

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
April 24, 2025

Audit Opinion Letter



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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, 2024 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, 2024, 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.

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
April 24, 2025

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

2024 Financial Statements

Statement of Financial Position as at December 31, 2024

[in thousands of dollars]

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	60,487	20,045
Short-term investments (note 3)	50,792	89,546
Accounts receivable (note 4)	75,247	59,495
Prepaid expenses and deposits	10,771	3,802
Total Current Assets	197,297	172,888
Non-current assets:		
Long-term investments (note 3)	-	3,500
Loan receivable – Ontario Infrastructure and Lands Corporation (note 15)	120,000	120,000
Capital assets (note 6)	19,525	18,503
Total Non-Current Assets	139,525	142,003
Total Assets	336,822	314,891
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	34,294	28,949
Current portion of employee future benefits (note 8a)	6,788	6,574
Current portion of obligations under capital leases (note 9)	3,407	2,771
Deferred revenue (note 13)	2,568	-
Total Current Liabilities	47,057	38,294
Long-term liabilities:		
Deferred lease inducement liability (note 10)	802	948
Obligations under capital leases (note 9)	7,880	6,655
Employee future benefits (note 8a)	4,999	4,756
Asset retirement obligation	100	100
Total Non-Current Liabilities	13,781	12,459
Total Liabilities	60,838	50,753
Total Net Assets	275,984	264,138
Total Liabilities and Net Assets	336,822	314,891

Commitments and Contingencies (note 11) (note 12)

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, 2024

(in thousands of dollars)

	December 31, 2024	December 31, 2023
Utility Operations Revenues:		
Asset operations and maintenance services revenue		
Operations and maintenance services	221,482	208,350
Major maintenance services	96,686	72,853
Other client utility management services revenue	9,703	6,822
Funding from the Province of Ontario (note 13)	7,703	-
Total Utilities Operations Revenue	335,574	288,025
Operating Expenses:		
Salaries and benefits (note 8)	119,506	108,087
Other operating expenses (note 14)	209,942	180,127
Amortization of capital assets	5,911	2,949
Total Operating Expenses	335,359	291,163
Excess/(deficiency) of revenue over expenses – utility operations	215	(3,138)
Interest from investments and loans receivable	11,631	9,967
Excess of revenue over expenses	11,846	6,829
Net Assets, opening balance	264,138	257,309
Net Assets, ending balance	275,984	264,138

See accompanying notes to financial statements

Statement of Cash Flows for the Year Ending December 31, 2024

[in thousands of dollars]

	December 31, 2024	December 31, 2023
Operating Activities		
Excess/(deficiency) of revenue over expenses	11,846	6,829
Items not affecting cash		
Amortization of capital assets	5,911	2,949
Deferred lease inducement	(146)	(146)
Future employee benefits expense	243	(480)
	17,854	9,152
Changes in non-cash operating working capital		
(Increase) decrease in accounts receivable excluding interest receivable	(15,753)	(10,691)
(Increase) decrease in prepaid expenses	(6,969)	(1,332)
Increase (decrease) in accounts payable and accrued liabilities	7,913	4,839
Increase (decrease) in current portion of future employee benefits	214	287
	(14,595)	(6,897)
Net Cash Flows from Operating Activities	3,259	2,255
Investing Activities		
Proceeds of investments	87,493	76,782
Purchases of investments	(45,239)	(82,896)
Principal repaid on loans (holdback)	-	14
Net Cash Flows from Investing Activities	42,254	(6,100)
Capital Activities		
Capital assets acquired	(1,768)	(3,651)

	December 31, 2024	December 31, 2023
Net Cash Flows from Capital Activities	(1,768)	(3,651)
Financing Activities		
Repayment of obligation of capital leases	(3,303)	2,193
Net Cash Flows from Financing Activities	(3,303)	2,193
Net Change in Cash and Cash Equivalents	40,442	(5,303)
Cash and Cash Equivalents, Opening Balance	20,045	25,348
Cash and Cash Equivalents, Closing Balance	60,487	20,045
Comprised of:		
Cash	58,364	18,010
Cash Equivalents	2,123	2,035
Total Cash and Cash Equivalents	60,487	20,045

General

1. NATURE OF OPERATIONS

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.

2. SIGNIFICANT ACCOUNTING POLICIES

[A] BASIS OF ACCOUNTING

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 including the 4200 series sections.

[B] CASH AND CASH EQUIVALENTS

Cash equivalents include highly liquid, short-term investments that can be readily converted into cash with minimal risk of value fluctuation. These typically consist of treasury bills, commercial paper, money market funds, and Guaranteed Investment Certificates [GICs] with maturities of 90 days or less from the date of acquisition.

[C] CAPITAL ASSETS INCLUDING CAPITAL LEASES

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. 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 hardware	3-7 years
Machinery and equipment	5 years
Leasehold improvements	Life of the lease
Leased vehicles	Life of the lease

Leases of capital assets which transfer substantially all of the benefits and risks of ownership are accounted for as leased capital assets. Obligations under capital leases are recorded at the present value of the minimum lease payments, excluding executory costs (maintenance, fuel, admin fees etc.). The discount rate used to determine the present value of the lease payments is the lower of the following two rates:

1. OCWA's incremental borrowing rate
2. The interest rate implicit in the lease

Software projects under development are classified as work in process and included in our software under development category. These projects are valued based on the costs incurred to date, which include direct labour, materials, and overhead costs. OCWA capitalizes costs incurred during the application development stage of software projects. These costs include direct labour, materials, and overhead directly attributable to the development of the software. Once the software is put in use, the capitalized costs are reclassified as intangible assets and amortized over its estimated useful life. Costs incurred during the preliminary project stage, such as planning and feasibility studies, and post-implementation stages, such as training and maintenance, are expensed as incurred.

[D] ADOPTION OF NEW ACCOUNTING STANDARDS – PS 3400, REVENUES

Public Sector Accounting Standard PS 3400 Revenue is a new standard effective for fiscal years beginning on or after April 1, 2023, with an option for retrospective or prospective application. OCWA has chosen to adopt it prospectively for the fiscal year 2024. PS 3400 Revenue Standard establishes guidance on accounting for revenue transactions in the public sector that are not addressed in an individual standard in the PSA Handbook, distinguishing between exchange transactions (where performance obligations exist) and non-exchange transactions.

The adoption of PS 3400 did not have an impact on the recognition or measurement of the OCWA's revenues.

Revenue Recognition

Transactions with performance obligations

i. Asset Operations and Maintenance Services Revenue

Operations and Maintenance Services

Revenue from contracts to provide operation, maintenance and other routine services for water and wastewater treatment facilities, which is based on a fixed annual price, is recognized in equal monthly amounts in the period as services are rendered over time.

For contracts based on the recovery of costs plus a percentage markup or those that include a fixed management fee, revenue is recognized at the time when goods are provided or services are rendered.

Major Maintenance Services

Revenue generated from capital improvements, major repairs, or new construction projects is recognized when goods are provided or services are rendered. This occurs as specific milestones in the construction or capital improvement process are completed. Revenue can be recognized either over time or at a point in time (for one-time deliverables upon completion), depending on the percentage of completion or milestone payments outlined in contractual agreements.

ii. Other Client Utility Management Services

Revenue from other client utility management services includes fees for additional work performed for clients beyond the scope of their operations and maintenance and major capital maintenance contracts. This category encompasses project management, engineering, technology, and training services. Revenue is recognized when goods are provided, or services are rendered, either over time or at a point in time (for one-time deliverables upon completion), based on the fee structure outlined in the contracts.

iii. Contributions

The Agency follows the deferral method of accounting for contributions, which includes government grants.

Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are initially recorded as deferred revenue and subsequently recognized as revenue in the year the related expenses are recognized.

[E] FINANCIAL INSTRUMENTS

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

All financial instruments have been valued at amortized cost.

The financial instruments consist of cash and cash equivalents, short-term and long-term investments, accounts receivable, 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.

[F] EMPLOYEE FUTURE 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.

[G] 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.

[H] FOREIGN CURRENCY

Foreign currency accounts are translated into Canadian dollars as follows:

- At the transaction date, each asset, liability, revenue, and expense is translated into Canadian dollars using the exchange rate in effect for the month. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end 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.

[I] 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 of 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 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.

3. INVESTMENTS

Investments classified as non-current assets include long-term Guaranteed Investment Certificates (GICs) with maturities exceeding one year. These investments are held for purposes other than short-term liquidity and are intended to generate income.

As of December 31, 2024, there are no investments with maturities longer than one year.

The Agency has \$50,792 million invested in term deposits as follows:

(in thousands of dollars)

	2024	2023
Term deposits due within a year (Interest rates 4.15% - 5.78%)	50,792	89,546
Term deposits and other notes due within two to four years	-	3,500
Total	50,792	93,046

The fair value of term deposits approximates the carrying value. Term deposits include financial instruments such as GIC's and Principal Protected Note.

4. ACCOUNTS RECEIVABLE

	(in thousands of dollars)	
	2024	2023
Trade receivables	51,450	47,604
Due from Province of Ontario (note 13)	10,271	-
Harmonized sales tax (HST) receivable	4,575	3,836
Interest receivable	348	519
Other receivables	8,996	7,824
Subtotal	75,640	59,783
Less: Allowance for doubtful accounts	[393]	[288]
Total	75,247	59,495

5. FINANCIAL INSTRUMENTS

[A] 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)	
	2024	2023
0-60 days	68,676	52,828
61-90 days	1,807	1,807
91-120 days	1,848	1,848
121-150 days	126	126
More than 151 days	2,790	2,886
Total Net Accounts Receivable	75,247	59,495

Accounts receivable aged over one year, excluding specific accounts identified as collectible, were deemed doubtful. A \$393,000 provision was made in 2024 [2023 – \$284,000].

The Agency believes that this approach mitigates the risk of incorrect provision.

[B] 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 the risk exposure is low as the transaction volume is low.

[C] INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future value of cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Agency has extended a \$120.0 million loan to Ontario Infrastructure and Lands Corporation, which matured on March 1, 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 15. 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.

[D] 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 investments totaling \$3.5 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.

[E] OTHER

The Agency is exposed to low risk for electricity and chemical costs because most 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 were no changes in the risk exposure to that of the prior year.

6. CAPITAL ASSETS

(in thousands of dollars)	Cost	Accumulated Amortization	Net Book Value 2024	Net Book Value 2023
Computer software	15,155	11,879	3,276	3,970
Information systems	1,584	1,584	-	9
Furniture and fixtures	341	295	46	74
Automotive equipment	2,544	2,477	67	52
Automotive under capital lease	14,569	3,495	11,074	9,426
Computer hardware	8,621	7,959	662	1,228
Machinery and equipment	1,479	1,152	327	175
Leasehold improvements	3,679	1,892	1,787	2,125
Software under development	2,286	-	2,286	1,444
Total	50,258	30,733	19,525	18,503

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, 2024, \$20.7 million was spent, of which \$12.7 million has been capitalized.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	(in thousands of dollars)	
	2024	2023
Trade payable	19,950	14,917
Accrued liabilities	9,427	10,422
Payroll and benefits payable	4,917	3,610
Total	34,294	28,949

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 \$11.8 million (2023 – \$11.3 million), of which \$6.8 million (2023 – \$6.6 million) has been classified as current liability. The amount charged to the income statement in 2024 was \$2.5 million (2023 – \$2.1 million) and is included in salaries and benefits expenses in the Statement of Operations and Changes in Net Assets.

Legislated Severance

The legislative severance portion of the employee's future benefits obligation totaled \$3.7 million, of which \$2.1 million is long-term. The long-term portion was calculated based on the following assumptions: discount rate of 3.85% (2023 – 3.80%) and estimated average remaining service life of 11.3 years. These assumptions are management's best estimate.

Workers' Compensation Obligation

Included in the employee's future benefits obligation is an estimated workers' compensation obligation in the amount of \$2.4 million [2023 – \$2.1 million]. In 2022, there was a change in estimation methodology, whereby the amount was determined through an actuarial valuation. An actuarial valuation was used in 2024, and the measurement date was December 31, 2024, consistent with the Agency's fiscal year-end date. OCWA, a Schedule 2 employer, self-insures its WSIB claims and pays all compensation and administration costs.

Benefit expense consists 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 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, and mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 3.85% [2023 – 3.80%].

The components of the benefit expense and the accrued benefit liability are as follows:

	2024	2023
Components of benefit expense		
Current benefit cost	156,821	168,139
Interest cost	75,843	97,857
Immediate recognition of actuarial [gain] loss	394,007	[279,216]
Benefit expense	626,671	[13,220]
Accrued benefit liability		
Accrued benefit liability, beginning of year	2,089,472	2,453,904
Benefit expense	626,671	[13,220]
Company contributions	[344,005]	[351,212]
Accrued benefit liability, end of year	2,372,138	2,089,472

The benefit expense has been included in salaries and benefits in the Statement of Operations and Changes in Net Assets. The Province pays the cost of other post-retirement, non-pension employee benefits 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, the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual funds payments. 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 \$7.7 million (2023 – \$6.4 million) are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

9. OBLIGATIONS UNDER CAPITAL LEASES

The Agency has capital leases, with interest rates ranging from 2.1% to 6.6%, for automotive equipment for 60-month lease terms. The vehicles are amortized on a straight-line basis over their lease term. The following is a schedule of future minimum lease payments and the balance of the obligations:

	(in thousands of dollars)	
	2024	2023
2024	-	3,247
2025	3,941	2,833
2026	3,442	2,330
2027	2,797	1,689
2028	1,694	573
2029	602	-
Total minimum lease payments	12,476	10,699
Interest and fee payable	1,189	1,273
Balance of the obligation	11,287	9,426
Less: current portion	(3,407)	(2,771)
Non-current obligation	7,880	6,655

The fee payable in the amount of \$103,920 (2023 – \$283,210) is included in the interest and fee payable.

Total interest expense on capital leases for the period was \$520,228 (2023 – \$400,644).

10. DEFERRED LEASE INDUCEMENT LIABILITY

The Agency received a lease inducement allowance of \$1.5 million from the landlord for its head office location 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. A total amortized lease inducement of \$146,000 (2023 – \$146,000) has been recorded as a reduction of rent expense during the year.

	(in thousands of dollars)	
	2024	2023
Balance, beginning of the year	948	1,094
Less: amortization of deferred lease inducement	(146)	(146)
Balance, end of year	802	948

11. LEASE COMMITMENTS

	(in thousands of dollars)
2025	1,828
2026	1,698
2027	1,435
2028	1,368
2029	1,217
Thereafter	602
Total	8,148

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

12. CONTINGENCIES**(A) CONTINGENT LIABILITIES**

The Agency is involved in various legal claims 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 2024, no resolution has been reached and the amount is still being held by the Superior Court of Justice.

(B) LETTERS OF CREDIT

The Agency has a preapproved limit with the Royal Bank of Canada of \$50.0 million for the letter of credits. As of December 31, 2024, \$20.6 million (2023 – \$21.8 million) of the limit has been used to provide letters of credit to municipalities in accordance with the terms of their operations and maintenance agreements.

13. FUNDING FROM THE PROVINCE OF ONTARIO

The Ontario Clean Water Agency (OCWA) has been allocated \$10.3 million in funding by the Treasury Board Secretariat through the Province as part of ministry-specific funding. This funding is intended to address compensation requirements under Bill 124, the Protecting a Sustainable Public Sector for Future Generations Act, 2019, for the 2024-25 fiscal year (April 1, 2024 – March 31, 2025).

	(in thousands of dollars)	
	2024	2023
Balance, beginning of the year	-	-
Add: contributions	10,271	-
Less: recognized	[7,703]	-
Balance, end of year	2,568	-

14. OTHER OPERATING EXPENSES

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

	(in thousands of dollars)	
	2024	2023
Chemicals and water treatment	39,374	38,730
Electricity	7,234	7,220
Maintenance	56,458	48,126
Materials	33,682	29,571
Services	72,277	55,615
Transportation	917	865
Total	209,942	180,127

15. 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 (2023 – \$2.1 million) from the Ministry of the Environment, Conservation and Parks (MECP) for water and wastewater treatment services provided. The services were provided at competitive rates similar to those of other clients.

The Agency received revenue of \$3.8 million (2023 – \$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 \$3.3 million (2023 – \$3.3 million) from the Ontario Infrastructure and Lands Corporation (OILC) for water and wastewater treatment services provided. The services were provided at competitive rates similar to those of other clients.

The Agency has a \$120.0 million loan receivable with Ontario Infrastructure and Lands Corporation (OILC), as described in Note 5c, to be fully repaid by March 1, 2033. 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.

16. SUBSEQUENT EVENTS

In January 2025, OCWA signed an investment management agreement with the Investment Management Corporation of Ontario (IMCO), effective October 4, 2024. Under this agreement, IMCO will provide investment management and advisory services for a fund of \$50.0 million, adhering to an asset mix specified in OCWA's investment policy, the Statement of Investment Policies and Procedures (SIPP). As of now, no funds have been transferred.

17. COMPARATIVE FIGURES

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