

Financial Statements of

ARROW UTILITIES

December 31, 2023



Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

To the Members of Arrow Utilities (formerly Alberta Capital Region Wastewater Commission)

Opinion

We have audited the financial statements of Arrow Utilities (formerly Alberta Capital Region Wastewater Commission, "Arrow"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arrow as at December 31, 2023, and the results of its operations and accumulated surplus, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Arrow in accordance with ethical requirements that are relevant to our audit of 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.

Other Matter

The financial statements of Arrow for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 17, 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing Arrow's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Arrow or to cease operations, or has no realistic alternative but to do so. Those charged with governance (the Board of Directors) are responsible for overseeing Arrow's financial reporting process.

(continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arrow'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 Arrow'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 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 Arrow to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Edmonton, Alberta
March 22, 2024

**JDP Wasserman
LLP**
Chartered Professional Accountants

ARROW UTILITIES
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(in 000's)

	2023	2022
FINANCIAL ASSETS		
Cash	\$ 35,132	\$ 9,070
Receivables from Commission members (Note 13)	3,907	3,800
Other receivables	1,484	1,064
Investments (Note 4)	10,120	19,388
	50,643	33,322
LIABILITIES		
Accounts payable and accrued liabilities (Note 13)	27,386	10,123
Debt (Notes 5,12)	87,461	54,516
Deferred revenues	375	375
Other liabilities	469	425
	115,691	65,439
NET DEBT	(65,048)	(32,117)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	275,262	235,629
Inventory held for consumption	1,172	932
Prepaid expenses	239	132
	276,673	236,693
ACCUMULATED SURPLUS (Note 8)	\$ 211,625	\$ 204,576

Contractual commitments and contingent liabilities (Note 10)

ARROW UTILITIES
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

	2023 Actual	2023 Budget	2022 Actual
REVENUES			
Treatment charges (Note 13)	\$ 54,541	\$ 53,880	\$ 51,612
Investment income	1,289	100	443
Government transfers	-	-	136
Other revenue	78	73	72
Total revenues	<u>55,908</u>	<u>54,053</u>	<u>52,263</u>
EXPENSES (Note 9)			
Plant/pump station	43,051	39,093	36,788
Corporate services	2,925	2,552	2,256
Engineering	997	995	1,130
Regulatory services	1,629	1,539	1,402
Board	257	143	139
Total expenses	<u>48,859</u>	<u>44,322</u>	<u>41,715</u>
Excess of revenues over expenses	7,049	9,731	10,548
Accumulated surplus at beginning of year	<u>204,576</u>	<u>204,576</u>	<u>194,028</u>
Accumulated surplus at end of year	<u><u>\$ 211,625</u></u>	<u><u>\$ 214,307</u></u>	<u><u>\$ 204,576</u></u>

ARROW UTILITIES
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

	2023 Actual	2023 Budget	2022 Actual
Excess of revenues over expenses	\$ 7,049	\$ 9,731	\$ 10,548
Acquisition of tangible capital assets	(49,207)	(69,700)	(19,299)
Amortization of tangible capital assets	9,266	9,400	8,818
Loss on disposal of tangible capital assets	309	-	617
Change in inventory held for consumption	(240)	-	26
Change in prepaid expenses	(108)	-	(33)
Change in net debt	(32,931)	(50,569)	677
Net debt at beginning of year	(32,117)	(32,117)	(32,794)
Net debt at end of year	\$ (65,048)	\$ (82,686)	\$ (32,117)

ARROW UTILITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

	<u>2023</u>	<u>2022</u>
Cash flows from operating transactions		
Cash receipts from members, government transfers and other	\$ 54,091	\$ 51,429
Cash paid to employees	(7,293)	(6,540)
Cash paid to suppliers	(24,404)	(24,277)
Interest received	1,268	398
Interest on debt	(1,623)	(1,289)
	<u>22,039</u>	<u>19,721</u>
 Cash flows from capital transactions		
Acquisition of tangible capital assets	<u>(38,213)</u>	<u>(15,365)</u>
 Cash flows from investing transactions		
Increase in investments	<u>9,291</u>	<u>(10,245)</u>
 Cash flows from financing transactions		
Proceeds from debt	38,000	10,000
Repayment of debt	(5,055)	(4,455)
	<u>32,945</u>	<u>5,545</u>
 Increase (decrease) in cash	26,062	(344)
 Cash at beginning of year	<u>9,070</u>	<u>9,414</u>
 Cash at end of year	<u>\$ 35,132</u>	<u>\$ 9,070</u>

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

1. NATURE OF THE ORGANIZATION

Arrow Utilities (formerly Alberta Capital Region Wastewater Commission, the "Commission") is constituted under the *Municipal Government Act*. Alberta Regulation 129/85 established the Commission in May 1985 for the purposes of constructing, maintaining, controlling, and managing a regional wastewater treatment system.

The members of the Commission include City of Beaumont, City of Fort Saskatchewan, City of Leduc, City of Spruce Grove, City of St. Albert, Town of Bon Accord, Town of Gibbons, Town of Morinville, Town of Stony Plain, Leduc County, Parkland County, Strathcona County, and Sturgeon County.

The Commission is exempt from income taxation under section 149 of the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared by management in accordance with Canadian public sector accounting standards and reflect the following policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the period in which the transactions or events occur and are measurable. Expenses are recognized in the period goods and services are consumed, or a liability is incurred.

Investments

Investments consist of guaranteed investment certificates and deposits that are redeemable at the Commission's discretion. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Treatment charges, investment and other revenue are recognized as revenue when earned and collection is reasonably assured.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Engineering Structures	5 - 75
Machinery & Equipment	10

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Interest capitalization

The Commission does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(iv) Leased tangible capital assets

Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(v) Inventory held for consumption

Inventory held for consumption consists of spare parts used in the maintenance of Commission facilities and is valued at the lower of cost or replacement costs. Inventory items issued out are expensed to materials, goods, supplies and utilities. The cost of inventory is assigned by using the first-in, first-out cost formula.

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenues

Deferred revenues represent amounts received for which the related activities have yet to be performed. These amounts will be recognized as revenues in the period that the activities are performed.

Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Commission to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with the use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Commission reviews the carrying amount of the liability. The Commission recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Commission continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash, investments, receivables from Commission members, other receivables, accounts payable and accrued liabilities, debt and other liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency, or credit risk arising from these financial instruments. Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Unless otherwise noted, except for the long-term debt, the fair value of these financial instruments approximates their carrying value.

4. INVESTMENTS

Investments consist of a notice demand account that bears interest at rates between 1.60% and 5.55% (2022 - 1.65% and 6.45%) with a maturity date of no more than 90 days' notice (2022 - 90 days' notice).

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

5. DEBT

	2023	2022
Debenture payable to the Province of Alberta due in semi-annual instalments of \$217 including principal and interest, bears interest at 3.569% and matures June 15, 2026.	\$ 1,028	\$ 1,414
Debenture payable to the Province of Alberta due in semi-annual instalments of \$246 including principal and interest, bears interest at 2.769% and matures March 15, 2027.	1,629	2,066
Debenture payable to the Province of Alberta due in semi-annual instalments of \$243 including principal and interest, bears interest at 2.599% and matures September 17, 2027.	1,834	2,263
Debenture payable to the Province of Alberta due in semi-annual instalments of \$347 including principal and interest, bears interest at 3.586% and matures September 16, 2028.	3,152	3,718
Debenture payable to the Province of Alberta due in semi-annual instalments of \$123 including principal and interest, bears interest at 2.814% and matures September 15, 2029.	1,352	1,557
Debenture payable to the Province of Alberta due in semi-annual instalments of \$120 including principal and interest, bears interest at 2.385% and matures September 15, 2030.	1,533	1,732
Debenture payable to the Province of Alberta due in semi-annual instalments of \$287 including principal and interest, bears interest at 2.768% and matures December 15, 2032.	4,540	4,979
Debenture payable to the Province of Alberta due in semi-annual instalments of \$209 including principal and interest, bears interest at 3.051% and matures September 17, 2033.	3,578	3,880
Debenture payable to the Province of Alberta due in semi-annual instalments of \$84 including principal and interest, bears interest at 3.051% and matures September 17, 2033.	1,431	1,552
Debenture payable to the Province of Alberta due in semi-annual instalments of \$211 including principal and interest, bears interest at 3.201% and matures December 17, 2033.	3,590	3,890
Debenture payable to the Province of Alberta due in semi-annual instalments of \$124 including principal and interest, bears interest at 2.872% and matures March 15, 2034.	2,231	2,410
Debenture payable to the Province of Alberta due in semi-annual instalments of \$121 including principal and interest, bears interest at 2.552% and matures December 16, 2034.	2,308	2,488

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

5. DEBT (continued)

Debenture payable to the Province of Alberta due in semi-annual instalments of \$194 including principal and interest, bears interest at 2.033 % and matures June 15, 2035.	3,965	4,268
Debenture payable to the Province of Alberta due in semi-annual instalments of \$114 including principal and interest, bears interest at 1.789 % and matures December 15, 2035.	2,462	2,645
Debenture payable to the Province of Alberta due in semi-annual instalments of \$233 including principal and interest, bears interest at 2.040 % and matures September 15, 2036.	5,302	6,654
Debenture payable to the Province of Alberta due in semi-annual instalments of \$467 including principal and interest, bears interest at 4.650 % and matures December 15, 2037.	9,526	10,000
Debenture payable to the Province of Alberta due in semi-annual instalments of \$584 including principal and interest, bears interest at 5.290 % and matures September 15, 2038.	12,000	-
Debenture payable to the Province of Alberta due in semi-annual instalments of \$390 including principal and interest, bears interest at 5.290 % and matures September 15, 2038.	8,000	-
Debenture payable to the Province of Alberta due in semi-annual instalments of \$467 including principal and interest, bears interest at 5.150 % and matures December 15, 2038.	18,000	-
	<u>\$ 87,461</u>	<u>\$ 54,516</u>

Debt principal and interest amounts in each of the next five years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,930	\$ 3,433	\$ 10,363
2025	7,178	3,185	10,363
2026	7,219	2,927	10,146
2027	7,013	2,671	9,684
2028	6,531	2,421	8,952
Balance to maturity	52,590	11,394	63,984
	<u>\$ 87,461</u>	<u>\$ 26,031</u>	<u>\$ 113,492</u>

The Commission has a demand operating line of credit available for use, up to a maximum of \$2,000 bearing interest at prime rate (2022 - prime rate) and unsecured. As at December 31, 2023, nil (2022 - nil) was drawn against the available operating line of credit.

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

6. TANGIBLE CAPITAL ASSETS

	Land	Engineering Structures	Machinery & Equipment	2023 Totals	2022 Totals
Cost:					
Balance at beginning of year	\$ 2,347	\$ 387,285	\$ 1,109	\$ 390,741	\$ 372,763
Additions	-	49,028	179	49,207	19,299
Disposals	-	(1,112)	-	(1,112)	(1,321)
Cost at end of year	2,347	435,201	1,288	438,836	390,741
Accumulated amortization:					
Balance at beginning of year	-	154,199	913	155,112	146,998
Amortization in the year	-	9,200	66	9,266	8,818
Accumulated amortization disposals	-	(804)	-	(804)	(704)
Accumulated amortization at end of year	-	162,595	979	163,574	155,112
Net book value	\$ 2,347	\$ 272,606	\$ 309	\$ 275,262	\$ 235,629

The net book value of tangible capital assets includes \$30,884 (2022 - \$9,285) related to engineering structures in design or under construction that are not amortized in the year. Contributed tangible capital assets in 2023 were nil (2022 - nil).

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital assets	\$ 438,836	\$ 390,741
Accumulated amortization	(163,574)	(155,112)
Long-term debt	(87,461)	(54,516)
	\$ 187,801	\$ 181,113

8. ACCUMULATED SURPLUS

	2023	2022
Reserves		
Capital	\$ 18,828	\$ 17,208
Operating	4,996	6,255
	23,824	23,463
Equity in tangible capital assets (Note 7)	187,801	181,113
Total accumulated surplus	\$ 211,625	\$ 204,576

The capital reserve sets aside funds for the purpose of financing future capital acquisitions and development. This reserve is funded from annual surplus funds and disposals of capital assets. Surplus funds in excess of the required contribution to the operating reserve are contributed to the capital reserve. The capital reserve has \$18,539 currently allocated to the Train 4 MBR Plant upgrade project.

The operating reserve was established to provide rate stability and to provide funds for years when unforeseen expenses or lost revenues accrue. Increases to the reserve are funded from the annual surplus.

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

9. EXPENSES BY OBJECT

	2023 Actual	2023 Budget	2022 Actual
Salaries and benefits	\$ 7,337	\$ 7,039	\$ 6,568
Contracted and general services	24,034	19,125	19,165
Materials, goods, supplies and utilities	5,247	5,116	4,920
Purchased from other governments	725	765	336
Interest	1,941	2,877	1,291
Amortization	9,266	9,400	8,818
Loss on disposal of tangible capital assets	309	-	617
	\$ 48,859	\$ 44,322	\$ 41,715

10. CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of operations, the Commission may be subject to various claims and legal actions. Based on the information available, management believes that the resolution of such matters will not have a material adverse effect on the Commission's financial position.

In 2008, the Commission entered into the Regional Wastewater Exchange Agreement with the City of Edmonton. This agreement expires in 2028. In 2019, the agreements were officially transferred to EPCOR Water Service Inc.

In 2021, the Commission entered into a biosolids management contract effective 2022 with EPCOR Water Service Inc. This agreement has a ten-year notice before it can expire.

In 2022, the Commission entered into a contract with Direct Energy Marketing Limited to supply natural gas. This agreement expires in 2026.

In 2023, the Commission entered into a contract with CP Energy Marketing L.P. to supply electricity. This agreement expires in 2028.

In 2023, the Commission entered into a contract with Prairie Waste Solutions to haul biosolids. This contract expires in 2026 with a potential additional one-year extension.

As of December 31, 2023, the Commission has contractual commitments for work still outstanding for the following projects:

- Plant MBR Train 4 Upgrade for \$24,168, with \$13,115 of work still outstanding. Completion expected in 2025.
- 5kv Switchgear Upgrade for \$2,524, with \$2,311 of work still outstanding. Completion expected in 2024.
- Parkland Gravity Transmission System Upgrade for \$19,512, with \$6,914 of work still outstanding. Completion expected in 2024.
- Fort Sask. Pumpstation Generator System Upgrades for \$4,749, with \$2,123 of work still outstanding. Completion expected in 2024.
- South East Regional Trunk System North Twinning project for \$10,827, with \$1,404 of work still outstanding. Completion expected in 2024.

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

- In 2021, a major blockage occurred that caused a bypass into the North Saskatchewan River. The incident is being investigated by Environment Canada and Alberta Environment. The Commission has completed an internal root cause analysis and is currently in a legal dispute with contractor over recoverable expenses. (See note 13).

11. LOCAL AUTHORITIES PENSION PLAN

All eligible employees of the Commission participate in the Local Authorities Pension Plan (“LAPP”) under the *Public Sector Pension Plans Act*. Required contributions by the Commission to the LAPP are 8.45% (2022 – 8.45%) of pensionable earnings up to the year’s pensionable earnings maximum under the Canada Pension Plan and 12.23% (2022 – 12.80%) on pensionable earnings above this amount. Employees are required to contribute 7.45% (2022 – 7.45%) of pensionable salary up to the year’s maximum pensionable salary and 11.23% (2022 – 11.80%) on pensionable salary above this amount.

Contributions for current service are recorded as expenditures in the year in which they become due. Contributions made during the year by the Commission and its employees were \$532 and \$479, respectively (2022 - \$495 by the Commission and \$446 from its employees).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12,671,000 (\$12.671 billion).

12. DEBT LIMITS

Section 3 of Alberta Regulation No. 76/2000 requires that debt and debt servicing limits for the Commission be disclosed as follows:

	2023	2022
Total debt limit	\$ 111,816	\$ 104,254
Total debt	87,461	54,516
Amount of total debt limit remaining	\$ 24,355	\$ 49,738
Debt servicing limit	\$ 19,568	\$ 18,245
Debt servicing	10,363	6,678
Amount of total debt servicing remaining	\$ 9,205	\$ 11,567

The debt limit is calculated at 2 times revenue of the Commission (as defined in Alberta Regulation No. 76/2000) and the debt servicing limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify commissions that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

The Commission has a debt management policy with a self-imposed debt limit of 1.5 times revenue. The total debt limit calculated using 1.5 times revenue is \$83,862, with \$3,599 total debt limit over because of the new Train 4 MBR plant upgrade being constructed.

ARROW UTILITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in 000's)

13. RELATED PARTY TRANSACTIONS

The municipalities that are members of the Commission are considered to be related parties.

At year-end, receivables from Commission members include a total of \$3,907 (2022 - \$3,800) receivable from the various member municipalities, and accounts payable and accrued liabilities include \$1,475 (2022 - \$55) payable to various member municipalities.

Revenues generated include \$47,812 (2022 - \$44,734) paid by member municipalities.

Contracted and general services includes \$670 (2022 - \$341) paid to Strathcona County for transmission maintenance services. Capital expenditures includes \$1,431 (2022 - nil) paid to Strathcona County for transmission capital transmission projects. There is a \$1,100 legal dispute from the Commission's 2021 major blockage incident currently underway (*See Note 10*).

These transactions are in the normal course of operations and are measured at the exchange amounts as established and agreed to by the related parties.

14. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors and management have approved these financial statements.