

Management's Responsibility for Financial Information

Management of OCWA is responsible for the integrity, consistency, objectivity and reliability of the financial statements. These financial statements were prepared in accordance with Canadian public sector accounting standards, and management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that financial information is reliable. The system includes procedures, formal policies and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit and Finance Committee, which is composed entirely of independent directors. This Committee reviews our financial statements and recommends them to the Board for approval. The Audit and Finance Committee is also responsible for reviewing our internal controls, and advising the directors on auditing matters and financial reporting issues.

The Office of the Auditor General, appointed by our legislation has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Audit Committee to discuss their audit and related findings.



Iman Hashemi
President and Chief Executive Officer



Natalie Peers
Vice-President, Finance

Toronto, Ontario
April 23, 2026

Audit Opinion Letter



Office of the
Auditor General
of Ontario

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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, 2025 and the statements of operations and changes in net assets, remeasurement gains and losses 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, 2025, and the results of its operations, its remeasurement gains and losses 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 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 23, 2026

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

2025 Financial Statements

Statement of Financial Position as at December 31, 2025

[in thousands of dollars]

	December 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	18,583	60,487
Short-term investments (note 3)	57,197	50,792
Accounts receivable (note 4)	71,374	75,247
Prepaid expenses	10,586	10,771
Total current assets	157,740	197,297
Non-current assets:		
Long-term investments (note 3)	45,528	-
Loan receivable - Ontario Infrastructure and Land Corporation (note 15)	120,000	120,000
Capital assets (note 5)	17,932	19,525
Total non-current assets	183,460	139,525
Total assets	341,200	336,822
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	30,048	34,294
Current portion of employee future benefits (note 7)	6,542	6,788
Current portion of obligations under capital leases (note 8)	3,855	3,407
Deferred contributions (note 9)	2,629	2,568
Total current liabilities	43,074	47,057
Long-term liabilities:		
Deferred lease inducement liability (note 10)	656	802
Obligations under capital leases (note 8)	7,831	7,880
Employee future benefits (note 7)	4,791	4,999
Asset retirement obligation	100	100
Total non-current liabilities	13,378	13,781
Total liabilities	56,452	60,838
Net assets		
Unrestricted	284,810	275,984
Accumulative remeasurement losses	[62]	-
Total net assets	284,748	275,984
Total liabilities and net assets	341,200	336,822

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:



Director



Director

Statement of Operations and Changes in Net Assets for the Period Ending December 31, 2025

(in thousands of dollars)

	December 31, 2025	December 31, 2024
Revenue:		
Asset operations and maintenance services		
Operations and maintenance service	235,119	221,482
Major maintenance service	93,622	96,686
Other client utility management services	8,817	9,703
Funding from the Province of Ontario (note 9)	10,606	7,703
Total revenue	348,164	335,574
Operating expenses:		
Salaries and benefits	127,765	119,506
Services	72,947	72,277
Maintenance	56,241	56,458
Chemicals and water treatment	42,372	39,374
Materials	34,467	33,682
Electricity	7,965	7,234
Amortization of capital assets	5,444	5,911
Transportation	1,087	917
Total operating expenses	348,288	335,359
(Deficiency) excess of revenue over expenses – utility operations	(124)	215
Interest income	8,907	11,631
Realized gains on investments	43	-
Excess of revenue over expenses	8,826	11,846
Net assets, opening balance	275,984	264,138
Net assets, ending balance	284,810	275,984

The accompanying notes are an integral part of these financial statements

Statement of Remeasurement Gains and Losses for the Period Ending December 31, 2025

(in thousands of dollars)

	December 31, 2025	December 31, 2024
Accumulated remeasurement gains (losses)-beginning of year	-	-
Unrealized (losses) on investments	(62)	-
Accumulated remeasurement (losses), end of year	(62)	-

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows for the Period Ending December 31, 2025

(in thousands of dollars)

	December 31, 2025	December 31, 2024
Cash flows from operating activities		
Excess of revenue over expenses	8,826	11,846
Adjustments for non-cash items:		
Amortization of capital assets	5,444	5,911
Deferred lease inducement	(146)	(146)
Employee future benefits	(454)	457
Net gain/loss on sale of investments	(43)	-
Net gain/loss on disposals of capital assets	4,109	-
	17,736	18,068
Changes in non-cash operating working capital		
(Increase) decrease in accounts receivable	3,873	(15,753)
(Increase) decrease in prepaid expenses	185	(6,969)
Increase (decrease) in accounts payable and accrued liabilities	(4,246)	5,345
Increase (decrease) in deferred contributions	61	2,568
	(127)	(14,809)
Net cash flows from (used in) operating activities	17,609	3,259
Cash from investing activities		
Proceeds from sale and maturities of investments	221,471	87,493
Purchases of investments	(273,423)	(45,239)
Net cash flows from (used in) investing activities	(51,952)	42,254
Cash flows from capital activities		
Proceeds on sale of capital assets	62	-
Acquisition of capital assets	(3,862)	(1,768)
Net cash flows from (used in) capital activities	(3,800)	(1,768)
Cash flows from financing activities		
Repayment of obligation of capital leases	(3,761)	(3,303)
Net cash flows from (used in) financing activities	(3,761)	(3,303)
Net change in cash and cash equivalents	(41,904)	40,442

	December 31, 2025	December 31, 2024
Cash and cash equivalents, opening balance	60,487	20,045
Cash and cash equivalents, closing balance	18,583	60,487
Comprised of:		
Cash	16,405	58,364
Cash equivalents	2,178	2,123
Total cash and cash equivalents	18,583	60,487

The accompanying notes are an integral part of these financial statements

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 Ontario Clean Water Agency (the "Agency") is a Crown agency whose primary activities include the operation and maintenance of water and wastewater facilities, as well as the provision of related technical, advisory and infrastructure services to municipalities and other clients.

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

These financial statements are prepared in accordance with the CPA Canada Public Sector Accounting Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Agency has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270.

[B] MEASUREMENT UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities as of the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period.

i. Amortization of tangible capital assets

The amortization of tangible capital assets is subject to measurement uncertainty as it is based on management's estimates of the assets' useful lives. The estimation of useful lives requires judgment and is influenced by factors such as expected usage, maintenance practices, technological change, and historical experience.

The useful lives and amortization methods of tangible capital assets are reviewed annually, and any changes in estimates are accounted for prospectively as changes in accounting estimates. As at December 31, 2025, the net book value of capital asset was \$17.9 million.

ii. Employee future benefit

The employee future benefits obligation is subject to measurement uncertainty, as it is determined using actuarial assumptions related to discount rates, salary escalation, inflation, employee demographics, and other factors. These assumptions reflect management's best judgment and estimates of future events.

Due to the long term nature of the obligation, actual results may differ from the estimates used, and such differences will be recognized in future periods. As at December 31, 2025, the employee future benefits liability was \$11.3 million.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Therefore, actual results may differ materially from the estimates.

[C] REVENUE RECOGNITION

Transactions with performance obligations

i. Asset operations and maintenance services

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 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.

[D] 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.

[E] CAPITAL ASSETS INCLUDING CAPITAL LEASES

Capital assets are recorded at cost, less accumulated amortization and write-downs, if any. The historical cost of capital assets includes the cost directly related to the acquisition, design, construction, development, improvement or betterment, as well as the estimated cost to settle liabilities for asset retirement obligations.

Amortization begins when capital assets are available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management).

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-7 years
Computer hardware	3-7 years
Information systems	7 years
Furniture and fixtures	5 years
Machinery and equipment	5 years
Automotive equipment	4-20 years
Leasehold improvements	Life of the lease
Leased vehicles	5 years

Leases of capital assets which transfer substantially all 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, administration fees). The discount rate used to determine the present value of the lease payments is the lower of the following two rates:

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

The Agency distinguishes between internally developed software, perpetual software licenses, and cloud based Software as a Service [SaaS] arrangements when determining whether costs are capitalized under Public Sector Accounting Standards.

Software projects expected to result in an identifiable software asset controlled by the Agency are recorded as software under development. Capitalizable costs include development stage labour, materials, and directly attributable overhead. Once available for use, these costs are transferred to intangible assets and amortized over their useful life. Costs related to planning, feasibility, training, maintenance, and other non-development activities are expensed as incurred.

SaaS and other cloud based service arrangements do not provide the Agency with ownership or control of a software asset. Accordingly, subscription fees, support, hosting, maintenance, and implementation related activities are expensed as incurred.

Multi year SaaS subscriptions paid in advance are recorded as prepaid expenses and recognized over the subscription term. These costs are not capitalized as software. Only perpetual licenses or internally developed software that meet capitalization criteria are recognized as intangible assets.

[F] FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the statement of financial position when the Agency becomes a party to the contractual provisions of the instrument. All financial instruments are assigned to one of two measurement categories at initial recognition – either fair value or cost/amortized cost. Financial assets and liabilities measured at cost/amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance. Cash, accounts receivable and accounts payable and accrued liabilities are all measured at amortized cost and short and long term investments are all measured at fair value.

Financial assets at amortized cost are subject to impairment. At each financial statement date, OCWA assesses financial assets to determine whether there is any objective evidence of impairment. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and changes in net assets.

Financial assets and liabilities at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in net assets. Investments include cash equivalents, Guaranteed Investment Certificates (“GICs”) and bonds. Cash equivalents and GICs are recorded at amortized cost.

Fair value measurements are categorized into the following levels within a fair value hierarchy, based on the market observability of the valuation inputs used in measuring the fair value:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

i. 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 and changes in net assets. Monies received during the year from loans provided for in a prior year are recorded as loan recoveries on the statement of operations and changes in net assets. Interest on the loan receivable is accrued when earned.

[G] EMPLOYEE FUTURE BENEFITS

Under these requirements, the cost of post-employment benefits is charged to operations annually as incurred.

Pension plans

The Agency is a participating employer in the Public Service Pension Plan, which is a multi-employer defined benefit plan that is solely sponsored by the Province of Ontario. When benefits are provided to employees through a multi-employer defined benefit plan, each entity participating in the plan, other than the sponsoring entity, is required to follow the standards for defined contribution plans. As a result, the Agency recognizes an expense equal to the amount of required contributions provided for employees' services rendered during the period. Any outstanding contributions are recognized as a liability in the statement of financial position.

Post-employment benefits other than pension plans

The Agency is responsible for certain non pension employee future benefits, including legislated severance, unpaid vacation, and workers' compensation obligations. These obligations are recognized as liabilities as employees render service and earn entitlement to the benefits.

The costs of these employee future benefits are determined based on management estimates and, for workers' compensation obligations, actuarial valuations. Benefit expense consists of current service cost, interest, and adjustments arising from changes in assumptions and actuarial gains or losses, and is recognized in salaries and benefits expense in the period in which employees render service.

3. INVESTMENTS

(in thousands of dollars)

Investment type	Level	Measurement basis	2025	2024
Short-term				
Guaranteed investment certificates	2	Amortized cost	52,134	50,792
Treasury bills	2	Fair value	5,063	-
Total short-term			57,197	50,792
Long-term				
Bonds	2	Fair value	45,528	-
Total long-term			45,528	-
Total investments			102,725	50,792

Short term investments mature within one year include GICs and treasury bills. All long-term investments have maturities greater than one year.

Treasury bills and bonds investments managed by Investment Management Corporation of Ontario ["IMCO"] have a cost of \$5.1 million [2024 - Nil] and \$45.5 million [2024 - Nil] respectively.

4. ACCOUNTS RECEIVABLE

	[in thousands of dollars]	
	2025	2024
Trade receivables	56,079	60,446
Due from Province of Ontario	10,518	10,271
Harmonized sales tax (HST) receivable	4,614	4,575
Interest receivable	499	348
Subtotal	71,710	75,640
Less: Allowance for doubtful accounts	[336]	[393]
Total	71,374	75,247

Trade receivables include unbilled receivables amounting to \$3,238 [2024 - \$8,536].

5. CAPITAL ASSETS

[in thousands of dollars]	Cost	Accumulated Amortization	Net Book Value 2025	Net Book Value 2024
Computer software	9,768	8,895	873	3,276
Information systems	1,584	1,584	-	-
Furniture and fixtures	373	329	44	46
Automotive equipment	2,556	2,429	127	67
Automotive under capital lease	17,829	6,500	11,329	11,074
Computer hardware	10,016	7,053	2,963	662
Machinery and equipment	1,579	1,259	320	327
Leasehold improvements	3,679	2,227	1,452	1,787
Software under development	824	-	824	2,286
Total	48,208	30,276	17,932	19,525

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, 2025, \$23.6 million was spent, of which \$9.9 million has been capitalized. Annual amortization for 2025 was \$5.4 million [2024 - \$5.9 million].

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	[in thousands of dollars]	
	2025	2024
Trade payable	17,406	20,366
Accrued liabilities	7,031	4,759
Payroll and benefits payable	5,611	9,169
Total	30,048	34,294

Trade payable represent amounts owed to third party vendors for normal operating activities. Accrued liabilities represent accruals other than payroll and benefit-related items. Payroll and benefits accruals represent employee related cost including payroll accruals and regular pay adjustments.

7. 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 (2024 - \$11.8 million), of which \$6.5 million (2024 - \$6.8 million) has been classified as current liability. The amount charged to the income statement in 2025 was \$1.6 million (2024 - \$2.5 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 \$3.1 million, of which \$1.9 million is long-term. The long-term portion was calculated based on the following assumptions: discount rate of 3.90 % (2024 - 3.85%) and estimated average remaining service life of 10.8 years (2024 - 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 (2024- \$2.4 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 2025, and the measurement date was December 31, 2025, consistent with the Agency's fiscal year-end date. The Agency, a Schedule 2 employer, self-insures its Workplace Safety and Insurance Board claims and pays all compensation and administration costs.

Notes to the Financial Statements December 31, 2025

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 3.90% [2024 – 3.85%].

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

	2025	2024
Components of benefit expense		
Current benefit cost	167,508	156,821
Interest cost	88,153	75,843
Immediate recognition of actuarial [gain] loss	55,069	394,007
Benefit expense	310,730	626,671
Accrued benefit liability		
Accrued benefit liability, beginning of year	2,372,138	2,089,472
Benefit expense	310,730	626,671
Company contributions	[332,383]	[344,005]
Accrued benefit liability, end of year	2,350,485	2,372,138

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 2025 was \$8.2 million [2024 – \$7.7 million] are included in salaries and benefits in the statement of operations and change in net assets.

8. OBLIGATION 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]	
	2025	2024
2025	-	3,941
2026	4,389	3,442
2027	3,768	2,797
2028	2,684	1,694
2029	1,586	602
2030	477	-
Total minimum lease payments	12,874	12,476
Interest and fee payable	[1,188]	1,189
Balance of the obligation	11,686	11,287
Less: current portion	[3,855]	[3,407]
Non-current obligation	7,831	7,880

The fee payable in the amount of \$118,045 (2024 - \$103,920) is included in the interest and fee payable. Total interest expense on capital leases for the period was \$533,955 (2024 - \$520,228).

9. FUNDING FROM THE PROVINCE OF ONTARIO

The Agency has been allocated \$10.7 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 2025-26 fiscal year (April 1, 2025 - March 31, 2026).

	[in thousands of dollars]	
	2025	2024
Balance, beginning of the year	2,568	-
Add: contributions	10,667	10,271
Less: recognized	[10,606]	[7,703]
Balance, end of year	2,629	2,568

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 on the statement of financial position, which is amortized over the life of the lease, 10 years. A total amortized lease inducement of \$146,000 (2024 – \$146,000) has been recorded as a reduction of rent expense during the year.

	(in thousands of dollars)	
	2025	2024
Deferred lease inducement balance, beginning of year	802	948
Less: amortization of deferred lease inducement	(146)	(146)
Deferred lease inducement balance, at end of year	656	802

11. LEASE COMMITMENTS

[A] LEASE COMMITMENTS

	(in thousands of dollars)
2026	1,828
2027	1,474
2028	1,406
2029	1,235
Thereafter	602
Total	6,545

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 and included in the above-mentioned total lease commitments.

[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, 2025, \$20.6 million (2024 – \$20.6 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.

12. CONTINGENCIES

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, the Agency 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 2025, no resolution has been reached and the amount is still being held by the Superior Court of Justice.

13. 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.

Total receivables from municipalities, and provinces as of December 31, 2025 is \$49.6 million

A breakdown of the accounts receivable is as follows:

	[in thousands of dollars]	
	2025	2024
0-60 days	68,755	68,676
61-90 days	462	1,807
91-120 days	499	1,848
121-150 days	36	126
More than 151 days	1,622	2,790
Total Net Accounts Receivable	71,374	75,247

Accounts receivable aged over one year, excluding specific accounts identified as collectible, were deemed doubtful. A \$335,705 provision was made in 2025 [2024 – \$393,000].

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

[B] LIQUIDITY RISK

Liquidity risk is the risk that the Agency will encounter difficulty in meeting its financial obligations as they become due. The Agency's financial obligations include accounts payable and accrued liabilities, employee future benefit obligations, capital lease obligations, and other contractual commitments.

The Agency manages liquidity risk by maintaining adequate cash and short term investments and by monitoring forecasted and actual cash flows on an ongoing basis. The Agency's cash requirements are monitored regularly to ensure that sufficient funds are available to meet obligations as they fall due.

The Agency's principal sources of liquidity are cash generated from operations and investment income. The Agency is exposed to liquidity risk due to the timing of cash inflows and outflows; however, this risk is mitigated by the largely predictable nature of its operating cash flows and the Agency's adequate cash balances.

[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. Exposure from currency risk is low given the minimal transaction volume in US Dollars.

[D] INTEREST RATE RISK

Interest rate risk is the risk that the fair value of an investment or investment liability will fluctuate as a result 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 low cash flow risk related to the fluctuations in interest rates.

The Agency does not hold investment liabilities and maintains an investment portfolio across Money Market, Government Short Term Bonds and Guaranteed investment certificates, focused on capital preservation and risk mitigation. The Agency's investment portfolio includes both short-term and long-term (maximum 5 years) investment terms. The average return on investments is 2.82% (2024 - Nil). Fluctuations in interest rates could have impact on the fair value of the fixed income securities profile. The potential impact to investment values had the prevailing interest rates changed by 50 basis points is estimated at \$1.05 million (2024 - Nil).

14. 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 earned revenue of \$2.3 million (2024 - \$3.3 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 earned revenue of \$2.8 million (2024 - \$3.8 million) from the Ministry of Energy, Northern Development and Mines (MENDM) for water and wastewater treatment services provided.

The Agency earned revenue of \$3.4 million (2024 - \$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 15, to be fully repaid by March 1, 2033. 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 of Ontario to process its payroll and administer its benefits, and to obtain internal audit and legal services. The Province absorbs some of these administrative costs. The Agency also receives funding from the Province as described in Note 9.

Investment Management Corporation of Ontario ("IMCO") is a related party in its capacity as the Agency's investment manager. Investment Management fees of \$0.03 million were paid to IMCO in fiscal year 2025 (2024 - Nil).

15. LOAN RECEIVABLE - ONTARIO INFRASTRUCTURE AND LANDS CORPORATION

The Agency has a \$120.0 million loan receivable with no valuation allowance with Ontario Infrastructure and Lands Corporation ("OILC"), , with a term from March 1, 2023 to March 1, 2033. The OILC shall pay interest to the Agency at the prevailing three-month treasury bill rate established by the Ontario Financing Authority ("OFA"), paid quarterly

16. COMPARATIVE FIGURES

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