

# Management's Responsibility for Financial Information

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OCWA's management and Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

OCWA is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed, and continues to maintain, financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices, and reports are issued to the Executive Management Team.

The Board of Directors ensures that management fulfills its responsibilities for financial and internal control. The Board of Directors and the Audit and Finance Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least once a year to review the audited financial statements and the external auditor's report and recommend them to the Minister of the Environment, Conservation and Parks for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



**Alicia Fraser**  
*President and Chief Executive Officer*



**Natalie Peers**  
*Vice-President, Finance*

Toronto, Ontario  
June 16, 2023



Office of the Auditor General of Ontario  
Bureau de la vérificatrice générale de l'Ontario

## INDEPENDENT AUDITOR'S REPORT

To the Ontario Clean Water Agency

### Opinion

I have audited the financial statements of the Ontario Clean Water Agency (OCWA), which comprise the statement of financial position as at December 31, 2022 and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OCWA as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

Management is responsible for the preparation and fair presentation of these 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 the OCWA'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 OCWA either intends to cease operations, or has no realistic alternative but to do so.

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

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

My 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 auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 OCWA'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 OCWA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause OCWA 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.

I 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 I identify during my audit.



Toronto, Ontario  
June 16, 2023

Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

# 2022 Financial Statements

Statement of Financial Position as at December 31, 2022

(in thousands of dollars)

	December 31, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments (note 3a)	103,258	79,236
Accounts receivable, net		
Municipalities and other customers (note 3b)	45,376	40,818
Other Ministries	953	2,030
Harmonized sales tax receivable	3,458	4,463
Prepaid Expenses and deposits (note 6a)	2,470	2,721
Current portion of investments receivable for water and wastewater facilities (note 2)	153	239
Loan receivable – Ontario Infrastructure and Land Corporation (note 3d)	120,000	
	<b>275,668</b>	<b>129,507</b>
<b>Non-current assets:</b>		
Investments in term deposits and other notes (note 3a)	7,900	24,376
Investments receivable for water and wastewater facilities (note 2)	-	14
Loan receivable – Ontario Infrastructure and Lands Corporation (note 3d)	-	120,000
Tangible Capital Assets, net (note 4)	10,568	12,453
	<b>18,468</b>	<b>156,843</b>
<b>Total Assets</b>	<b>294,136</b>	<b>286,350</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	24,110	22,644
Current portion of employee future benefits (note 8a)	6,287	6,395
	<b>30,397</b>	<b>29,039</b>
<b>Long-term liabilities:</b>		
Deferred Lease Inducement Liability (note 11)	1,094	1,239
Employee future benefits (note 8a)	5,236	6,009
Asset Retirement Obligation (note 7)	100	-
Net Assets	257,309	250,063
<b>Total Liabilities and Net Assets</b>	<b>294,136</b>	<b>286,350</b>

On behalf of the Board:



Director



Director

Commitments and Contingencies  
(note 5)(note 6)

see accompanying notes to financial statements

Statement of Operations and Changes in Net Assets for the year ending December 31, 2022

*(in thousands of dollars)*

	December 31, 2022	December 31, 2021
<b>Utility Operations Revenues:</b>		
Asset Operations & Maintenance Services Revenue	<b>254,208</b>	234,135
Other Client Utility Management Services Revenue	<b>6,476</b>	7,241
<b>Total Operating Revenues</b>	<b>260,684</b>	241,376
<b>Operating Expenses:</b>		
Salaries and benefits (note 8a and note 8b)	<b>96,509</b>	91,000
Other operating expenses (note 10)	<b>157,945</b>	140,798
Amortization of tangible capital assets	<b>3,302</b>	3,724
<b>Total Operating Expenses</b>	<b>257,756</b>	235,522
<b>Excess of revenue over expenses – Utility Operations</b>	<b>2,928</b>	5,854
<b>Interest from Investments and loans receivable</b>	<b>4,335</b>	1,855
<b>Loan Recovery (note 2)</b>	<b>-</b>	9,500
<b>Excess of revenue over expenses</b>	<b>7,263</b>	17,209
<b>Net Assets, opening balance</b>	<b>250,063</b>	232,854
<b>Adjustment to Net Assets (note 7)</b>	<b>[17]</b>	-
<b>Net Assets, ending balance</b>	<b>257,309</b>	250,063

*see accompanying notes to financial statements*

Statement of Cash Flows for the year ending December 31, 2022.

*(in thousands of dollars)*

	December 31, 2022	December 31, 2021
<b>Cash Provided by (used for) Operating Activities</b>		
Excess of revenue over expense-Utility Operations	2,928	5,854
Items Not Affecting Cash		
Amortization of Tangible Capital Assets	3,302	3,724
Deferred Lease Inducement	(145)	(146)
Future employee benefits expense	(773)	(163)
	<b>5,312</b>	9,269
Changes in non-cash operating working capital		
Accounts Receivable	(2,476)	10,636
Prepaid Expenses	251	(1,553)
Accounts Payable and Accrued Liabilities	1,466	1,245
Current portion of future employee benefits	(108)	(44)
	<b>(867)</b>	10,284
<b>Net Cash Flows from operating activities</b>	<b>4,445</b>	<b>19,553</b>
<b>Cash from Investing Activities</b>		
Interest	4,335	1,855
Principal Repaid on Loans/(Holdback)	100	(64)
Decrease/(Increase) in non-current Term Deposits	16,476	7,111
Decrease/(Increase) in Investments receivable for water and wastewater facilities	-	1,000
Loan Recovery	-	9,500
<b>Net cash flows from investing activities</b>	<b>20,911</b>	19,402
<b>Cash Used in Capital Activities</b>		
Tangible Capital Assets Acquired	(1,334)	(3,326)
<b>Increase in Cash and Short-Term Investments</b>	<b>24,022</b>	35,629
<b>Cash and Short-Term Investments, Opening Balance</b>	<b>79,236</b>	43,607
<b>Cash and Short-Term Investments, Closing Balance</b>	<b>103,258</b>	79,236

# General

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The Ontario Clean Water Agency (The “Agency”) was established on November 15, 1993, under the authority of The Capital Investment Plan Act, 1993 (the “Act”).

The Agency’s objects include:

- [A]** assisting municipalities, the Government of Ontario and other persons or bodies to provide water and sewage works and other related services by financing, planning, developing, building and operating those works and providing those services;
- [B]** financing and promoting the development, testing, demonstration and commercialization of technologies and services for the treatment and management of water, wastewater and storm water;
- [C]** carrying out the activities described in clauses [a] and [b] in Ontario and elsewhere in a manner that protects human health and the environment and encourages the conservation of water resources; and
- [D]** with respect to activities described in clauses [a] and [b] that are carried out in Ontario, carrying them out in a manner that supports provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

## 1. SIGNIFICANT ACCOUNTING POLICIES

The Agency is classified as a government not-for-profit for financial reporting purposes. These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency has chosen to use the standards for not-for-profit organizations that include the 4200 series sections. The significant accounting policies are as follows:

### **[A] CASH AND INVESTMENTS**

Cash and investments are recorded at cost. Accrued interest is recorded in accounts receivable and recognized on an accrual basis when earned.

### **[B] TANGIBLE CAPITAL ASSETS**

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Tangible Capital Assets are amortized on a straight-line basis as follows:

Computer Software	2-7 years
Information Systems	7 years
Furniture and Fixtures	5 years
Automotive Equipment	4-20 years
Computer Hardwar	3-7 years
Machinery and Equipment	5 years
Leasehold Improvements	Life of the lease

### **[C] REVENUE RECOGNITION**

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Other client utility management services revenue consists of revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, project management services, and engineering services. Revenue is recognized when the costs are incurred.

### **[D] FINANCIAL INSTRUMENTS**

A financial instrument is an asset or liability that will ultimately be settled in cash.

All financial instruments have been valued at cost and amortized cost.

The financial instruments consist of cash and short-term investments, accounts receivable, investments receivable, term deposits, fixed coupon notes, loans receivable, accounts payable and accrued liabilities.

A Statement of Re-measurement of Gains and Losses has not been prepared because all financial instruments are valued at cost.

### **[E] EMPLOYEE BENEFITS**

Ontario Clean Water Agency follows PSAS requirements for accounting for employee future benefits, which includes post-employment benefits payable upon termination. Under these requirements, the cost of post-employment benefits is charged to operations annually as incurred.

### **[F] LOAN RECEIVABLE**

Loans receivable are recorded at cost less any provision for loan allowance. Provisions for loan allowances are used to reflect collectability and risk of loss, therefore loans are recognized at the lower of cost and the net recoverable value.

Changes in the provision for loan allowance and loan amounts written off are recognized in the Statement of Operations. Monies received during the year from loans provided for in a prior year are recorded as loan recoveries on the Statement of Operations. Interest on the loan receivable is accrued when earned.



## **[G] FOREIGN CURRENCY**

Foreign currency accounts are translated into Canadian dollars as follows:

- At the transaction date, each asset, liability, revenue and expense are translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in the Statement of Operations.
- Effective January 1, 2021, the Agency made an irrevocable election to recognize any unrealized exchange gains or losses arising from all financial assets or liabilities directly in the Statement of Operations.

## **[H] MEASUREMENT UNCERTAINTY**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts receivable and investment receivable, amortization of tangible capital assets, accrued liabilities, employee future benefits and asset retirement obligation. Actual results could differ from management's best estimates as additional information becomes available in the future.

## **2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES**

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates of 2.7 percent. Scheduled principal repayments of the investments are as follows:

<b>(12 Months Beginning January)</b>	<b>(in thousands of dollars)</b>
2023	153
	<b>153</b>

In September 2021, the Agency received a final negotiated settlement of \$9.5 million related to a loan that was previously recognized as fully impaired. No further payments were received in 2022.

There are no provisions established for investment receivables.

### 3. FINANCIAL INSTRUMENTS

#### [A] CASH AND INVESTMENTS

The Agency has \$111.2 million invested in bank balances, term deposits and other notes as follows:

	[in thousands of dollars]
Cash Balances	25,347
Term deposits due within a year (Interest rates 0.95%-4.50%)	77,911
<b>Cash and Short-Term Investments</b>	<b>103,258</b>
Term deposits and other notes due within two to four years	7,900
	<b>111,158</b>

The fair value of the bank balances, term deposits and other notes approximates carrying value. Term deposits and notes include various financial instruments such as GIC's and fixed coupon notes.

#### [B] CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Agency's maximum exposure to credit risk consists of the total of cash and investments, accounts receivable, investments in term deposits, investments receivable and loans receivable.

The Agency is exposed to low credit risk because receivables are due from municipalities and payment is usually collected in full. Credit rating reviews are performed for non- municipal clients. All bank balances and investments are held by large Canadian chartered banks.

A breakdown of the accounts receivable from municipalities and other customers is as follows:

	[in thousands of dollars]	
	2022	2021
0-60 days	40,618	37,243
61-90 days	1,095	1,308
91-120 days	1,087	1,188
121-150 days	307	124
More Than 151 days	2,269	955
<b>Total Net Accounts Receivable Municipalities and Other Customers</b>	<b>45,376</b>	<b>40,818</b>

An account receivable is considered to be impaired when dispute resolution has failed and the account is forwarded to legal counsel for further action. At December 31, 2022, one account was considered impaired. The outstanding balances totaled to \$0.1 million (2021 – \$0.1 million). Net Accounts Receivable includes an Allowance for Doubtful Accounts which is based on a provision for 25% of Accounts Receivable aged greater than 60 days less amounts received subsequent to quarter end. The Agency believes that this policy mitigates the risk of incorrect provision.

#### **[C] CURRENCY RISK**

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates, resulting in either a gain or loss. Changes in the foreign exchange rate between the transaction date and subsequent reporting dates give rise to an exchange gain or loss.

The Agency has cash and accounts payable denominated in US dollars to fund operating requirements and maintains a balance in the USD bank account. Both are exposed to exchange rate fluctuation. Management believes that the risk exposure is low.

#### **[D] INTEREST RATE RISK**

The Agency has extended a \$120 million loan to Ontario Infrastructure and Lands Corporation which matures on March 1, 2023 with a variable interest rate set at four basis points below the average monthly Canadian Dollar Offered Rate. It also has term deposits and bank balances that are sensitive to the prevailing interest rates. As a result, the Agency is exposed to a cash flow risk related to the fluctuations in interest rates. This Loan has been renewed subsequent to year-end for a period of 10 years, as outlined in Note 9.

#### **[E] 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. The Agency is exposed to market risk as the returns of two investments totaling \$7.9 million are linked to a market index [S&P/TSX Composite Low Volatility Index]. The Agency believes market risk is not significant because of the low index volatility.

#### **[F] OTHER**

The Agency is exposed to reasonably low risk for electricity and chemical costs because, while some costs are incurred by The Agency, most of the contracts are structured to pass these costs through to the customer.

Other than as described in these notes, the Agency is not exposed to any additional currency or liquidity risk on its financial instruments. There was no change in the risk exposure to that of the prior year.

#### 4. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Cost	Accumulated Amortization	Net	Net
			Dec 31,2022	Dec 31,2021
Computer Software	13,845	9,390	<b>4,455</b>	5,284
Information Systems	1,584	1,560	<b>24</b>	51
Furniture and Fixtures	322	197	<b>125</b>	169
Automotive Equipment	2,957	2,872	<b>85</b>	161
Computer Hardware	8,488	6,139	<b>2,349</b>	3,344
Machinery and Equipment	1,226	977	<b>249</b>	192
Leasehold Improvements	3,643	1,218	<b>2,425</b>	2,671
Software Under Development	856	-	<b>856</b>	581
	<b>32,921</b>	<b>22,353</b>	<b>10,568</b>	<b>12,453</b>

In 2017 the Board approved the Agency's Business Transformation Program (BTP) capital and re-engineering expenditures of up to \$27.8 million which was implemented starting in 2018. This budget was revised to \$33.8 million and approved by the Board in December 2020 due to the addition of several new projects. The BTP is focused on strategic investments in infrastructure, IT systems and business practices. As at December 31, 2022, \$15.65 million was spent, of which \$9.98 million has been capitalized.

#### 5. LEASE COMMITMENTS

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

	(in thousands of dollars)
2023	3,750
2024	3,368
2025	2,873
2026	2,405
2027	1,688
Thereafter	2,848
	<b>16,932</b>

The lease for the Agency's head office located at 2085 Hurontario Street, Mississauga is for a period of 10 years with minimum lease payments totaling approximately \$5.4 million over this time period. The lease begins on July 1, 2020 and ends on June 30, 2030.

## **6. CONTINGENCIES**

### **[A] CONTINGENT LIABILITIES**

The Agency is involved in various legal claims and other matters arising in the normal course of business, the outcome of which cannot be determined at this time. Most of the legal claims are covered by insurance after the application of a deductible, ranging from \$5,000 to \$100,000, depending on when the event giving rise to the claim occurred and the nature of the claim. In December 2021, OCWA made deposits in an interest-bearing account with the Superior Court of Justice for claims, to be held until a resolution is reached. As of December 2022, no resolution has been reached and the amount is still being held with the Superior Court of Justice.

### **[B] LETTERS OF CREDIT**

The Agency has lines of credit with the Royal Bank of Canada for \$50 million. As of December 31, 2022, \$16.96 million (2021 – \$9.95 million) of these lines of credit have been used to provide letters of credit to municipalities in accordance with the terms of their operations and maintenance agreements.

## **7. ASSET RETIREMENT OBLIGATION**

PS3280, Asset Retirement Obligations became effective for periods beginning on or after April 1, 2022. The Agency chose to early adopt the standard and identified an asset retirement obligation associated with its head office lease at 2085 Hurontario Street for the removal of leasehold improvements. The cost associated with the removal has been estimated to be \$100,000. The Agency has chosen to apply the standard using the modified retrospective application without restatement to implement the transition. This obligation is amortized on a straight-line basis over the term of the lease. This was recorded as an increase to tangible capital assets on the statement of financial position and an adjustment to opening retained earnings for prior period amortization.

## **8. EMPLOYEE FUTURE BENEFITS**

### **[A] NON-PENSION EMPLOYEE FUTURE BENEFITS**

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers' compensation obligations.

The costs of these employee future benefits obligations have been estimated at \$11.5 million (2021 – \$12.4 million) of which \$6.3 million (2021 – \$6.4 million) has been classified as current liability. The amount charged to the income statement in 2022 was \$0.8 million (2021 – \$1.4 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

The legislative severance portion of the employee future benefits obligation totaled \$3.9 million of which \$2.4 million is long term. The long-term portion was calculated based on the following assumptions: discount rate of 4.15% (2021- 1.59%) and estimated average remaining service life years 12.08. Due to policy changes for these benefits, no assumption of wage and salary escalation was used (2021-0%). These assumptions are management's best estimate.

Included in employee future benefits obligation is an estimated workers' compensation obligation in the amount of \$2.5 million [2021 - \$2.1 million]. There was a change in estimation methodology, whereby the amount has been determined through an actuarial valuation and has a measurement date of December 31, 2022 consistent with the Agency's fiscal year end date. OCWA is a Schedule 2 employer and self-insures its own WSIB claims and pays all compensation and administration costs.

Expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. The Agency has elected to immediately recognize actuarial gains and losses in the year in which they arise. Plan amendments are recognized immediately in the year of the effective change.

The actuarial valuation is based on several assumptions about future events, such as inflation rates, medical inflation rates, wage inflation, mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 4.00% [2021 - 2.00%]. The components of the benefit expense and the accrued benefit liability are as follows:

<b>December 31, 2022</b>	
<b>Components of Benefit Cost</b>	
Current Benefit Cost	170,452
Interest Cost	50,306
Immediate recognition of actuarial [gain] loss	524,484
<b>Benefit expense</b>	<b>745,242</b>
<b>Accrued Benefit Liability</b>	
Accrued Benefit Liability, beginning of year	2,088,859
Benefit Expense	745,242
Company contributions	[380,197]
<b>Accrued Benefit Liability, end of year</b>	<b>2,453,904</b>

Given the change in the estimation methodology for December 31, 2022, no comparative information is available.

The amount above has been included in salaries and benefits in the Statement of Operations and Changes in Net Assets

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

## **[B] PENSION PLAN**

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's payments for the full year of \$6.1 million (2021 \$5.8 million), are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

## **9. RELATED PARTY TRANSACTIONS**

The Province of Ontario is a related party as it is the controlling entity of the Agency. Organizations that are commonly controlled by the Province of Ontario are also related parties of the Agency. All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. Transactions with related parties are outlined below:

The Agency received revenue of \$2.5 million (2021 - \$2.3 million) from the Ontario Infrastructure and Lands Corporation (OILC) for water and wastewater treatment services provided.

The Agency received revenue of \$2.4 million (2021 - \$3.3 million) from the Ministry of Energy, Northern Development and Mines (MENDM) for water and wastewater treatment services provided.

The Agency received revenue of \$1.9 million (2021 - \$2.2 million) from the Ministry of the Environment, Conservation and Parks (MECP) for water and wastewater treatment services provided.

The Agency received funds of \$0.2 million (2021 - \$0.0 million) from the Ontario Centres of Excellence, for the Stratford Net Zero program

The Agency has a \$120 million loan receivable with Ontario Infrastructure and Lands Corporation (OILC), as described in note 3d. The loan has been recorded as a Current Asset as at December 31, 2022. Subsequent to year-end, an agreement was signed to amend OCWA's loan with Investment Ontario for a renewal period of 10 years. This loan will operate on a floating rate based on the 3-month Treasury bill rate, paid quarterly.

The Agency relies on the Province to process its payroll and administer its benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

## 10. OTHER OPERATING EXPENSES

The following is a breakdown of various expenses included in Other Operating Expenses

	<b>(in thousands of dollars)</b>	
	<b>2022</b>	<b>2021</b>
Chemicals and Water Treatment	<b>29,926</b>	23,938
Electricity	<b>6,950</b>	7,196
Maintenance	<b>50,240</b>	53,696
Materials	<b>28,690</b>	25,384
Services	<b>41,237</b>	30,229
Transportation	<b>902</b>	355
	<b>157,945</b>	140,798

## 11. DEFERRED LEASE INDUCEMENT LIABILITY

The Agency received a lease inducement allowance of \$1.458 million from the landlord for its head office location (note 5) to offset leasehold improvement costs. This amount has been recorded as a Deferred Lease Inducement Liability, which is amortized over the life of the lease, 10 years. Total amortized lease inducement of \$0.146 million (2021 - \$0.146 million) has been recorded as reduction of rent expense during the year.

## 12. COMPARATIVE FIGURES

Certain comparative figures, have been restated to conform to current year's presentation.