212
Stock dividend payable	10,854,140	7,435,444
County of Grande Prairie No. 1 (a minority shareholder)		
Sale of services	298,474	149,036
General and administrative services expense	110,119	207,754
Franchise fees expense	334,601	146,180
Special dividends declared	602,463	560,182
Regular dividends declared	454,650	398,100
Common shares issued	50	29
Preferred shares issued	5,037,263	2,882,300
Trade receivables	13,250	-
Trade payables	106,720	1,740
Dividends payable	1,057,113	958,282
Stock dividend payable	3,166,571	1,998,081

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	2023	2022
Town of Sexsmith (a minority shareholder)		
Sale of services	29,860	32,672
General and administrative services expense	238,051	273,144
Franchise fees expense	110,510	110,823
Special dividends declared	238,810	224,227
Regular dividends declared	216,750	194,250
Common shares issued	9	13
Preferred shares issued	841,473	1,255,772
Trade receivables	522	-
Trade payables	14,698	9,527
Dividends payable	455,560	418,477
Stock dividend payable	1,242,931	851,473
Town of Wembley (a minority shareholder)		
Sale of services	19,535	13,866
General and administrative services expense	155,882	153,157
Franchise fees expense	74,784	67,134
Special dividends declared	11,348	10,930
Regular dividends declared	27,750	27,750
Common shares issued	-	1
Preferred shares issued	41,074	60,536
Trade receivables	617	-
Trade payables	10,996	5,736
Dividends payable	39,098	38,680
Stock dividend payable	60,036	41,074
Transactions with key management personnel		
Salaries, wages and short-term benefits	1,606,117	1,322,699
Post-employment and termination benefits	138,810	510,059

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.

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25. SEGMENTED DISCLOSURE

	Water	Wastewater	Solid Waste	2023
Revenue				
Sales of service	\$ 22,564,682	\$ 24,758,934	\$ 13,954,911	\$ 61,278,527
Other	6,759,157	2,543,555	7,559	9,310,271
Franchise fees	1,798,461	2,196,080	563,349	4,557,890
Recognition of deferred revenue for capital contributions	1,730,050	2,971,584	34,939	4,736,573
	<u>32,852,350</u>	<u>32,470,153</u>	<u>14,560,758</u>	<u>79,883,261</u>
Expenses				
Salaries, wages and benefits	9,590,257	7,557,203	3,950,460	21,097,920
General and administrative	1,537,975	1,272,686	722,816	3,533,477
Contracted services	2,553,415	2,342,770	5,146,790	10,042,975
Utilities	1,884,906	1,013,117	47,921	2,945,944
Major maintenance	-	162,179	-	162,179
Materials, goods and supplies	4,141,045	1,537,027	228,177	5,906,249
Depreciation	3,818,273	6,202,344	1,029,429	11,050,046
Franchise fees	1,798,461	2,196,080	563,349	4,557,890
	<u>25,324,332</u>	<u>22,283,406</u>	<u>11,688,942</u>	<u>59,296,680</u>
Other items				
Finance income	1,144,017	1,143,856	722,436	3,010,309
Fair value adjustments on investments	90,069	90,069	56,885	237,023
Finance costs	(480,632)	(480,545)	(503,058)	(1,464,235)
Fair value adjustment of interest rate swap	(102,423)	(102,423)	(64,689)	(269,535)
Gain (loss) on disposal of property, plant and equipment	(245,097)	(236,978)	(93,361)	(575,436)
	<u>405,934</u>	<u>413,979</u>	<u>118,213</u>	<u>938,126</u>
Net income	<u>7,933,952</u>	<u>10,600,726</u>	<u>2,990,029</u>	<u>21,524,707</u>
Net subsidiary operations				(341,499)
- 25 By 20 Holdings Inc.				(5,632,095)
Dividends				<u>\$ 15,551,113</u>

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	Water	Wastewater	Solid Waste	2022
Revenue				
Sales of service	\$ 21,766,606	\$ 23,888,278	\$ 13,015,160	\$ 58,670,044
Other	5,712,696	1,679,507	671,421	8,063,624
Franchise fees	1,832,220	2,247,447	493,883	4,573,550
Recognition of deferred revenue for capital contributions	1,723,794	2,480,636	34,767	4,239,197
	<u>31,035,316</u>	<u>30,295,868</u>	<u>14,215,231</u>	<u>75,546,415</u>
Expenses				
Salaries, wages and benefits	9,118,819	7,211,497	4,155,766	20,486,082
General and administrative	1,415,367	1,293,220	694,330	3,402,917
Contracted services	2,305,209	2,513,170	5,218,310	10,036,689
Utilities	1,356,882	2,343,460	305,075	4,005,417
Major maintenance	22,606	51,001	(577)	73,030
Materials, goods and supplies	3,408,958	1,660,136	392,895	5,461,989
Depreciation	3,905,800	5,981,616	1,155,124	11,042,540
Franchise fees	1,832,220	2,247,447	493,883	4,573,550
	<u>23,365,861</u>	<u>23,301,547</u>	<u>12,414,806</u>	<u>59,082,214</u>
Other items				
Finance income	307,000	306,590	193,636	807,227
Fair value adjustments on investments	(49,163)	(49,163)	(31,050)	(129,377)
Finance costs	(711,221)	(708,037)	(644,014)	(2,063,271)
Fair value adjustment of interest rate swap	463,923	463,923	292,344	1,220,190
Gain (loss) on disposal of property, plant and equipment	(645,105)	2,409	-	(642,696)
	<u>(634,566)</u>	<u>15,722</u>	<u>(189,085)</u>	<u>(807,929)</u>
Net income	<u>\$ 7,034,889</u>	<u>\$ 7,010,043</u>	<u>\$ 1,611,340</u>	<u>\$ 15,656,272</u>
Net subsidiary operations				(11,551)
- 25 By 20 Holdings Inc.				(5,318,651)
Dividends				<u>\$ 10,326,070</u>

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26. 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, 2023	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
<i>Financial assets</i>							
Cash	-	9,744,558	-	-	-	9,744,558	9,744,558
Trade and other receivables	-	-	15,971,097	-	-	15,971,097	15,971,097
Investments	8,618,410	51,808,002	-	-	-	60,897,516	60,897,516
<i>Financial liabilities</i>							
Trade and other payables	-	-	-	10,461,171	-	10,461,171	10,461,171
Due from subsidiary	-	-	-	-	-	-	-
Dividends payable	-	-	-	5,547,045	-	5,547,045	5,547,045
Bank loans	-	-	-	39,789,421	(395,728)	39,393,693	39,393,693
Other long-term liability	-	-	-	1,171,372	-	1,171,372	1,171,372
Lease liability	-	-	-	2,286,697	-	2,286,697	2,286,697
Federation of Canadian Municipalities loan	-	-	-	1,516,490	-	1,516,490	1,516,490
Stock dividend payable	-	-	-	15,551,113	-	15,551,113	15,551,113
Preferred shares	-	-	-	193,520,883	-	193,520,883	193,520,883
Shares to be issued	-	-	-	39,183	-	39,183	39,183

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
<i>Financial assets</i>							
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	68,109,452
Due from subsidiary	-	-	629,811	-	-	629,811	629,811
<i>Financial liabilities</i>							
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	-	-	-	180,194,275	-	180,194,275	180,194,275
Shares to be issued	-	-	-	3,000,000	-	3,000,000	3,000,000

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.

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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.

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.

	<u>2023</u>	<u>2022</u>
Trade accounts receivable	\$ 9,197,804	\$ 8,243,688
Estimated unbilled revenue	3,059,551	2,404,635
Grants receivable	141,310	5,244,130
Accrued investment earnings	2,779,383	3,075,921
GST receivable	61,561	431,775
Other receivables	866,487	1,088,625
	<u>16,106,097</u>	<u>20,488,774</u>
Allowance for doubtful accounts	<u>(135,000)</u>	<u>(74,000)</u>
	<u>\$ 15,971,097</u>	<u>\$ 20,414,774</u>

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.

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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 \$1,585,912 that is past due as at December 31, 2023 (2022 - \$1,105,634).

At December 31, 2023, 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:

	Gross Impairment Allowance		Gross Impairment Allowance	
	December 31, 2023	December 31, 2023	December 31, 2022	December 31, 2022
Not past due	7,926,145	-	7,529,030	-
Past due 0-30 days	1,072,549	100,162	275,850	-
Past due 31-90 days	110,228	18,109	331,253	37,000
More than 91 days	88,882	16,730	107,555	37,000
	9,197,804	135,000	8,243,688	74,000

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

	2023	2022
Balance at the beginning of year	\$ 74,000	\$ 34,000
Impairment losses recognized	(82,459)	(81,936)
Amounts written off as uncollectible	82,459	81,936
Increase in allowance	61,000	40,000
	\$ 135,000	\$ 74,000

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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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, 2023						
Accounts payable and accrued liabilities	10,461,172	10,461,172	10,461,172	-	-	-
Dividends Payable	5,547,045	5,547,045	5,547,045	-	-	-
Loans and borrowings	43,196,880	43,592,608	4,665,431	9,368,589	8,385,079	21,173,508
Other long-term liabilities	1,171,373	1,171,373	438,069	733,304	-	-
Stock dividend payable	15,551,113	15,551,113	-	-	-	15,551,113
Preferred shares	193,520,347	193,520,347	-	-	-	193,520,347
Shares to be issued	39,183	39,183	-	-	-	39,183
	269,487,113	269,882,841	21,111,717	10,101,893	8,385,079	230,284,151
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
Preferred shares	180,194,275	180,194,275	-	-	-	180,194,275
Shares to be issued	3,000,000	3,000,000	-	-	-	3,000,000
	259,275,364	259,940,627	22,147,167	10,588,281	9,001,593	218,203,586

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(g).

The company's loans and borrowings are further discussed in Note 14.

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 14.

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 \$42,637.

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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 \$417,195.

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 \$28,954 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 \$86,184 impact on the company.

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	December 31, 2022	Issued or received	Adjustments/ Re payments	December 31, 2023
Federation of Canadian Municipalities	2,000,000	-	(483,510)	1,516,490
RBC	10,716,153	-	(1,499,517)	9,216,636
CIBC	32,933,328	-	(2,360,543)	30,572,785
Fair value adjustment of interest rate swap	(665,263)	-	269,535	(395,728)
Lease liabilities	2,160,715	49,689	76,293	2,286,697
Total long-term debt				
(including current portion)	47,144,933	49,689	(3,997,742)	43,196,880
Deferred infrastructure charges	14,566,587	1,545,810	(8,268,513)	7,843,884
	December 31, 2021	Issued or received	Adjustments/ Re payments	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

AQUATERA UTILITIES INC.
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2023 and 2022

28. 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 2024 approves total spending of approximately \$46.4 million in 2024. It is expected that the funding for the capital will be funded primarily by operating cash flow, incremental debt, infrastructure charges and developer contributions. Future capital programs will be similarly financed with the potential for additional debt where warranted. As described in Note 14, the company has unused credit facilities if required.

29. 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 defense 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. 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.

30. 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, 2023 and 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, 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
Additions	2,633,626	-	-	1,347,037	1,429,305	1,107,932	24,364,874	319,130	31,201,904
Disposals	-	(2,429,034)	-	-	(248,814)	(254,432)	(218,518)	-	(3,150,797)
Transfer to assets available for use	-	71,888	162,552	20,620,940	1,102,147	-	(24,961,309)	-	(3,003,782)
Balance at December 31, 2023	4,824,587	93,537,826	2,714,491	308,949,155	78,911,619	12,014,984	10,107,084	4,274,537	515,334,283
Accumulated depreciation									
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)
Depreciation for year	-	(2,314,989)	(15,384)	(4,336,349)	(3,590,437)	(926,795)	-	(247,496)	(11,431,450)
Disposals	-	244,298	-	-	55,315	254,432	-	-	554,046
Balance at December 31, 2023	-	(23,025,089)	(2,493,351)	(37,724,190)	(28,127,924)	(9,155,714)	-	(2,228,347)	(102,754,615)
Net book value at December 31, 2023	4,824,587	70,512,737	221,140	271,224,965	50,783,695	2,859,270	10,107,084	2,046,190	412,579,668
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


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Final Audit Report


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