



**Union Water Supply System  
Inc.  
Finance & Audit  
Committee**

**Wednesday, June 3, 2026  
9:00 am**

**1615 Union Avenue, Ruthven  
Water Treatment Plant - Board Room**

## **AGENDA**

- A. Call to Order:**
- B. Welcoming Remarks**
- C. Disclosures of Pecuniary Interest:**
- D. Approval of the Minutes:**  
Minutes of the Finance & Audit Committee meeting held on April 8, 2026  
(enclosed)
- E. Items for Consideration:**
  - 1. UWSS Draft Preliminary Financial Results to December 31<sup>st</sup>, 2025  
(enclosed)
  - 2. UWSS First Quarter Financial Results, to March 31<sup>st</sup>, 2026  
(enclosed)
  - 3. Verbal update on 2026 UWSS Inc. Capital Budget - Revisions
- F. New Business:**
- G. Follow Up Items:**  
April 8<sup>th</sup>, 2026 Finance & Audit Committee meeting
- H. Adjournment:**
- I. Date of Next Meeting:** September 9, 2026 - 9:00 am WTP Ruthven

/kmj



**UWSS Inc.  
Finance & Audit  
Committee  
Meeting**

Wednesday, April 8, 2026  
9:00 am  
1615 Union Ave, Ruthven WTP  
Board Room

## **MINUTES**

Directors                      Dennis Rogers  
   Mike St. Amant - absent  
   Wayne Wharram  
   Lori Atkinson  
   Tim Sunderland

Also in Attendance: Rodney Bouchard, UWSS Inc. Chief Executive Officer  
For UWSS                      Khristine Johnson, UWSS Inc. Office Administrator (Recording  
   Secretary)

Guest                              The CFO Nazzani, CPA, CA Capital Assist Valuation

**Call to Order:              8:54 am**

### **Welcoming Remarks:**

Chair Rogers calls the meeting and welcomes everyone. He hopes everyone had a nice Easter weekend..

### **Disclosures of Pecuniary Interest**

There are none.

### **Adoption of the Minutes of January 14<sup>th</sup> 2026**

No. FAC-05-26

**Moved by:                      Director Wharram**

**Seconded by:                 Director Atkinson**

That the Minutes of the Finance & Audit Committee of January 14<sup>th</sup>, 2026 are approved and shall be brought forward on the next Board of Directors meeting, with the correction made as noted.

Carried

### **Business Arising out the Minutes**

Director Wharram asks the CEO to follow up on the Risk Assessment that had been discussed previously and where that assessment stood. The CEO notes that he is in the process of obtaining consultants. The CEO notes that the water treatment plant (WTP) has been dealing with a lot of issues this spring, regarding DAF #2, Filter #2, our reservoir pipes and generator issue. He will certainly follow up on this item.

Director Wharram then asks for an update on the letter of commitment for financing. The CEO explains that he is working with our lending institution to come to an agreement. He notes that the first workshop for the 30% design completion is taking place the next day. He is hopeful that once the workshop is completed there should be a price that the lending institution can review and then provide a letter of commitment.

## Items to Discuss

The CFO then takes over to discuss the preliminary financial results to December 31, 2025. She explains that there really shouldn't be many more adjustments or changes. She explains the water loss determination and the calculations used. She also notes that she, the CEO and the Financial Directors are meeting next week to review 2025 and how to move forward in 2026. She also reminds members that 2025 saw UWSS Inc. move from budgeted flow billings into actual billings, and this has made the process easier to true up at the end of 2025.

She notes that the OCWA is close to budget, but we are waiting on their final audit, and she expects this within the next week or so. Director Wharram asks for clarification on the line item referencing SCADA. The CEO explains what SCADA is within the UWSS system, explaining it is both hardware and software and is the brains of the entire system. He further notes that UWSS is approximately 3 versions behind the current industry practice. The CEO explains that staff is asking a lot more of SCADA, in part due to the addition of DAF #2 and the new Reservoir #3.

Director Atkinson then asks about investment income and whether there is a policy in place specifically for investments. She feels this would provide more certainty in the changing rate environment. The CFO indicated she would share the investment policy. The CEO notes that because we are still considered a municipality, we cannot chase higher rates at more risk.

There is then a discussion on the various accounts that UWSS has for reserve funds, operating accounts and capital. Director Wharram seeks clarification on who is responsible for adhering to the reserve policies, he suggests that the Finance & Audit Committee (FAC) should be providing some direction regarding any movement of funds from one account to another. The CFO notes this and hopes to discuss further down the agenda, when the policies are discussed.

The CFO explains that the only notable variance to 2024 is the post-retirement benefits, that is legacy amounts left over from moving over from the Municipality of Leamington, this only pertains to two (2) employees.

There is then a discussion on the HST from 2024, the audit that has occurred and the refund received from CRA. She notes that small portion that was not accepted but confirms that in 2025 HST not able to be recovered was expensed through a line item entry.

There is a discussion on property, plant and equipment, accounts payable, which is mostly the invoices for Alberici. Director Atkinson then asks if the operating line must be converted to a loan all at once or perhaps some can be converted sooner. She is concerned with potential rate increases that could happen later in the year. She gives Direction to staff to review the contract with the lending institution to inquire it is possible to convert some of the operating line over to a term loan, prior to substantial completion of the project.

The CFO notes that she has been in communication with the auditing team from Baker Tilly and has given them some deadlines to meet for UWSS Board meetings and will have regular updates from them as well. She is anticipating that there will be a draft ready by early June.

There is a small discussion on the potential sale of the farm property that UWSS owns, but still needs to be discussed with legal. He then confirms that the OCWA contract negotiations are in good order and feels that this will be brought to the board meeting next week.

#### **No. FAC-06-26**

Moved by: Director Wharram

Seconded by: Director Sunderland

That the financial results to December 31, 2025 are received;

Carried

### **Review of Financial Policies**

The CFO begins by reviewing the Operating and General Reserve Policy. This policy has been created to ensure that UWSS maintains sufficient working capital to support uninterrupted operations, absorb financial fluctuations and ensure stable, reliable service. The goal is to maintain a minimum of one year of operating expenses. She notes that the UWSS is mandated to fund a minimum of 13% of annual treatment and transmission revenues, however this can be adjusted based on what the committee decides. She further notes that she would like to see adjustments made on a quarterly basis, which would be reported at the quarterly meetings.

Director Atkinson feels there should be a range given on the funding to this reserve. The CEO notes that the 13% was provided by the intercreditor agreement, so UWSS must meet that requirement each year. Director Atkinson recommends a range be included so she would like to see 13-18%. Chair Rogers recommends that the CFO and CEO ask the County what they are using for their ranges.

The CFO reminds members that this policy will be reviewed going forward on a regularly scheduled basis, somewhere between 3-5 years, with Chair Rogers noting that the review should not exceed five (5) years.

Director Wharram feels that section 8.0 requires an amendment to include that the reporting on the reserves should first be presented to the Finance & Audit Committee. He would also like to see wording changes within section 4.0 to include "subject to UWSS Inc's Investment

Policy". The CFO makes note and will bring these changes back to the committee, along with the Investment Policy.

The CFO then moves on to the Rate Stabilization Reserve Policy. She asks members to consider section 5.0, and notes that Director St. Amant provided some comments via email, which will be part of the amendments. Chair Rogers again asks what the other local municipalities are doing with regard to these policies, and we should reach out to our colleagues to gather some comparisons. He would also like to see some amendments to include that if a max is reached within other reserves, the difference would go to the rate stabilization reserve.

The CEO notes that he is meeting with the Financial Directors next week and will be sure to ask their opinions.

The CFO then begins to review the Capital Reserve Policy with the members of the committee. This policy will help maintain adequate long-term funding for repair, replacement and renewal of major capital assets. She notes that there will be an additional lifecycle funding requirement this year, that will be set aside from revenues, and the two are very similar in nature. A draft Lifecycle Reserve Policy will be prepared to be circulated to the committee members. She notes that these policies are both tied to the asset management plan as well.

The information exchanged here was taken as direction to staff to make amendments to the current draft policies of Capital Reserve, Operating and General Reserve, Rate Stabilization policies and to draft both the Investment Policy as well as the Lifecycle Reserve Policy. Amendments and additions are to be brought back to the next Finance & Audit Committee meeting.

## Action Items

The CFO brings up the organizational chart that had been requested at the previous Finance & Audit Committee meeting. She notes the organizational structure of UWSS Inc., Board of Directors, Staff, OCWA and committees. There was some minor adjustments suggested and noted that this should be part of the 2027 review of the restructuring documents.

The quarterly meeting dates were discussed and scheduled, the recording secretary will send out the invites following the meeting.

## Adjournment

No. FAC-07-26

Moved by: Director Atkinson

Seconded by: Director Sunderland

Time adjourned: 10:19 am

**Date of Next Meeting:** May 20<sup>th</sup>, 2026, 9:00 am at the Ruthven Water Treatment Plant

# UNION WATER SUPPLY SYSTEM INC.

Internal Financial Statements

December 31, 2025 and 2024

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# Union Water Supply System Inc.

## Statement of Financial Position

As at December 31, 2025 (with comparative figures for 2024)

	<i>Audited</i>	
	2025	2024
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 24,736,568	\$ 21,214,424
Accounts receivable (Note 4)	2,355,585	1,567,504
Government rebate receivable	4,488,088	851,688
Prepaid expenses	187,209	168,719
	<u>31,767,450</u>	<u>23,802,335</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	89,436,528	59,183,874
<b>TOTAL ASSETS</b>	<u>\$ 121,203,978</u>	<u>\$ 82,986,209</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 6,950,147	3,955,943
<b>OPERATING LINE OF CREDIT (Note 6)</b>	28,045,380	-
<b>RESTORATION PROVISION (Note 7)</b>	1,262,198	1,232,615
<b>RETIREMENT PROVISION</b>	327,900	282,400
	<u>36,585,625</u>	<u>5,470,958</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
10,000 Class A special tracking shares (Note 9)	100	100
Contributed surplus	71,798,346	71,798,346
Retained earnings	12,819,907	5,716,805
	<u>84,618,353</u>	<u>77,515,251</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 121,203,978</u>	<u>\$ 82,986,209</u>

# Union Water Supply System Inc.

## Statement of Changes in Equity

For the year ended December 31, 2025

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<b>December 31, 2024</b>	\$ 100	\$ 71,798,346	\$ 5,716,805	\$ 77,515,251
Net income and comprehensive income	-	-	7,103,102	77,515,251
<b>December 31, 2025</b>	100	71,798,346	12,819,907	155,030,502

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# Union Water Supply System Inc.

## Statement of Comprehensive Income

For the year ended December 31, 2025 (with comparative figures for 2024)

	<i>Audited</i>	
	2025	2024
<b>REVENUES</b>		
Water supply and services <i>(Note 10)</i>	\$ 16,953,707	\$ 15,185,316
Investment income	767,279	1,225,233
Rental income	127,406	57,798
	<b>17,848,392</b>	<b>16,468,347</b>
<b>EXPENSES</b>		
Accretion	29,583	28,889
Administration fees <i>(Note 10)</i>	192,904	192,048
Advertising and promotion	4,576	3,301
Bad debts	41,454	-
Board honoraria and mileage <i>(Note 10)</i>	43,804	70,338
Carbon dioxide	44,417	150,098
Depreciation	2,159,827	2,065,054
Insurance	44,119	33,387
Interest and bank charges	969	941
Interest on long-term debt	-	758,539
Meeting and conventions	27,276	14,501
Non-recurring project cost	114,031	39,192
Office and computer supplies	209,807	98,270
Operating programs and studies	194,402	145,234
Post-retirement benefits	45,500	-
Professional services	244,317	460,122
Property taxes <i>(Note 10)</i>	180,998	177,311
Repairs and maintenance <i>(Note 10)</i>	272,065	426,106
Telephone	19,248	16,337
Travel	10,106	6,557
Utilities	1,666,252	1,612,038
Wages and benefits <i>(Note 10)</i>	610,698	334,496
Water maintenance service and testing (OCWA) <i>(Note 10)</i>	4,588,937	4,118,783
	<b>10,745,290</b>	<b>10,751,542</b>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>7,103,102</b>	<b>5,716,805</b>

# Union Water Supply System Inc.

## Statement of Cash Flows

For the year ended December 31, 2025 (with comparative figures for 2024)

	<i>Audited</i>	
	2025	2024
<b>OPERATING ACTIVITIES</b>		
Net income and comprehensive income	\$ 7,103,102	\$ 5,716,805
Items not affecting cash:		
Amortization of tangible capital assets	2,159,827	2,065,054
Accretion and amortization of asset retirement obligations	29,583	28,889
Post-retirement benefits provision	45,500	-
	9,338,012	7,810,748
<b>Changes in non-cash working capital</b>		
Decrease (increase) in accounts receivable	(788,081)	241,730
Increase in government receivable	(3,636,400)	(851,688)
Increase in prepaid expenses	(18,490)	(152,761)
Increase (decrease) in accounts payable	2,994,204	(465,440)
	(1,448,767)	(1,228,159)
Cash provided by operations	7,889,245	6,582,589
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(32,412,481)	(3,445,897)
Cash acquired on transfer of net assets from UWSS	-	24,337,083
Change in amount due to shareholders	-	100
Cash provided by (used in) investing activities	(32,412,481)	20,891,286
<b>FINANCING ACTIVITIES</b>		
Advance on operating line of credit	28,045,380	-
Repayment of long-term debt		(6,259,451)
Cash provided by (used in) financing activities	28,045,380	(6,259,451)
<b>Net Change in Cash for Year</b>	3,522,144	21,214,424
<b>Cash, Beginning of Year</b>	21,214,424	-
<b>Cash, End of Year</b>	\$ 24,736,568	\$ 21,214,424

# Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2025

## 1. CORPORATE INFORMATION AND DESCRIPTION OF BUSINESS

Union Water Supply System Inc. ("the Company") was incorporated under the Ontario Business Corporations Act on February 24, 2023 and is a Municipal Services Corporation as set out in Ontario Regulation 599/06 of the Municipal Act, 2001. The Company's principal activity is the drinking water to its municipal shareholders. This activity was previously carried out by Union Water Supply System (UWSS). On April 22, 2024, the municipal shareholders transferred the net assets of UWSS to the Company.

The Company's head office is located at 1615 Union Ave, Ruthven, ON, N0P 2G0.

The Company has four shareholders which are the Corporation of the Municipality of Leamington, the Corporation of the Town of Kingsville, the Corporation of the Town of Essex, and the Corporation of the Municipality of Lakeshore, collectively the "municipal shareholders".

## 2. BASIS OF PREPARATION

The financial statements of the Union Water Inc. are prepared in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board of CPA Canada.

### *Statement of compliance*

These financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS).

The material accounting policies adopted to prepare these financial statements are set out below in Note 3.

The financial statements for the year ended December 31, 2024, were authorized for issue by the Board of Directors on xx, 2026.

### *Basis of measurement*

These financial statements have been prepared on a historical cost basis, except when certain financial instruments have been measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### *Functional and presentation*

#### *currency*

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

### *Use of estimates and judgment*

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

# Union Water Supply System Inc.

## Notes to the Financial Statements

For The Year Ended December 31, 2025

### 1. BASIS OF PREPARATION (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The Company bases its estimates and judgments on historical experience, current conditions and various other reasonable assumptions. Significant estimates and judgments include:

- The estimated useful lives of property, plant and equipment (Schedule);
- The recoverability of property, plant and equipment including estimates of future costs to retire physical assets, selection of a discount rate (Note 7); and,
- Post-retirement benefits.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

#### (a) Revenue recognition

Revenue from the treatment and distribution of water (water supply and services revenue) is recognized when the water is delivered to municipal shareholders. Revenue is recognized when performance obligations are met and when collection of the resulting receivable is probable.

Interest income is accrued on a time basis by reference to the principal outstanding and Effective Interest Rate (EIR) applicable. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or

Rent revenue is recognized on the straight line basis.

#### (b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and on-demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible into a known amount of cash.

#### (c) Property, plant and equipment

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

The Company capitalizes the costs directly attributable to procuring and constructing property, plant and equipment, which include labour and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

# Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2025

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

Borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. For the years presented in these financial statements there were no

Property and equipment are assessed at each reporting date to determine whether any indication of impairment exists. When an indicator of impairment exists, the recoverable in profit or loss. The recoverable amount is the higher of value in use and fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its estimated useful life, with the exception of land which is not depreciated. Assets in the course of construction are not depreciated until they are commissioned. The estimated useful lives are as follows:

Land Improvements	25 to 50 years
Buildings	20 to 50 years
Machinery and Equipment	3 to 50 years
Linear Assets	10 to 90 years
Website development	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

#### (d) Income taxes

The Company is not subject to income tax by virtue of paragraph 149(1)(d.5) of the Income Tax Act (Canada). Accordingly, no income taxes are recognized in these financial statements.

#### (e) Business combination under common control

The transaction described in Note 5 has been accounted for as a combination of businesses under common control as it has occurred between parties under common control. The Company recorded the transferred cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, long-term debt and retirement provision at the carrying amounts recorded in UWSS and recorded the transferred property, plant and equipment and restoration provision at amortized cost recorded in UWSS. The Company recorded the net assets transferred from UWSS as an equity contribution to the Company by its municipal shareholders which is reflected as an increase in

# Union Water Supply System Inc.

## Notes to the Financial Statements

For The Year Ended December 31, 2025

### 3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

#### (f) Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the outflow of resources embodying economic benefits will be required to settle an obligation and a

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to that liability.

#### Restoration provision

The restoration provision is recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognized as a part of the cost of the related asset. The carrying value of the liability is reviewed annually with changes to the timing or amount of the original estimate of cash outflows recorded as an adjustment to the liability and related item of property, plant and equipment. The discount rate used was 2.4%.

#### (g) Financial Instruments

Financial assets and liabilities are initially recognized in the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are measured at amortized cost at each subsequent reporting period using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the instrument, and interest income is reported in profit or loss. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recognized in profit or loss or in other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

Financial liabilities classified as subsequently measured at amortized cost are measured using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the instrument. Interest expense is reported in profit or loss.

# Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2025

### 3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on reasonable and supportable forward-looking information

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

#### (h) New and revised IFRS issued but not yet effective

At the date of authorization of these financial statements, several new, but not yet effective, IFRS and amendments to existing IFRS and Interpretations of the IFRS Interpretations Committee ("IFRIC") have been published by the International Accounting Standard Board. None of these IFRS or amendments to existing IFRS have been adopted early by the Company and no interpretations have been issued that are applicable and need to be taken into consideration by the Company at the reporting date. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

#### *IFRS 18 – Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in the Financial Statements. IFRS 18 will replace IAS 1 Presentation of Financial Statements but carries forward many of the requirements from IAS 1. The standard introduces new defined subtotals to be presented in the Company's statement of comprehensive income, disclosure of any management-defined performance measures related to the statement of comprehensive income and requirements for grouping of information. IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with earlier adoption permitted, and will apply retrospectively. The Company is currently in the process of assessing the impact of IFRS 18 (and applicable amendments to other standards) on the financial statements and notes to the financial statements.

#### *Amendments to the Classification and Measurement of Financial*

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments. The amendments clarify that a financial liability is derecognized on the settlement date and introduce an accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date. The amendments are effective for annual periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets (for contingent features). The Company does not expect any material impact on their financial statements.

# Union Water Supply System Inc.

## Notes to the Financial Statements

For The Year Ended December 31, 2025

### 4. ACCOUNTS RECEIVABLE

The Company's accounts receivable are summarized as follows:

	2025	2024
The Corporation of the Municipality of Leamington	\$ 1,863,671	\$ 1,170,295
The Corporation of the Town of Kingsville	346,190	324,182
The Corporation of the Town of Essex	55,149	-
The Corporation of the Municipality of Lakeshore	27,659	-
Trade and other receivables	62,916	73,027
	<u>\$ 2,355,585</u>	<u>\$ 1,567,504</u>

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are summarized as follows:

	2025	2024
Trade and other payables	\$ 5,803,962	\$ 3,520,894
The Corporation of the Town of Essex	31,352	5,945
The Corporation of the Municipality of Leamington	122,785	-
The Corporation of the Municipality of Lakeshore	12,264	76,351
The Corporation of the Town of Kingsville	88,623	-
Key management personnel	-	18,953
Ontario Clean Water Agency	891,161	333,800
	<u>\$ 6,950,147</u>	<u>\$ 3,955,943</u>

### 6. CREDIT FACILITY

The Company has a credit facility, which includes a letter of credit that can be drawn upon to a maximum of \$30,000. Amounts drawn on the letter of credit bear interest at 1.50%. At year-end, no amount was drawn on this letter of

The credit facility also includes an operating line that can be drawn upon to a maximum of \$60,000,000, which bears interest at the financial institution's prime interest rate minus 1%. At year-end, the Company had drawn \$28,045,380 on the operating line. Subsequent to year-end, the Company has drawn an additional \$7,237,246 on the operating line. The prime interest rate was 4.45% at year-end, with no change subsequent to year-end.

# Union Water Supply System Inc.

## Notes to the Financial Statements

For The Year Ended December 31, 2025

### 7. RESTORATION PROVISION

The Company has recorded a provision for the removal and disposal of asbestos within buildings owned by the Company, the decommissioning of a water tower and removal of underground fuel and septic tanks. The outflows for rehabilitation work are expected to be incurred from 2032 to 2063.

	2025	2024
Restoration provision, beginning of year	\$ 1,232,615	\$ -
Recognition on transfer of net assets from UWSS	-	1,203,726
Accretion expense	29,583	28,889
	\$ 1,262,198	\$ 1,232,615

### 8. COMMITMENTS

#### **Construction Contract**

The Company is committed to a \$56,850,000 construction contract for a new reservoir with an expected completion date of December 15, 2026. The remaining unpaid commitment on the contract, as at December 31, 2025, is \$28,804,620. The Company plans to fund the project through credit facilities with Windsor Family Credit Union, with the remainder, if any, being funded through operations.

#### **Service Contract**

The Company has entered into a service contract with Ontario Clean Water Agency (OCWA) for operation of the Company's water system infrastructure and for regulatory compliance. The contract expires December 31, 2025, but has been extended to June 30, 2026, and the remaining commitment is \$4,032,000.

### 9. CLASS A SPECIAL TRACKING SHARES

The Company has issued 10,000 Class A special tracking shares, without par value, at a subscription price of one cent (\$0.01) per share. The Class A special tracking shares are voting shares that entitle one vote per share held.

The transfer of shares in the Company is prohibited except as permitted by the By-Laws of the Company. Every four years, the shares are redistributed based on water consumption. The holders of the Class A special shares are entitled to receive the remaining property of the Company on dissolution. To the extent that there are retained earnings in the Company, the holders of the Class A special tracking shares are entitled to receive to the extent declared, and the Company shall pay, thereon, dividends in an amount determined by the Board of Directors from time to time, and in accordance with a policy to be approved by the shareholder municipalities.

# Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2025

## 9. CLASS A SPECIAL TRACKING SHARES (cont'd)

Share capital activity for the periods presented is as follows:

	2025		2024	
	Shares	Amount	Shares	Amount
Class A Special Tracking Shares				
Shares outstanding at the beginning of the period	10,000	\$ 100	10,000	\$ 100
Issued	-	-	-	-
Shares outstanding at the end of the period	10,000	\$ 100	10,000	\$ 100

## 10. RELATED PARTY TRANSACTIONS

The Corporation is related to its municipal shareholders, The Corporation of the Municipality of Leamington, The Corporation of the Town of Kingsville, The Corporation of the Town of Essex, and The Corporation of the Municipality of Lakeshore. Key management personnel are comprised of the directors and executive officers. The following is a summary of the Company's related party transactions, not otherwise disclosed elsewhere in the financial statements:

	2024	2023
Revenue from water supply and services to municipal shareholders:		
The Corporation of the Municipality of Leamington	\$ 8,981,544	\$ 8,029,265
The Corporation of the Town of Kingsville	5,839,090	5,397,386
The Corporation of the Town of Essex	766,658	646,028
The Corporation of the Municipality of Lakeshore	386,549	411,815
Administration fees paid municipal shareholders	192,904	192,048
Remuneration paid to key management personnel	197,598	206,172
Net assets of UWSS transferred from municipal shareholders	-	71,798,346
Property taxes incurred from municipal shareholders	180,998	177,311
Watermain repairs incurred from municipal shareholders	24,991	103,900
Bad debts	41,454	-

## 11. MANAGEMENT OF CAPITAL

The Company defines capital as its equity and any borrowings from its corporate credit facilities, less cash and cash equivalents totaling \$87,000,000. The Company's strategy for funding general development efforts and investing in projects is a mix of internally generated cash flows and borrowings from corporate credit facilities.

# Union Water Supply System Inc.

## Notes to the Financial Statements

For The Year Ended December 31, 2025

### 12. FINANCIAL INSTRUMENTS

The Company is exposed to credit risk and concentration through its financial instruments. The Company was not exposed to significant liquidity risk or market risk at December 31, 2025. The following analysis provides information about the Company's risk exposure and concentration as of December 31, 2025.

#### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its cash and accounts receivable. The Company does not obtain collateral or other security to support the cash and accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be The maximum credit risk to which the company is exposed is \$27,092,000, at December 31, 2025.

As at December 31, 2025, 94% of the trade accounts receivable balance is receivable from two customers. The customers are municipalities which have been transacting with the company since inception and none of these customer balances have been written-off or are credit-impaired at the reporting date. Management has considered available forward-looking information and no allowance is required. As at December 31, 2025, all of the Company's cash is on deposit at one financial instruction. The Company manages this risk by contracting with what it considers to

### 13. FINANCIAL ASSETS AND LIABILITIES

	2025	2024
<b>Financial assets</b>		
<i>Amortized cost</i>		
Cash	\$ 24,736,568	\$ 21,214,424
Accounts receivable	2,355,585	1,567,504
<b>Total</b>	<b>\$ 27,092,153</b>	<b>\$ 22,781,928</b>
<b>Financial liabilities</b>		
<i>Amortized cost</i>		
Accounts payable and accrued liabilities	\$ 6,950,147	\$ 3,955,943
Operating line	28,045,380	-
<b>Total</b>	<b>\$ 34,995,527</b>	<b>\$ 3,955,943</b>

Included in accounts payable and accrued liabilities are amounts payable for property, plant and equipment additions of \$5,200,000.

UNION WATER SUPPLY SYSTEM INC.  
INTERNAL BALANCE SHEET  
AS OF MARCH 31, 2026



	MARCH 31, 2026	December 31, 2025	Variance to Year-End (\$)	Variance to Year-End (%)	Commentary
	Actual	Internal			
<b>ASSETS</b>					
Cash and short-term investments	\$ 6,383,546	\$ 6,410,101	\$ (26,555)	(0.4%)	
Restricted funds	18,460,081	18,326,467	133,614	0.7%	
Accounts receivable	1,791,394	2,355,585	(564,191)	(31.5%)	Includes accounts receivable over 30 days of \$545,000 from Leamington and Lakeshore, of which all funds have been received.
Government remittances receivable	4,380,002	4,488,088	(108,086)	(2.5%)	
Prepaid expenses	173,674	187,209	(13,535)	(7.8%)	
Total current assets	31,188,697	31,767,450	(578,753)	(1.9%)	
<b>Property, plant and equipment</b>	91,894,395	89,436,528	2,457,867	2.7%	Primarily from Reservoir #3 construction in progress
<b>TOTAL ASSETS</b>	<b>\$ 123,083,092</b>	<b>\$ 121,203,978</b>	<b>\$ 1,879,114</b>	<b>1.5%</b>	

UNION WATER SUPPLY SYSTEM INC.  
INTERNAL BALANCE SHEET  
AS OF MARCH 31, 2026



	MARCH 31, 2026	December 31, 2025	Variance to Year-End (\$)	Variance to Year-End (%)	Commentary
	Actual	Internal			
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	2,386,813	6,908,079	\$ (4,521,266)	(189.4%)	YE included accruals for Alberici invoices billed in January 2026 for work completed December 2025 of \$2.6 million, and OCWA 2025 true-up costs to actual (\$555k)
Accrued payroll liabilities	29,281	42,068	(12,787)	(43.7%)	
Operating line	33,494,380	28,045,380	5,449,000	16.3%	
<b>Total current liabilities</b>	<b>35,910,474</b>	<b>34,995,527</b>	<b>914,947</b>	<b>2.5%</b>	
<b>Long-term liabilities</b>					
Asset retirement obligation	1,262,198	1,262,198	-	0.0%	
Retirement provision	327,900	327,900	-	0.0%	
<b>Total long-term liabilities</b>	<b>1,590,098</b>	<b>1,590,098</b>	<b>-</b>	<b>0.0%</b>	
<b>Total liabilities</b>	<b>37,500,572</b>	<b>36,585,625</b>	<b>914,947</b>	<b>2.4%</b>	
<b>SHAREHOLDERS' EQUITY</b>					
Class A Shares	100	100	-	0.0%	
Opening retained earnings	84,618,253	71,798,346	12,819,907	15.2%	
Current year earnings	964,167	12,819,907	(11,855,740)	(1229.6%)	
<b>Total Shareholders' Equity</b>	<b>85,582,520</b>	<b>84,618,353</b>	<b>964,167</b>	<b>1.1%</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 123,083,092</b>	<b>\$ 121,203,978</b>	<b>1,879,114</b>	<b>1.5%</b>	

UNION WATER SUPPLY SYSTEM INC.  
INTERNAL INCOME STATEMENT  
FOR THE THREE MONTHS ENDED MARCH 31, 2026



	Q1 2026 Actuals	Q1 2026 Budget	Variance to Budget (\$)	Variance to Budget (%)	Actual to Budget Commentary
<b>REVENUES</b>					
Treatment & Transmission - Leamington	1,569,992	1,744,434	(174,442)	(10%)	Lower actual flows than budgeted of approx. 224,700 m <sup>3</sup>
Treatment & Transmission - Lakeshore	80,019	80,855	(836)	(1%)	
Treatment & Transmission - Essex	151,606	143,645	7,961	6%	Higher actual flows than budgeted of approx. 10,200 m <sup>3</sup>
Treatment & Transmission - Kingsville	1,105,199	1,146,945	(41,746)	(4%)	Lower actual flows than budgeted of approx. 53,800 m <sup>3</sup>
Treatment & Transmission - Highbury Canco	188,253	162,485	25,768	16%	Higher actual flows than budgeted of approx. 33,100 m <sup>3</sup>
Treatment & Transmission	\$ 3,095,069	\$ 3,278,364	\$ (183,295)	(6%)	
Non-Revenue Water Loss	(89,450)	(134,511)	45,061	(33%)	Water loss lower than budget due to lower actual flows than budgeted
Commercial customer revenue	-	23,216	66,861	288%	
Reserves	79,698	81,046	(1,348)	(2%)	
Investment income	178,854	295,720	(116,866)	(40%)	Lower than budgeted cash balances on WFCU cash in general and reserve accounts
Other revenue	52,851	13,460	39,391	293%	Includes CIMA cost recovery from Windsor Canada Utilities Ltd. for the UWSS -WUC Emergency Redundancy Project, not budgeted (\$39.3K)
<b>Total revenues</b>	<b>3,317,022</b>	<b>3,557,295</b>	<b>(217,057)</b>	<b>(6%)</b>	
<b>OPERATING EXPENSES</b>					
OCWA Operating Contract	1,025,491	1,304,094	(278,603)	(21%)	Timing difference due to change in OCWA billing compared to budget
Utilities	426,401	430,000	(3,599)	(1%)	
Professional Fees - Engineering	-	12,500	(12,500)	(100%)	
Carbon Dioxide	6,739	16,500	(9,761)	(59%)	
Residuals Ponds Maintenance	-	62,500	(62,500)	0%	
Operational Programs & Studies	223,789	120,000	103,789	86%	Timing difference on actuals to budget, primarily associated with leak detection study
Repairs & Maintenance	8,345	44,489	(36,144)	(81%)	
Software Support & Maintenance	19,477	31,075	(11,598)	(37%)	
Insurance	9,371	9,375	(4)	(0%)	
Hardware Support & Maintenance	10,995	16,025	(5,030)	(31%)	
Water Quality/Corrosion Monitoring Prgm	6,250	12,500	(6,250)	(50%)	
Telecommunication Expense	2,619	1,500	1,119	75%	
Advertising & Promotion	-	1,250	(1,250)	(100%)	
Shipping, Freight, and Delivery	1,848	625	1,223	0%	
	-				
<b>Total operating expenses</b>	<b>1,741,325</b>	<b>2,062,433</b>	<b>(321,108)</b>	<b>(16%)</b>	

UNION WATER SUPPLY SYSTEM INC.  
INTERNAL INCOME STATEMENT  
FOR THE THREE MONTHS ENDED MARCH 31, 2026



	Q1 2026 Actuals	Q1 2026 Budget	Variance to Budget (\$)	Variance to Budget (%)	Actual to Budget Commentary
<b>GENERAL AND ADMIN EXPENSES</b>					
Salaried Wages	158,854	228,315	(69,461)	(30%)	Budget includes spend for additional hires not yet realized
Benefits	24,006	16,073	7,933	49%	Monthly budget for Manulife lower than actuals by approx. \$6.6k due to increase in premiums, and healthcare spending account not budgeted
Board Expenses	37,922	34,500	3,422	10%	
Professional Fees	18,093	17,500	593	3%	
Municipal administrative charges	49,142	50,000	(858)	(2%)	
Conferences	2,698	2,450	248	10%	
Travel & Mileage	1,288	255	1,033	405%	Higher fuel costs in actuals than budgeted
Training	744	3,000	(2,256)	(75%)	
Property Tax	45,245	45,250	(5)	(0%)	
Dues, Memberships and Subscriptions	2,227	2,028	199	10%	
Office Expense	2,212	5,950	(3,738)	(63%)	
Interest Expense	263,815	285,307	(21,492)	(8%)	Interest to be capitalized as part of Reservoir #3 construction costs
Vehicle Expenses	2,902	4,388	(1,486)	(34%)	
Meeting Expense	753	1,875	(1,122)	(60%)	
Bank Charges	630	875	(245)	(28%)	
Donations	1,000	-	1,000	0%	
Non-Recoverable Taxable Expense	-	15,288	(15,288)	(100%)	
<b>Total general and admin expenses</b>	<b>611,531</b>	<b>713,054</b>	<b>(101,523)</b>	<b>(14%)</b>	
<b>Net Income</b>	<b>\$ 964,167</b>	<b>\$ 781,808</b>	<b>\$ 182,359</b>	<b>23%</b>	