Management's Responsibility for Financial Information

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.

Iman Hashemi
President and Chief Executive Officer

Natalie Peers
Vice-President, Finance

Toronto, Ontario
May 8, 2024

Office of the Auditor General of Ontario
Bureau du vérificateur général 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, 2023 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, 2023, 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

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of OCWA in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

Jeremy Blair

Toronto, Ontario
May 8, 2024

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

2023 Financial Statements

Statement of Financial Position as at December 31, 2023

(in thousands of dollars)

	December 31, 2023	December 31, 2022
Assets		(Note 14)
Current assets:		
Cash and short-term investments (note 3a)	**107,341**	**103,258**
Accounts receivable, net		
Municipalities and other customers (note 3b)	**56,810**	**45,513**
Other Ministries	**1,099**	**953**
Harmonized sales tax receivable	**3,836**	**3,458**
Prepaid Expenses and deposits (note 6a)	**3,802**	**2,470**
Investments receivable for water and wastewater facilities (note 2)	**-**	**141**
Loan receivable – Ontario Infrastructure and Land Corporation (note 3d)	**-**	**120,000**
	172,888	**275,668**
Non-current assets:		
Investments in term deposits and other notes (note 3a)	**3,500**	**7,900**
Loan receivable – Ontario Infrastructure and Lands Corporation (note 3d)	**120,000**	**–**
Tangible Capital Assets, net (note 4)	**18,503**	**17,801**
	142,003	**25,701**
Total Assets	**314,891**	**301,369**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	**28,949**	**24,110**
Current portion of employee future benefits (note 11a)	**6,574**	**6,287**
Current portion of obligations under capital leases (note 10)	**2,771**	**2,129**
	38,294	**32,526**

	December 31, 2023	December 31, 2022
Long-term liabilities:		
Deferred Lease Inducement Liability (note 8)	**948**	**1,094**
Obligations under capital leases (note 10)	**6,655**	**5,104**
Employee future benefits (note 11a)	**4,756**	**5,236**
Asset Retirement Obligation (note 9)	**100**	**100**
Net Assets	**264,138**	**257,309**
Total Liabilities and Net Assets	**314,891**	**301,369**

Commitments and Contingencies (note 5)(note 6)

see accompanying notes to financial statements

On behalf of the Board:

Director

Director

Statement of Operations and Changes in Net Assets for the Year Ending December 31, 2023

(in thousands of dollars)

	December 31, 2023	December 31, 2022
Utility Operations Revenues:		
Asset Operations & Maintenance Services Revenue	**281,203**	**254,208**
Other Client Utility Management Services Revenue	**6,822**	**6,476**
Total Operating Revenues	**288,025**	**260,684**
Operating Expenses:		
Salaries and benefits (note 11a and note 11b)	**108,087**	**96,509**
Other operating expenses (note 13)	**180,127**	**157,945**
Amortization of tangible capital assets	**2,949**	**3,302**
Total Operating Expenses	**291,163**	**257,756**
(Deficiency)/Excess of revenue over expenses – Utility Operations	**(3,138)**	**2,928**
Interest from Investments and loans receivable	**9,967**	**4,335**
Excess of revenue over expenses	**6,829**	**7,263**
Net Assets, opening balance	**257,309**	**250,063**
Adjustment to Net Assets (note 9)	**-**	**(17)**
Net Assets, ending balance	**264,138**	**257,309**

see accompanying notes to financial statements

Statement of Cash Flows for the Year Ending December 31, 2023

(in thousands of dollars)

	December 31, 2023	December 31, 2022
Cash Provided by (used for) Operating Activities		(Note 14)
(Deficiency)/Excess of revenue over expenses-Utility Operations	**(3,138)**	2,928
Items Not Affecting Cash		
Amortization of Tangible Capital Assets	**2,949**	**3,302**
Deferred Lease Inducement	**(146)**	**(145)**
Future employee benefits expense	**(480)**	**(773)**
	815	**5,312**
Changes in non-cash operating working capital		
Accounts Receivable	**(11,819)**	**(2,394)**
Prepaid Expenses	**(1,332)**	**251**
Accounts Payable and Accrued Liabilities	**4,839**	**1,466**
Current portion of future employee benefits	**287**	**(108)**
	(8,025)	**(785)**
Net Cash Flows from operating activities	**(8,840)**	**4,527**
Cash from Investing Activities		
Interest	**9,967**	**4,335**
Principal Repaid on Loans	**14**	**18**
Decrease/(Increase) in non-current Term Deposits	**4,400**	**16,476**
Net cash flows from investing activities	**14,381**	**20,829**
Cash Used in Capital Activities		
Tangible Capital Assets Acquired	**(3,651)**	**(3,633)**
Cash Used in Capital Activities		
Repayments of obligations of capital leases (note 10)	**2,193**	**2,299**
Increase in Cash and Short-Term Investments	**4,083**	**24,022**
Cash and Short-Term Investments, Opening Balance	**103,258**	**79,236**
Cash and Short-Term Investments, Closing Balance (note 3)	**107,341**	**103,258**
Supplemental cash flow information:		
Tangible capital assets acquired by way of capital lease	**4,322**	**3,807**

General

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. An investment maturity date within one year is considered short-term.

[B] TANGIBLE CAPITAL ASSETS INCLUDING CAPITAL LEASES

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

Leases of tangible capital assets which transfer substantially all of the benefits and risks of ownership are accounted for as leased tangible capital assets. Obligations under capital leases are recorded at the present value of the minimum lease payments. The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

[C] REVENUE RECOGNITION

Asset Operations & Maintenance Services

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, and the collection is reasonably assured.

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, and the collection is reasonably assured.

Client Utility Management Services

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, and collection is reasonably assured.

[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

The 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.

There are no investments receivable as at the end of 2023 (2022 - $14,000) and no provisions were established

3. FINANCIAL INSTRUMENTS

[A] CASH AND INVESTMENTS

The Agency has $110.8 million invested in bank balances, term deposits and other notes as follows:

(in thousands of dollars)

	December 31, 2023	December 31, 2022
Cash Balances	18,010	25.347
Term deposits due within a year (Interest rates 0.65%-5.78%)	89,331	77.911
Cash and Short-Term Investments	**107,341**	**103,258**
Term deposits and other notes due within two to four years	3,500	7,900
	110,841	111,158

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.

All bank balances and investments are held by large Canadian chartered banks.

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.

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

		(in thousands of dollars)
	2023	2022
0-60 days	**52,057**	40,757
61-90 days	**1,944**	1,095
91-120 days	**603**	1,087
121-150 days	**251**	307
More Than 151 days	**1,955**	2,269
Total Net Accounts Receivable	**56,810**	45,515

Accounts receivable aged over one year, excluding specific accounts identified as collectible, were provided as a provision. A $284,000 provision was made in 2023 (2022 - $201,000).

The Agency believes that this approach 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 extended a $120 million loan to the Ontario Infrastructure and Lands Corporation, which matured on March 1, 2023. Interest is paid on the principal from March 1st, 2023, at the prevailing three-month treasury bill rate established by the Ontario Financing Authority ("OFA"). This Loan was renewed for ten years, as outlined in Note 11. The Agency also has term deposits and bank balances 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.

[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 low risk for electricity and chemical costs because 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 changes in the risk exposure to that of the prior year.

4. TANGIBLE CAPITAL ASSETS

			Net	Net
(in thousands of dollars)	**Cost**	**Accumulated Amortization**	**2023**	2022
Computer Software	14,566	10,596	**3,970**	4,455
Information Systems	1,584	1,575	**9**	24
Furniture and Fixtures	322	248	**74**	125
Automotive Equipment	2,797	2,745	**52**	85
Automotive Under Capital Lease	16,429	7,003	**9,426**	7,233
Computer Hardware	8,568	7,340	**1,228**	2,349
Machinery and Equipment	1,247	1,072	**175**	249
Leasehold Improvements	3,679	1,554	**2,125**	2,425
Software Under Development	1,444	-	**1,444**	856
	50,636	32,133	**18,503**	17,801

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, 2023, $18.46 million was spent, of which $11.31 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)
2024	1,612
2025	1,571
2026	1,489
2027	1,238
2028	1,171
Thereafter	1,703
	8,784

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 2023, 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, 2023 $21.84 million (2022 - $16.96 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. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	(in thousands of dollars)	
	2023	**2022**
Trade Payable	**14,917**	15,847
Accrued Liabilities	**10,422**	4,770
Payroll and Benefits Payable	**3,610**	3,493
Total	**28,949**	24,110

8. DEFERRED LEASE INDUCEMENT LIABILITY

The Agency received a lease inducement allowance of $1.5 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 $100,000 (2022 - $100,000) has been recorded as reduction of rent expense during the year.

9. ASSET RETIREMENT OBLIGATION

In the prior year, the Agency chose to early adopt PS3280, Asset Retirement Obligations which became effective for periods beginning on or after April 1, 2022. The Agency 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.

10. OBLIGATIONS UNDER CAPITAL LEASES

The Agency has capital leases, with interest rates ranging from 2.14% to 6.6%, for automotive equipment for 60-month lease terms. The vehicles are amortized on a straight-line basis over their economic life of 5 years. The following is a schedule of future minimum lease payments, and the balance of the obligations.

		(in thousands of dollars)
	2023	**2022**
2023	**-**	2,457
2024	**3,247**	2,146
2025	**2,833**	1,704
2026	**2,330**	1,193
2027	**1,689**	566
2028	**573**	-
Total Minimum Lease Payments	**10,699**	8,066
Interest	**1,273**	833
Balance of the Obligation	**9,426**	7,233
Less: Current Portion	**(2,771)**	(2,129)
Non-current Obligation	**6,655**	5,104

Included in the interest payment is a fee payable which is comprised of monthly vehicle administration fee in the amount of $283,210 (2022 - $212,382).

Total interest expense on capital leases for the period was $400,644 (2022 - $206,471)

11. 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 $11.3 million (2022 - $12.0 million) of which $6.6 million (2022 - $6.3 million) has been classified as current liability. The amount charged to the income statement in 2023 was $2.1 million (2022 - $0.8 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

Legislated Severance

The legislative severance portion of the employee future benefits obligation totaled $3.8 million of which $2.3 million is long term. The long-term portion was calculated based on the following assumptions: discount rate of 3.8% (2022- 4.15%) and estimated average remaining service life years 11.76. These assumptions are management's best estimate.

Workers' Compensation Obligation

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of $2.1 million (2022 - $2.5 million). In 2022, there was a change in estimation methodology, whereby the amount has been determined through an actuarial valuation. An actuarial valuation was used in 2023 and has a measurement date of December 31, 2023 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.

Benefit expense consist of current benefit cost 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 3.8% (2022 – 4.00%). The components of the benefit expense and the accrued benefit liability are as follows:

	2023	2022
Components of Benefit Cost		
Current Benefit Cost	**168,139**	170,452
Interest Cost	**97,857**	50,306
Immediate recognition of actuarial (gain) loss	**(279,216)**	524,484
Benefit expense	**(13,220)**	745,242
Accrued Benefit Liability		
Accrued Benefit Liability, beginning of year	**2,453,904**	2,088,859
Benefit Expense	**(13,220)**	745,242
Company contributions	**(351,212)**	(380,197)
Accrued Benefit Liability, end of year	**2,089,472**	**2,453,904**

The benefit expense 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 $6.4 million (2022 $6.1 million), are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

12. 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 $3.3 million (2022 - $2.5 million) from the Ontario Infrastructure and Lands Corporation (OILC) for water and wastewater treatment services provided.

The Agency received revenue of $2.4 million (2022 - $2.4 million) from the Ministry of Energy, Northern Development and Mines (MENDM) for water and wastewater treatment services provided.

The Agency received revenue of $2.1 million (2022 - $1.9 million) from the Ministry of the Environment, Conservation and Parks (MECP) for water and wastewater treatment services provided.

The Agency received funds of $200,000 in 2022 from the Ontario Centre of Excellence, for the Stratford Net Zero program; no funds received in 2023.

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 non-current asset as at December 31, 2023. This loan will operate at the prevailing three-month treasury bill rate established by the Ontario Financing Authority ("OFA"), 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.

13. OTHER OPERATING EXPENSES

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

	(in thousands of dollars)	
	2023	**2022**
Chemicals and Water Treatment	**38,730**	29,926
Electricity	**7,220**	6,950
Maintenance	**48,126**	50,240
Materials	**29,571**	28,690
Services	**55,615**	41,237
Transportation	**865**	902
	180,127	157,945

14. PRIOR YEAR ADJUSTMENT

During the year, it was determined that the automotive equipment leases were capital in nature instead of operating leases as reported in prior years, as they transferred substantially all the risks and rewards of ownership to the Agency at the inception of the lease. As a result, the prior year restatement has the following impact:

Statement of Financial Position			(in thousands of dollars)
	2022	Adjustments	2022 Restated
Tangible Capital Assets, net (note 4)	10,568	**7,233**	17,801
Obligations under capital leases (note 10)	-	**7,233**	7,233

Statement of Cash Flow			
Tangible Capital Assets Acquired	(1,334)	**(2,299)**	(3,633)
Repayments of obligations of capital leases (note 10)	-	**2,299**	2,299

There were no material impacts in the Statement of Operations and Changes in Net Assets.

15. COMPARATIVE FIGURES

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