

# 2025 FINANCIAL REPORT



ARROW UTILITIES  
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The accompanying financial statements of ARROW Utilities, a regional Commission have been prepared by its Administration, which is responsible for the integrity and objectivity of the information presented in this report. Administration believes that the consolidated financial statements present fairly the Commission's financial position as of December 31, 2025 and the results of its operations for the year then ended.

These financial statements have been prepared in compliance with legislation and in accordance with Canadian public sector accounting standards (PSAS) and include some amounts that are based on management's best estimates and judgment. Such amounts have been determined on a reasonable basis in order to ensure the consolidated financial statements are presented fairly in all material respects.

Administration is responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable financial information is available on a timely basis. These internal controls are regularly reviewed and enhanced as necessary.

The financial statements have been audited by independent external auditors, who were appointed by the Board of Directors. The auditors have examined the financial statements in accordance with generally accepted auditing standards and provided an independent and unqualified opinion on the fairness of the financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee meets with management and the external auditors to review financial reporting, internal controls, and the audit process.

Signed,



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Kate Polkovsky  
Chief Executive Officer



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Jaimie Spurgeon  
Director, Financial Services  
Chief Financial Officer



Chartered Professional Accountants

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## INDEPENDENT AUDITORS' REPORT

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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, 2025, 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, 2025, 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.

### *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 20, 2026

**JDP Wasserman  
LLP**

Chartered Professional Accountants

ARROW UTILITIES  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2025  
(IN 000'S)

	2025 Actual	2024 Actual <i>(Restated - Note 15)</i>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 6,062	\$ 13,635
Receivables from Commission Members (Note 13)	5,905	5,525
Other Receivables	483	4,325
Investments	-	68
	<b>12,450</b>	<b>23,553</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities (Note 3)	12,712	23,129
Long-Term Debt (Note 4 & 5)	171,954	112,532
Asset Retirement Obligation (Note 8)	4,918	4,710
	<b>189,584</b>	<b>140,371</b>
<b>NET DEBT</b>	<b>(177,134)</b>	<b>(116,818)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	472,163	381,062
Inventories of Materials and Supplies	1,297	1,308
Prepaid expenses	391	260
	<b>473,851</b>	<b>382,630</b>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<b>\$ 296,717</b>	<b>\$ 265,812</b>

Operating Line of Credit (Note 4)  
Commitments and Contingent Liabilities (Note 11)

Approved on behalf of ARROW Utilities Board of Directors:

*Ken MacKay*

[Ken MacKay \(Apr 28, 2026 11:49:36 MDT\)](#)

Ken MacKay, Board Chair

*Justin Laurie*

[Justin Laurie \(Apr 29, 2026 11:54:42 MDT\)](#)

Justin Laurie, Board Vice Chair

ARROW UTILITIES  
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

	2025 Budget	2025 Actual	2024 Actual <i>(Restated - Note 14)</i>
<b>REVENUES</b>			
Treatment Charges (Note 13)	\$ 73,700	\$ 75,285	\$ 69,031
Investment Income	-	177	961
Government Transfers	-	7,550	38,616
Other Revenue	1	157	4
<b>Total Revenues</b>	<b>73,701</b>	<b>83,169</b>	<b>108,612</b>
<b>EXPENSES (Note 9)</b>			
Operation and Maintenance	34,611	28,049	31,915
Information and Strategic Services	1,747	1,719	1,273
Corporate Services	4,882	2,179	2,158
Engineering Services	1,151	1,102	1,181
Regulatory Services	1,671	1,706	1,561
Board	289	216	250
<b>TOTAL OPERATING EXPENSES</b>	<b>44,350</b>	<b>34,971</b>	<b>38,338</b>
Interest Expense	8,870	5,492	3,930
Amortization Expense	9,267	11,156	8,374
Accretion Expense	-	208	199
Loss on Disposal	-	437	46
<b>TOTAL EXPENSES</b>	<b>62,487</b>	<b>52,264</b>	<b>50,887</b>
<b>ANNUAL SURPLUS</b>	<b>11,214</b>	<b>30,905</b>	<b>57,725</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>265,812</b>	<b>265,812</b>	<b>208,087</b>
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 10)</b>	<b>\$ 277,026</b>	<b>\$ 296,717</b>	<b>\$ 265,812</b>

ARROW UTILITIES  
STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

	2025 Budget	2025 Actual	2024 Actual <i>(Restated - Note 15)</i>
<b>ANNUAL SURPLUS</b>	\$ 11,214	\$ 30,905	\$ 57,725
Acquisition of Tangible Capital Assets	(52,255)	(102,561)	(113,247)
Amortization of Tangible Capital Assets	9,267	11,156	8,374
Loss on Disposal of Tangible Capital Assets	-	437	46
Disposal Costs	-	(134)	-
Change in Inventories of Materials and Supplies	-	11	(136)
Change in Prepaid Expenses	-	(130)	(21)
<b>CHANGE IN NET DEBT</b>	<b>(31,773)</b>	<b>(60,316)</b>	<b>(47,259)</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>(116,818)</b>	<b>(116,818)</b>	<b>(69,559)</b>
<b>NET DEBT, END OF YEAR</b>	<b>\$ (145,591)</b>	<b>\$ (177,134)</b>	<b>\$ (116,818)</b>

ARROW UTILITIES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

	2025 Actual	2024 Actual <i>(Restated - Note 15)</i>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING</b>		
ANNUAL SURPLUS	\$ 30,905	\$ 57,725
Amortization of Tangible Capital Assets	11,156	8,374
Accretion Expense	208	199
Loss on Disposal of Tangible Capital Assets	437	46
Deferred Revenues	-	(375)
Changes in Working Capital	(7,074)	(9,342)
CASH PROVIDED BY OPERATING ACTIVITIES	35,632	56,627
<b>CAPITAL</b>		
Disposal Costs	(134)	-
Acquisition of Tangible Capital Assets	(102,561)	(113,247)
CASH (APPLIED TO) CAPITAL ACTIVITIES	(102,695)	(113,247)
<b>INVESTING</b>		
Decrease in Investments	68	10,052
CASH PROVIDED BY INVESTING ACTIVITIES	68	10,052
<b>FINANCING</b>		
Proceeds from Debt	66,600	32,000
Principal Repayment of Debt	(7,178)	(6,929)
CASH PROVIDED BY FINANCING ACTIVITIES	59,422	25,071
<b>DECREASE IN CASH</b>	<b>(7,573)</b>	<b>(21,497)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>13,635</b>	<b>35,132</b>
<b>CASH, END OF YEAR</b>	<b>\$ 6,062</b>	<b>\$ 13,635</b>
Cash Received from Interest	177	961
Cash (Paid) for Interest	(5,509)	(3,937)

## 1. NATURE OF THE ORGANIZATION

ARROW Utilities (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:

### a. 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.

### b. 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.

### c. 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.

### d. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### e. Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when, as at the financial reporting date:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- 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.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The liability includes costs for the removal of asbestos and other hazardous material in several of the infrastructure owned by the Commission. The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities. The resulting costs have been capitalized into the carrying amount of tangible capital assets and are being amortized on the same basis as the related tangible capital asset.

The carrying value of the liability is reviewed annually with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the liability and related tangible capital asset.

### f. 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.

#### 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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### i. Tangible capital assets (continued)

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

#### a. 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.

#### b. Interest capitalization

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

#### c. 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.

### ii. Inventories of Materials and Supplies

Inventories of materials and supplies 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.

### g. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### h. Future Accounting Standard Pronouncements

The Public Sector Accounting Board has approved changes to PSAS, effective for the Commission's fiscal years beginning January 1, 2027:

#### i. PS1202 Financial Statement Presentation

This standard guides general and specific requirements for the presentation of information in general purpose financial statements. Key changes include a new 'Statement of Net Financial Assets or Liabilities' and 'Statement of Changes in Net Assets or Liabilities', restructuring and updated classification for assets and liabilities of the Statement of Financial Position, and restructuring of the Statement of Cash Flows. This standards is applicable for fiscal years beginning on or after April 1, 2026 and will be adopted at the same time as the Conceptual Framework.

#### ii. The Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for the public sector financial reporting standards, and replaces the conceptual aspects of PS1000, Financial Statement Concepts, and PS1100, Financial Statement Objectives and is effective for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted. The conceptual framework is to be applied prospectively and highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

The Commission will continue to assess the impact of future accounting standards and prepare for their adoption.

ARROW UTILITIES  
NOTES TO FINANCIAL STATEMENTS FOR  
THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

### 3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Accounts Payable and Accrued Liabilities	\$ 10,029	\$ 19,836
Employee Future Benefits	680	531
Holdback Payable	1,128	1,990
Interest Payable	875	772
	\$ 12,712	\$ 23,129

### 4. LONG-TERM DEBT

Long-term debt consists of:

	2025	2024
Debentures	\$ 73,354	\$ 80,532
Facility Loan	98,600	32,000
LT Debt Total	\$ 171,954	\$ 112,532

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

	Principal	Interest	Total
2026	\$ 7,219	\$ 2,927	\$ 10,146
2027	7,013	2,671	9,684
2028	6,531	2,421	8,952
2029	6,078	2,181	8,259
2030	6,061	1,951	8,012
Balance to maturity	40,452	7,261	47,713
	\$ 73,354	\$ 19,412	\$ 92,766

ARROW UTILITIES  
NOTES TO FINANCIAL STATEMENTS FOR  
THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

#### 4. LONG-TERM DEBT (CONTINUED)

Debenture debt consists of semi-annual instalments between \$120 - \$584 (bearing interest between 1.789% - 5.289%), with maturity ranging from 2026 to 2038).

In September 2024, ARROW entered into a construction facility loan agreement with Toronto Dominion (TD) Bank with a value of \$117 million, for the Train 4 MBR plant upgrade project, with an interest at CORRA + 0.900% annum and has ranged between 3.14% - 4.53% during the year. Throughout the year, the Commission withdrew \$66.6 million. The facility loan will be converted into a debenture issued under the Alberta Municipal Debentures Act at the end of February 2026, with a 20-year repayment term at 4.17%.

The Commission has a demand operating line of credit available for use, up to a maximum of \$5,000 (2024 - \$2,000) bearing interest at prime rate (2024 - prime rate) and unsecured. As at December 31, 2025, nil (2024 - nil) was drawn against the available operating line of credit.

#### 5. DEBT LIMITS

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

	<b>2025</b>	<b>2024</b> <i>(Restated - Note 15)</i>
Total debt limit	\$ 151,238	\$ 139,992
Total debt	171,954	112,532
Amount of total debt limit remaining (in excess)	\$ (20,716)	27,460
	<b>2025</b>	<b>2024</b> <i>(Restated - Note 15)</i>
Debt servicing limit	\$ 26,467	24,499
Debt servicing	12,670	10,859
Amount of total debt servicing remaining	\$ 13,796	\$ 13,640

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.

ARROW UTILITIES  
NOTES TO FINANCIAL STATEMENTS FOR  
THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

On August 18, 2024, the Minister of Municipal Affairs authorized a temporary debt limit and debt servicing of \$240,000 and \$42,000 respectively. The Ministerial Order expires on December 31, 2028.

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 \$113,428, with \$58,525 over the debt limit due to the new Train 4 MBR plant upgrade being constructed.

## 6. TANGIBLE CAPITAL ASSETS

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

Net Book Value	Dec 31, 2025	Dec 31, 2024 <i>(Restated - Note 15)</i>
Land	\$ 2,347	\$ 2,347
Engineering Structures	469,125	378,311
Machinery & Equipment	355	404
Computer Hardware	336	-
<b>TOTAL</b>	<b>\$ 472,163</b>	<b>\$ 381,062</b>

Cost	Dec 31, 2024	Additions	Disposals	Dec 31, 2025
Land	\$ 2,347	\$ -	\$ -	\$ 2,347
Engineering Structures	550,293	102,179	(590)	651,882
Machinery & Equipment	1,393	34	-	1,427
Computer Hardware	-	348	-	348
<b>TOTAL</b>	<b>\$ 554,033</b>	<b>\$ 102,561</b>	<b>\$ (590)</b>	<b>\$ 656,004</b>

Accumulated Amortization	Dec 31, 2024	Disposals	Amortization	Dec 31, 2025
Land	\$ -	\$ -	\$ -	\$ -
Engineering Structures	171,982	(286)	11,061	182,757
Machinery & Equipment	989	-	83	1,072
Computer Hardware	-	-	12	12
<b>TOTAL</b>	<b>\$ 172,971</b>	<b>\$ (286)</b>	<b>\$ 11,156</b>	<b>\$ 183,841</b>

ARROW UTILITIES  
NOTES TO FINANCIAL STATEMENTS FOR  
THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

**6. TANGIBLE CAPITAL ASSETS (continued)**

<b>Cost</b>	<b>Jan 1, 2024</b>	<b>ARO (Note 15)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Dec 31, 2024 (Restated - Note 15)</b>
Land	\$ 2,347	\$ -	\$ -	\$ -	\$ 2,347
Engineering Structures	435,201	2,713	113,142	(763)	550,293
Machinery & Equipment	1,288	-	105	-	1,393
Computer Hardware	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 438,836</b>	<b>\$ 2,713</b>	<b>\$ 113,247</b>	<b>\$ (763)</b>	<b>\$ 554,033</b>

<b>Accumulated Amortization</b>	<b>Jan 1, 2024</b>	<b>ARO (Note 15)</b>	<b>Disposals</b>	<b>Amortization</b>	<b>Dec 31, 2024 (Restated - Note 15)</b>
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Engineering Structures	162,594	1,741	(717)	8,364	171,982
Machinery & Equipment	979	-	-	10	989
Computer Hardware	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 163,573</b>	<b>\$ 1,741</b>	<b>\$ (717)</b>	<b>\$ 8,374</b>	<b>\$ 172,971</b>

The net book value of tangible capital assets includes \$193,745 (2024 - \$101,450) related to engineering structures in design or under construction that are not amortized in the year. Contributed tangible capital assets in 2025 were nil (2024 - nil).

ARROW UTILITIES  
NOTES TO FINANCIAL STATEMENTS FOR  
THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

## 7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024 <i>(Restated - Note 15)</i>
Tangible capital assets	\$ 656,004	\$ 554,033
Accumulated amortization	(183,841)	(172,971)
Long-term debt	(171,954)	(112,532)
Asset retirement obligation	(4,918)	(4,710)
	\$ 295,291	\$ 263,820

## 8. ASSET RETIREMENT OBLIGATION

Legal liabilities exist for the removal and disposal of asbestos and other environmentally hazardous materials such as lead pipes and lead paint within some Commission owned buildings that will undergo major renovations or demolition in the future. The timing of future settlement is unknown.

	2025	2024 <i>(Restated - Note 15)</i>
Asset Retirement Obligation, beginning of year	\$ 4,710	\$ 4,510
Settlements during the year	-	-
Accretion	208	199
	\$ 4,918	\$ 4,710

## 9. EXPENSES BY OBJECT

	2025 Budget	2025 Actual	2024 <i>(Restated - Note 15)</i>
Salaries and benefits	\$ 8,234	\$ 8,546	\$ 7,813
Contracted and general services	28,475	19,128	23,899
Materials, goods, supplies and utilities	7,641	7,297	6,626
Interest	8,870	5,492	3,930
Amortization	9,267	11,156	8,374
Accretion expense	-	208	199
Loss on disposal of tangible capital assets	-	437	46
	\$ 62,487	\$ 52,264	\$ 50,887

ARROW UTILITIES  
NOTES TO FINANCIAL STATEMENTS FOR  
THE YEAR ENDED DECEMBER 31, 2025  
(IN 000'S)

## 10. ACCUMULATED SURPLUS

	<b>2025</b>	<b>2024</b> <i>(Restated - Note 15)</i>
Reserves		
Capital	\$ -	\$ -
Operating	1,426	1,992
	1,426	1,992
Equity in tangible capital assets (Note 7)	295,291	263,820
	\$ 296,717	\$ 265,812

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 balance is \$0, as no excess surplus funds were available to support transfers to capital.

The operating reserve is established to provide rate stability and funding for years when unforeseen expenses or lost revenues occur. Increases to the reserve are funded from the net of annual surplus and other financial transactions and adjustments. The funds currently held in the operating reserves are unrestricted and not allocated to any particular initiatives or purpose at this time.

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

### a. 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.

### b. Capital Commitments

As of December 31, 2025, the Commission has contractual commitments for capital projects for which services have not been received, as follows:

<b>2026</b>	\$	17,567
<b>2027</b>		18,435
<b>2028</b>		1,196
		\$ 37,198

All other projects have minor commitments related to final close out required for Final Acceptance Certificate (FAC) and are not significant in nature.

## 12. 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% (2024 – 8.45%) of pensionable earnings up to the year’s pensionable earnings maximum under the Canada Pension Plan and 11.65% (2024 – 11.65%) on pensionable earnings above this amount.

Employees are required to contribute 7.45% (2024 – 7.45%) of pensionable salary up to the year’s maximum pensionable salary and 10.65% (2024 – 10.65%) 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 \$625 and \$561, respectively (2024 – \$542 by the Commission and \$486 by its employees).

At December 31, 2024, the LAPP disclosed an actuarial surplus of \$19.6 billion (2023 – \$15.1 billion). Plan asset and actuarial surplus data as at December 31, 2025 is not yet available.

## 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 \$5,905 (2024 – \$5,530) receivable from the various member municipalities, and accounts payable and accrued liabilities include \$101 (2024 – \$84) payable to various member municipalities.

Revenues generated include \$66,500 (2024 – \$59,948) paid by member municipalities.

Contracted and general services include \$443 (2024 – \$3,098) mainly paid to Strathcona County for transmission maintenance services.

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. 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, and asset retirement obligations. 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.

ARROW UTILITIES  
NOTES TO FINANCIAL STATEMENTS FOR  
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## 15. PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING POLICY

On January 1, 2024, ARROW Utilities adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. This new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in buildings that will undergo major renovation or demolition in the future (see Note 8). This standard was adopted using the modified retroactive approach.

The impact of the prior period adjustment on December 31, 2024 comparative amounts is as follows:

	<b>Increase (Decrease)</b>
Tangible Capital Assets - Asset Retirement Cost (ARC)	\$ 2,713
Tangible Capital Assets - Accumulated Amortization of ARC	(1,741)
Asset Retirement Obligation (liability)	(4,510)
Accumulated Surplus, January 1, 2024	(3,538)
Amortization Expense	55
Accretion Expense	199
Annual Surplus for the year ending December 31, 2024	(254)
Accumulated Surplus, December 31, 2024	\$ (3,792)

## 16. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified in the Statement of Financial Position and Statement of Operations to conform to the presentation adopted in the current year.

## 17. APPROVAL OF FINANCIAL STATEMENTS

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