

Consolidated Financial Statements

Waterloo Region District School Board

August 31, 2025

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Independent auditor's report

To the Board of Trustees of the
Waterloo Region District School Board

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Opinion

We have audited the consolidated financial statements of Waterloo Region District School Board ("the Board"), which comprise the consolidated statement of financial position as at August 31, 2025, and the consolidated statements of operations, changes in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are prepared, in all material respects, the financial position of Waterloo Region District School Board as at August 31, 2025, and its consolidated results of operations, changes in net debt and cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Board's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 our 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 the Board'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 the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Board and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

Mississauga, Canada
December 5, 2025

Chartered Professional Accountants
Licensed Public Accountants

Waterloo Region District School Board

Consolidated Statement of Financial Position

As at August 31

2025

2024

Financial assets

Cash and cash equivalents	\$ 67,656,249	\$ 46,806,443
Accounts receivable – other (Note 2)	63,387,383	149,834,876
Accounts receivable – Government of Ontario – approved capital (Note 2)	<u>110,901,341</u>	<u>106,959,619</u>
	<u>241,944,972</u>	<u>303,600,938</u>

Liabilities

Accounts payable and accrued liabilities	58,490,267	131,693,824
Net debenture debt and capital loans (Notes 8 and 9)	73,280,955	81,406,093
Deferred revenue (Note 3)	48,875,096	32,967,697
Employee benefits payable (Note 7)	20,681,522	22,109,017
Asset retirement obligation (ARO) (Note 5)	94,656,609	85,135,273
Deferred capital contributions (Note 4)	<u>651,179,021</u>	<u>633,330,299</u>
	<u>947,163,470</u>	<u>986,642,203</u>

Net debt

	(705,218,497)	(683,041,265)
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Non-financial assets		
Inventories of supplies	74,711	871,870
Prepaid expenses	20,094,427	21,011,311
Tangible capital assets (TCA) (Note 12)	<u>841,387,806</u>	<u>811,289,622</u>
	<u>861,556,943</u>	<u>833,172,803</u>
Accumulated surplus (Note 13)	<u>\$ 156,338,446</u>	<u>\$ 150,131,538</u>

Contractual obligations and contingent liabilities (Note 16)

On behalf of the Board



Director of Education

Date December 18, 2025



Chair of the Board

Date December 18, 2025

See accompanying notes to the consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Operations

Year ended August 31, 2025

	2025 Budget	2025 Actual	2024 Actual
Revenues			
Core Education Funding (Note 10)			
Provincial legislative grants	\$ 592,610,225	\$ 647,677,686	\$ 620,354,159
Education property tax	186,407,136	184,761,667	181,598,793
Provincial grants – other	31,679,317	10,751,153	92,534,637
School generated funds revenue	13,468,334	11,859,817	10,505,569
Federal grants and fees	-	-	166,869
Investment income	651,000	2,379,728	4,654,615
Other fees and revenues from other sources	24,214,800	42,330,926	51,047,121
Amortization of deferred capital contributions	44,248,821	47,477,903	45,793,002
Total revenues	<u>893,279,633</u>	<u>947,238,880</u>	<u>1,006,654,766</u>
Expenses (Note 11)			
Instruction expenses	672,661,354	731,883,997	768,999,520
Administration expenses	19,072,983	20,353,809	22,859,043
Transportation expenses	23,324,900	22,099,629	23,137,349
Pupil accommodation expenses	122,147,773	133,996,376	130,129,397
School generated funds expenses	13,468,334	10,980,503	10,307,624
Other expenses (Note 20)	48,871,272	21,717,658	31,125,000
Total expenses	<u>899,546,616</u>	<u>941,031,972</u>	<u>986,557,933</u>
Annual surplus (deficit) (Note 13)	(6,266,983)	6,206,908	20,096,832
Accumulated surplus at beginning of year	<u>150,131,538</u>	<u>150,131,538</u>	<u>130,034,706</u>
Accumulated surplus at end of year	<u>\$ 143,864,555</u>	<u>\$ 156,338,446</u>	<u>\$ 150,131,538</u>

See accompanying notes to the consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Cash Flows

Year ended August 31

2025

2024

Sources and uses of cash and cash equivalents

Operating transactions

Annual surplus (deficit)	\$ 6,206,908	\$ 20,096,832
Non-cash items including:		
Amortization, write downs, (gains) loss on disposal of TCA	48,173,135	46,526,660
Amortization of TCA-ARO	2,914,360	2,643,540
Increase of ARO liabilities excluding settlements	9,941,031	1,170,744
Increase of TCA-ARO asset excluding		
amortization on TCA-ARO	(3,052,306)	(1,001,126)
Deferred capital contributions revenue	(47,477,903)	(45,793,002)
Decrease (Increase) in accounts receivable - other	88,262,586	(76,930,123)
Increase (Decrease) in accounts receivable – Delayed grant payment	(1,815,093)	2,458,096
Decrease (Increase) in accounts payable and accrued liabilities	(73,204,121)	83,951,835
Increase (Decrease) in deferred revenue-operating	2,101,419	(995,008)
Decrease (Increase) in employee benefits payable	(1,427,495)	(338,867)
Decrease (Increase) in prepaid expenses	916,885	627,415
Decrease (Increase) in inventories of supplies	797,159	(51,349)
Settlement of ARO through abatement	(419,695)	(300,896)
Cash provided by operating transactions	<u>31,917,434</u>	<u>32,064,751</u>

Capital transactions

Cash used to acquire tangible capital assets	<u>(78,133,373)</u>	<u>(75,566,055)</u>
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Financing transactions

Debt repaid and sinking fund contributions	(8,125,138)	(8,844,729)
Increase (Decrease) in accounts receivable –		
Government of Ontario – approved capital	(3,941,722)	5,261,578
Additions to deferred capital contributions	65,326,625	50,287,162
Increase (Decrease) in deferred revenue – Capital	13,805,980	(14,443,835)
Net increase in cash from financing	<u>67,065,745</u>	<u>32,260,176</u>
Change in cash and cash equivalents	<u>20,849,806</u>	<u>(11,241,128)</u>
Opening cash and cash equivalents	<u>46,806,443</u>	<u>58,047,571</u>
Closing cash and cash equivalents	<u>\$ 67,656,249</u>	<u>\$ 46,806,443</u>

See accompanying notes to the consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Changes in Net Debt

Year ended August 31

	2025 Budget	2025 Actual	2024 Actual
Annual surplus (deficit)	\$ (6,266,983)	\$ 6,206,908	\$ 20,096,832
Tangible capital asset activity			
Acquisition of tangible capital assets	(91,455,880)	(78,133,373)	(75,566,055)
Amortization, write downs, (gains) loss on disposal of TCA	38,512,451	48,173,135	46,526,660
Amortization of TCA - ARO	3,028,660	2,914,360	2,643,540
Changes in estimate of TCA - ARO	4,088,320	(3,052,306)	(1,001,126)
Total tangible capital asset activity	(45,826,449)	(30,098,184)	(27,396,981)
Other non-financial asset activity			
Acquisition of inventories of supplies	-	(74,711)	(871,870)
Acquisition of prepaid expenses	-	(20,094,427)	(21,011,311)
Consumption of inventories of supplies	-	871,871	820,521
Use of prepaid expenses	-	21,011,311	21,638,726
Total other non-financial asset activity	-	1,714,044	576,066
Change in net debt	(52,093,432)	(22,177,232)	(6,724,083)
Net debt at beginning of year	(683,041,265)	(683,041,265)	(676,317,182)
Net debt at end of year	\$ (735,134,697)	\$ (705,218,497)	\$ (683,041,265)

See accompanying notes to the consolidated financial statements.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

1. Summary of significant accounting policies

The consolidated financial statements of Waterloo Region District School Board (the “board”) are prepared by management in accordance with the basis of accounting described below.

Basis of accounting

These consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario of Education memorandum 2004:B2 and Ontario Regulations 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with the year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets, and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue is recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Ontario Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards (PSAS).

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

1. Summary of significant accounting policies (continued)

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity comprises all organizations accountable for the administration of their financial affairs and resources to the board and which are controlled by the board.

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level, as well as the Waterloo Education Foundation Inc., that are controlled by the board, are reflected in the consolidated financial statements.

The consolidated financial statements also reflect the board's pro-rata share of assets, liabilities, revenues and expenses of the Student Transportation Services of Waterloo Region Inc. (STSWR), which is a partnership that was formed with Waterloo Catholic District School Board. Inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.

Trust funds

Trust funds and their related operations administered by the board are not included in the consolidated financial statements as they are not controlled by the board.

Financial Instruments

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument.

<i>Financial Instrument</i>	<i>Measurement Method</i>
Cash and cash equivalents	Amortized Cost*
Accounts receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Net debenture debt and capital loans	Amortized Cost

Amortized cost is measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. Transaction costs related to the acquisition of investments are added to the amortized cost. It is applied to financial assets or financial liabilities that are not in the fair value category and is now the method that must be used to calculate amortized cost. Cost category: Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

1. Summary of significant accounting policies (continued)

Fair value category: The board manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, are subject to insignificant risk of changes in value and have a short maturity term of less than 90 days. Short-term investments are recorded at the lower of cost and market value.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services, performance obligations and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

Deferred capital contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- government transfers received or receivable for capital purpose;
- other restricted contributions received or receivable for capital purpose; and
- property taxation revenues that were historically used to fund capital assets.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

1. Summary of significant accounting policies (continued)

Retirement and other employee future benefits

The board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the Principals and Vice-Principals Associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-17: Elementary Teachers' Federation of Ontario (ETFO), Ontario Secondary School Teachers' Federation (OSSTF), Elementary Teachers' Federation of Ontario — Education Workers (ETFO-EW) and Ontario Secondary School Teachers' Federation-Education Workers (OSSTF-EW). The following ELHTs were established in 2017-2018: The Education Workers' Alliance of Ontario (EWAO) Ontario Non-union Education Trust (ONE-T) for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff) and other school board staff. Currently, ONE-T ELHT also provides benefits to individuals who retired prior to the school board's participation date in the ELHT. These benefits are provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHT on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Funding for the ELHTs is based on the existing benefits funding embedded within the Core Education Funding including additional ministry funding in the form of a Crown Contribution and Stabilization Adjustment.

The board continues to provide health, dental and life insurance benefits for retired individuals that were previously represented by the following unions/federations: ETFO, OSSTF and OSSTF-EW.

In 2012, changes were made to the board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The board has adopted the following policies with respect to accounting for these employee benefit:

- i. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment, and any unamortized actuarial gains or losses are recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

1. Summary of significant accounting policies (continued)

Retirement and other employee future benefits (continued)

For self-insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- ii. Employer contributions to multi-employer defined pension plans, such as the Ontario Municipal Employees Retirement System pensions, are expensed in the period incurred.
- iii. For retirees, the liability is calculated as the present value of the expected future premium subsidy from the valuation date to the date that the retiree turns 65 or for the remaining lifetime, depending on the date of retirement.

Tangible capital assets

Tangible capital assets (TCA) are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction and legally or contractually required retirement activities. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

Land improvements	15 years
Building and building improvements	40 years
Portable structures	20 years
Other buildings	20 years
Furniture and equipment	5 – 15 years
Computer hardware	3 years
Computer software	5 years
Vehicles	5 – 10 years
Leasehold improvements	over the life of the lease

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

1. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use. Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Building permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets that meet the criteria for financial assets are reclassified as “assets held for sale” on the consolidated statement of financial position.

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

Asset Retirement Obligations – added per EFIS illustrative examples

Asset Retirement Obligations (ARO) are provisions for legal obligations for the retirement of tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

- there is a statutory, contractual or legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up;
- a reasonable estimate of the amount can be made

A corresponding amount is added to the carrying value of the related tangible capital asset and is then amortized over its remaining useful life.

The estimated amounts of future costs to retire the asset is reviewed annually and adjusted to reflect the current best estimate of the liability. Adjustments may result from changes in the assumption used to estimate the amount required to settle the obligation. These amounts are recognized as an increase or decrease in the carrying amount of the asset retirement obligation liability, with a corresponding adjustment to the carrying amount of the related asset. If the related asset is no longer in productive use, all subsequent changes in the estimate of the liability for the ARO are recognized as an expense in the period incurred

Government transfers

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Ontario Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same period as the asset is amortized.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

1. Summary of significant accounting policies (continued)

Other revenue

Other revenues from transactions with performance obligations, for example, fees or royalties from the sale of goods or rendering of services, are recognized as the board satisfies a performance obligation by providing the promised goods or services to the payor. Other revenue from transactions with no performance obligations, for example, fines and penalties, are recognized when the board has the authority to claim or retain an inflow of economic resources and when a past transaction or event is an asset. Amounts received prior to the end of the year that will be recognized in subsequent fiscal year are deferred and reported as a liability.

Investment income

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

Long-term debt

Long-term debt is recorded net of related sinking fund asset balances.

Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. The budget figures presented have been adjusted to reflect the same accounting policies that were used to prepare the consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Accounts subject to significant estimates include retirement and other future employee benefits, the estimated useful lives of tangible capital assets and asset retirement obligation liabilities. Actual results could differ from these estimates.

Education Property tax revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the board, is the Province of Ontario. As a result, education property tax revenue received from the municipalities is recorded as part of the Core Education Funding under Education Property Tax

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

2. Accounts receivable – Government of Ontario and Other

Government of Ontario

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. The board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The board receives this grant in cash over the remaining term of the existing capital debt instruments. The board may also receive yearly capital grants to support capital programs, which would be reflected in the account receivable balance.

The board has an account receivable from the Province of Ontario of \$110,901,341 with respect to capital grants (2024 - \$106,959,619).

Cash management strategy

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the Ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2025 is \$26,767,239 (2024 - \$24,952,146).

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

3. Deferred revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2025 comprises:

	Balance at August 31 2024	Externally restricted revenue and investment income 2025	Adjustment	Revenue recognized in the period	Transfers to deferred capital contributions	Balance at August 31 2025
Pupil accommodation	\$ 2,975,354	\$ 36,081,299	\$ 365	\$ (24,588,040)	\$ (12,136,825)	\$ 2,332,153
Education development charges	11,048,788	26,137,261	-	(11,851,891)	-	25,334,158
Proceeds of disposition – minister exemptions and other	959,753	-	-	-	-	959,753
Proceeds of disposition – regular	548,330	-	-	-	-	548,330
Special education	7,015,354	104,406,444	44	(103,188,235)	-	8,233,607
Restricted grants	8,789,845	8,268,292	(23,230)	(6,224,729)	(553,046)	10,257,132
Other	1,630,273	1,083,307	-	(1,503,617)	-	1,209,963
Total deferred revenue	\$ 32,967,697	\$175,976,603	\$ (22,821)	\$ (147,356,512)	\$ (12,689,871)	\$ 48,875,096

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

4. Deferred capital contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Ontario Regulation 395/11 that have been expended by year-end. The contributions are amortized into revenue over the life of the asset acquired.

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 633,330,299	\$ 628,836,139
Additions to deferred capital contributions	65,326,625	50,287,162
Revenue recognized in the period	<u>(47,477,903)</u>	<u>(45,793,002)</u>
 Closing balance	 \$ 651,179,021	 \$ 633,330,299

5. Asset retirement obligations

The board discounts significant obligations where there is a high degree of confidence on the amount and timing of cash flows and the obligation will not be settled for at least five years from the reporting date. The discount and inflation rate is reflective of the risks specific to the asset retirement liability.

As at August 31, 2025, all liabilities for asset retirement obligations are reported at discounted cost with accretion.

A description of the beginning and ending aggregate carrying amount of the ARO liability is below:

	<u>2025</u>	<u>2024</u>
Liabilities for Asset Retirement Obligations		
at Beginning of Year	\$ 85,135,273	\$ 84,265,425
Liabilities Incurred During the Year		
Increase in Liabilities Reflecting		
Changes in the Estimate of Liabilities ¹	3,052,306	1,001,126
Increase in Liabilities due to Accretions ²	6,888,725	169,618
Liabilities Settled During the Year	<u>(419,695)</u>	<u>(300,896)</u>
 Liabilities for Asset Retirement Obligations at End of Year	 \$ 94,656,609	 \$ 85,135,273

¹ Reflecting changes in the estimated cash flows and the discount rate

² Increase in the carrying amount of a liability due to the passage of time

The board made an inflation adjustment of 3.46% as of August 31, 2025. This rate represents the percentage increase in the Canada Building Construction Price Index ("BCPI") survey based on the average inflation rate for Ottawa and Toronto as at June 30, 2025. The revaluation adjustment has been added to the Tangible Capital Asset – Asset Retirement Obligation balance to be amortized over the remaining useful life of the underlying asset.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

6. Financial instruments

Risks arising from financial instruments and risk management

The board is exposed to a variety of financial risks including credit risk, liquidity risk and market risk. The board's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the board's financial performance.

Credit risk

The board's principal financial assets are cash, accounts receivable and investments, which are subject to credit risk. The carrying amounts of financial assets on the Consolidated Statement of Financial Position represent the Board's maximum credit exposure as at the Consolidated Statement of Financial Position date.

Liquidity risk

Liquidity risk is the risk that the board will not be able to meet all cash flow obligations as they come due. The Board mitigates the risk by monitoring cash activities and expected outflows through extensive budgeting, monitoring and maintaining sufficient cash on hand if unexpected cash outflows arise.

Market risk

The board is exposed to interest rate risk and price risk with regard to its short and long-term investments and interest rate risk on its long-term debt, all of which are regularly monitored.

The board's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, and long-term debt. It is the Board's opinion that the Board is not exposed to significant interest rate or currency risks arising from these financial instruments except as otherwise disclosed.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

7. Employee benefits payable

					2025	2024
	Retirement gratuities	WSIB benefits	Sick leave benefits	Total employee future benefits		Total employee future benefits
Opening balance accrued employee future benefit obligations at August 31	\$ 14,041,156	\$ 7,442,401	\$ 625,460	\$ 22,109,017	\$ 22,447,884	
Current period benefit cost	- 496,947	1,661,827 250,445	505,918 -	2,167,745 747,392	3,311,315 880,973	
Interest accrued	(2,080,625)	(1,703,468)	(387,091)	(4,171,184)	(4,538,204)	
Less: benefit payments	66,921	-	(238,369)	(171,448)	7,049	
Employee future benefit liability at August 31	<u>\$ 12,524,399</u>	<u>\$ 7,651,205</u>	<u>\$ 505,918</u>	<u>\$ 20,681,522</u>	<u>\$ 22,109,017</u>	
					2025	2024
	Retirement gratuities	WSIB benefits	Sick leave benefits	Total employee future benefits		Total employee future benefits
Current period benefit cost	\$ - 496,947	\$ 1,661,827 250,445	\$ 505,918 -	\$ 2,167,745 747,392	\$ 3,311,315 880,973	
Interest on accrued benefit obligation	66,921	-	(238,369)	(171,448)	7,049	
Employee future benefit expenses*	<u>\$ 563,868</u>	<u>\$ 1,912,272</u>	<u>\$ 267,549</u>	<u>\$ 2,743,689</u>	<u>\$ 4,199,337</u>	

*Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

7. Employee benefits payable (continued)

Retirement benefits

Ontario Teacher's Pension Plan

Teachers and employees in related groups are eligible to be members of Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the province. Accordingly, no costs or liabilities related to this plan are included in the board's consolidated financial statements.

Ontario Municipal Employees Retirement System

All non-teaching employees of the board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The board contributions equal the employee contributions to the plan. During the year ended August 31, 2025, the board contributed \$12,359,896 (2024 - \$13,859,799 to the plan. As this is a multi-employer pension plan, these contributions are the board's pension benefit expenses. No pension liability for this type of plan is included in the board's consolidated financial statements

Retirement gratuities

The board provides retirement gratuities to certain groups of employees hired prior to specified dates. The board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days and years of service at August 31, 2012.

Retirement life insurance and health care benefits

The board provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age.

The premiums are based on the board experience and retirees' premiums may be subsidized by the board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the board's consolidated financial statements. Employees retiring on or after September 1, 2013 do not qualify for board subsidized premiums or contributions.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

7. Employee benefits payable (continued)

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2025 are based on actuarial assumptions of future events determined for account purposes as at August 31, 2025 and based on updated average daily salary and banked sick days as at August 31, 2025. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the board's best estimates of expected rates of:

	<u>2025</u>	<u>2024</u>
Inflation	2.0%	2.0%
Discount on accrued benefit obligations	3.8%	3.8%

Workplace Safety and Insurance Board (WSIB) benefits

The board is a Schedule 2 employer under the Workplace Safety and Insurance Act (the "Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the board's consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4.5 years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2025 are based on actuarial valuations for accounting purposes as at August 31, 2025. These actuarial valuations are based on assumptions about future events. For purposes of these calculations, the economic assumptions used in these valuations are the board's best estimates of expected rates of:

	<u>2025</u>	<u>2024</u>
Inflation	2.0%	2.0%
Discount on accrued benefit obligations	3.8%	3.8%

Sick leave top-up benefits

A maximum of eleven unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$505,918 (2024 - \$625,460).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2025.

Waterloo Region District School Board Notes to the Consolidated Financial Statements

August 31, 2025

7. Employee benefits payable (continued)

Life insurance benefits

Based on the updated triennial Post-Retirement Benefits valuation prepared as at August 31, 2025 and special claims fluctuation reserve (CFR) information provided by the board as at September 1, 2025, the PSAS liability was set to nil for the Post-Retirement Benefits as at August 31, 2025 to reflect that no future premium is expected to be required to be paid by the board for the life insurance benefits.

Based on the valuation assumptions, the special CFR balance combined with the expected future premium payments made by the retirees is expected to be sufficient to cover the future death benefit payments and related administrative expenses and taxes and the board is not expected to be required to make any additional future premium payments to the insurer. The premium held in the special CFR by the insurer is required to be used solely for the payment of future life insurance claims. The insurer will continue to monitor the volumes over time and in the event the death benefit payments are made earlier than expected (i.e. amounts paid at the higher coverage level for certain retirees who have not reached the ultimate coverage amount of \$100,000) and/or the administration costs are higher, the board may be required to make additional premium payments in the future.

The PSAS liability will be monitored annually to ensure the board's expected future liability continues to be nil.

	2025	2024
Inflation	2.0%	2.0%
Discount on accrued benefit obligations	3.8%	3.8%

Health care and dental benefits

The board sponsors a separate plan for some retirees to provide group health care and dental benefits. The premiums are based on the experience or demographics of the group and retirees are required to pay 100% of the premium costs.

Waterloo Region District School Board Notes to the Consolidated Financial Statements

August 31, 2025

8. Net long-term debt

Net debenture debt and capital loans reported on the consolidated statement of financial position comprises the following:

	<u>2025</u>	<u>2024</u>
Debenture #CDS 04-49 due on November 29, 2024. Interest payments semi annually at 5.161%	\$ -	\$ 1,110,021
Debenture #CDS 06-53 due on October 30, 2026. Interest payments semi annually at 4.746%	\$ 2,031,621	\$ 3,308,760
Ontario Financing Authority Loan (OFA#1) due on November 17, 2031. Interest payments semi annually at 4.560%.	9,293,141	10,496,243
Ontario Financing Authority Loan (OFA#2) due on March 3, 2033. Interest payments semi annually at 4.900%	7,017,793	7,741,130
Ontario Financing Authority Loan (OFA#3) due on November 15, 2033. Interest payments semi annually at 5.347%.	6,310,117	6,882,807
Ontario Financing Authority Loan (OFA#4) due on March 13, 2034. Interest payments semi annually at 5.062%	2,839,291	3,089,025
Ontario Financing Authority Loan (OFA#5) due on November 15, 2034. Interest payments semi annually at 5.047%.	850,525	918,807
Ontario Financing Authority Loan (OFA#6) due on April 13, 2035. Interest payments semi-annually at 5.230%	4,998,424	5,374,973
Ontario Financing Authority Loan (OFA#7) due on April 13, 2036. Interest payments semi-annually at 4.833%	6,961,257	7,441,080
Ontario Financing Authority Loan (OFA#8) due on November 15, 2036. Interest payments semi-annually at 3.970%	4,349,565	4,642,911
Ontario Financing Authority Loan (OFA#9) due on March 9, 2037. Interest payments semi-annually at 3.564%	9,533,441	10,172,451

Waterloo Region District School Board Notes to the Consolidated Financial Statements

August 31, 2025

8. Net long-term debt (continued)

	<u>2025</u>	<u>2024</u>
Ontario Financing Authority Loan (OFA#10) due on March 19, 2038. Interest payments semi-annually at 3.799%	18,585,586	19,690,503
Ontario Financing Authority Loan (OFA#11) due on March 11, 2039. Interest payments semi-annually at 4.003%	510,194	537,382
	\$ 73,280,955	\$ 81,406,093

Principal and interest payments relating to net long-term liabilities of \$90,983,462 outstanding as at August 31, 2025 are due as follows:

	Principal payments	Interest	Total
2025/26	\$ 7,336,777	\$ 3,121,840	\$ 10,458,617
2026/27	6,963,812	2,786,960	9,750,772
2027/28	6,555,610	2,487,400	9,043,010
2028/29	6,853,744	2,191,190	9,044,934
2029/30	7,165,683	1,881,266	9,046,948
Thereafter	<u>38,405,329</u>	<u>5,233,852</u>	<u>43,639,181</u>
Net long-term liabilities	<u>\$ 73,280,955</u>	<u>\$ 17,702,508</u>	<u>\$ 90,983,462</u>

9. Debt charges and capital loans interest

Expenditures for debt charges, capital loans and interest include principal and interest expense as follows:

	<u>2025</u>	<u>2024</u>
Principal payments on long-term liabilities	\$ 8,125,137	\$ 8,844,728
Interest expense on long-term liabilities	<u>3,493,057</u>	<u>3,912,130</u>
	<u>\$ 11,618,194</u>	<u>\$ 12,756,858</u>

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

10. Core Education Funding

School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: provincial legislative grants and local taxation in the form of education property tax. The provincial government sets the education property tax rate. Municipalities in which the board operates collect and remit education property taxes on behalf of the Province of Ontario. The Province of Ontario provides additional funding up to the level set by the education funding formulas: 87.9% (2024 – 79.7%) of the consolidated revenues of the board are directly controlled by the provincial government through the core education funding. The payment amounts of this funding are as follows:

	2025	2024
Provincial Legislative Grants	\$ 647,677,686	\$ 620,354,159
Education Property Tax	<u>184,761,667</u>	<u>181,598,793</u>
Core Education Funding	<u>\$ 832,439,353</u>	<u>\$ 801,952,952</u>

11. Expenses by object

The following is a summary of the expenses reported on the consolidated statement of operations by object:

	Budget	2025 Actual	2024 Actual
Salary and wages	\$ 629,865,004	\$ 667,787,394	\$ 715,549,702
Employee benefits	110,366,417	111,713,804	114,426,245
Staff development	4,092,804	1,842,090	1,861,568
Supplies and services	43,778,905	44,067,905	46,547,958
Interest charges on capital	3,372,642	3,372,642	3,792,317
Rental	2,070,900	2,493,581	1,915,856
Fees and contract services	39,829,733	39,850,104	41,366,682
Other	14,052,106	11,894,407	11,738,494
Amortization of tangible assets	44,981,125	48,173,133	46,526,653
Transfer to Other Boards	20,000	33,833	19,300
Accretion and Other Expenses – ARO	4,088,320	6,888,722	169,618
Amortization and Net Loss - ARO	<u>3,028,660</u>	<u>2,914,357</u>	<u>2,643,540</u>
	<u>\$ 899,546,616</u>	<u>\$ 941,031,972</u>	<u>\$ 986,557,933</u>

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

12. Tangible capital assets

	Cost				Accumulated amortization				Net book value	
	Balance at August 31 2024	Additions and transfers	Disposals	Balance at August 31 2025	Balance at August 31 2024	Amortization	Disposals, writeoffs and adjustments	Balance at August 31 2025	August 31 2025	Net book value August 31 2024
Land	\$ 137,985,393	\$ 11,753,024	\$ -	\$ 149,738,417	\$ -	\$ -	\$ -	\$ -	\$ 149,738,417	\$ 137,985,393
Land improvements	26,899,901	2,027,458	(6,191,059)	22,736,300	13,553,337	1,613,305	(6,191,060)	8,975,582	13,760,717	13,346,564
Buildings	1,151,095,247	39,772,507	-	1,190,867,754	520,979,874	41,400,791	-	562,380,665	628,487,089	600,115,373
Portable structures	6,775,083	-	(1,004,409)	5,770,674	5,690,226	312,418	(1,004,409)	4,998,235	772,439	1,084,857
Construction in progress	8,705,802	23,486,384	-	32,192,186	-	-	-	-	32,192,186	8,705,802
Pre-acquisition and construction cost	3,279,809	(1,283,175)	-	1,996,634	-	-	-	-	1,999,088	3,279,809
Furniture and equipment	11,958,511	1,515,244	(1,918,480)	11,555,275	7,548,100	1,116,340	(1,918,479)	6,745,961	4,809,314	4,410,411
Computer hardware and software	33,710,004	3,914,237	(17,579,111)	20,045,130	22,611,304	6,269,619	(17,579,111)	11,301,797	8,743,335	11,098,700
Vehicles	2,515,659	-	(1,725,366)	790,293	2,093,224	139,926	(1,725,366)	507,784	282,505	422,435
Leasehold-improvements	2,691,847	-	(394,337)	2,297,510	1,851,569	235,111	(394,337)	1,692,343	605,167	840,278
	<u>\$ 1,385,617,256</u>	<u>\$ 81,185,679</u>	<u>\$ (28,812,762)</u>	<u>\$ 1,437,990,173</u>	<u>\$ 574,327,634</u>	<u>\$ 51,087,495</u>	<u>\$ (28,812,762)</u>	<u>\$ 596,602,367</u>	<u>\$ 841,387,806</u>	<u>\$ 811,289,622</u>

Assets under construction

Assets under construction (which include construction in progress and pre-acquisition cost) having a value of \$34,188,823 (2024 - \$11,985,616) have not been amortized.

Written down of tangible capital assets

The written down of tangible capital assets during the year was \$28,812,663 (2024 - Nil).

Asset inventories for resale (assets permanently removed from service)

The board has identified no land and no building properties that qualify as "assets permanently removed from service".

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2024

13. Accumulated surplus

Accumulated surplus consists of the following:

	<u>2025</u>	<u>2024</u>
Accumulated surplus - unappropriated	\$ 51,702,411	\$ 49,135,895
Invested in non-depreciable tangible capital assets (land)	150,030,340	138,213,134
Amounts restricted for future use by Board motion	12,805,001	12,477,739
Asset Retirement Obligation	(64,786,836)	(55,403,446)
Other	<u>6,587,530</u>	<u>5,708,216</u>
 Total accumulated surplus	 <u>\$ 156,338,446</u>	 <u>\$ 150,131,538</u>

The annual surplus for 2025 \$6,206,908 (2024 – surplus of \$20,096,838) includes revenues recognized for land of \$11,817,206 (2024 - \$25,096,438), transfers to internally appropriated of \$327,261 (2024 – (\$518,662)), transfers (from)/ to externally appropriated of \$(8,675,524) (2024 - \$(2,427,080)) and recognized actuarial gain of \$171,448 (2024 - loss of \$(7,049)). The impact of these adjustments is summarized below:

	<u>2025</u>	<u>2024</u>
Annual surplus/ (deficit) before the following items	\$ 2,566,517	\$ (2,046,809)
Revenues recognized for land	11,817,206	25,096,438
Transfer (from)/ to internally appropriated	327,261	(518,662)
Transfer (from)/ to externally appropriated	(8,675,524)	(2,427,080)
Recognized actuarial gain (loss)	<u>171,448</u>	<u>(7,049)</u>
 Annual surplus	 <u>\$ 6,206,908</u>	 <u>\$ 20,096,838</u>

14. Trust funds

Trust funds administered by the board amounting to \$1,902,370 (2024 - \$1,899,611) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

15. Ontario School Board Insurance Exchange (OSBIE)

The board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act of Ontario. OSBIE insures general liability, property damage and certain other risks. Liability insurance is available to a maximum of \$27 million per occurrence. Premiums paid to OSBIE for the policy year ending December 31, 2025 amount to \$1,681,810 (2024 - \$1,462,869). There are ongoing legal cases with uncertain outcomes that could affect future premiums paid by the School board.

Any school board wishing to join OSBIE must execute a reciprocal insurance exchange agreement whereby every member commits to a five-year subscription period, the current one of which will end on December 31, 2026.

OSBIE exercises stewardship over the assets of the reciprocal, including the guarantee fund. While no individual school board enjoys any entitlement to access the assets of the reciprocal, the agreement provides for two circumstances when a school board, that is a member of a particular underwriting group, may receive a portion of the accumulated funds of the reciprocal.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2024

15. Ontario School Board Insurance Exchange (OSBIE) (continued)

1. In the event that the board of directors determines, in its absolute discretion, that the exchange has accumulated funds in excess of those required to meet the obligations of the Exchange, in respect of claims arising in prior years in respect of the underwriting group, the Board of Directors may reduce the actuarially determined rate for policies of insurance or may grant premium credits or policyholder dividends for that underwriting group in any subsequent underwriting year.
2. Upon termination of the exchange of reciprocal contracts of insurance within an Underwriting Group, the assets related to the Underwriting Group, after payment of all obligations, and after setting aside an adequate reserve for further liabilities, shall be returned to each Subscriber in the Underwriting Group according to its subscriber participation ratio and after termination the reserve for future liabilities will be reassessed from time to time and when all liabilities have been discharged, any remaining assets returned as the same basis upon termination.

In the event that a board or other board organization ceases to participate in the exchange of contracts of insurance within an Underwriting Group or within the Exchange, it shall continue to be liable for any Assessment(s) arising during or after such ceased participation in respect of claims arising prior to the effective date of its termination of membership in the Underwriting Group or in the exchange, unless satisfactory arrangements are made with the board of directors to buy out such liability.

16. Contractual obligations and contingent liabilities

Contractual obligations

The cost to complete construction contracts in progress at August 31, 2025 is estimated to be \$38,219,583 (2024 - \$32,489,592).

Contingent liabilities

The board has various labour related and legal issues that are outstanding. The outcome of these matters is not known, and the final settlement amounts, if any, cannot be reasonably estimated at this time. Therefore, these matters are being disclosed in the notes to the financial statements, but no provision has been established. Should changes in future conditions occur to allow management to reasonably estimate the amount, a balance would be recorded in that period on the financial statements.

Operating lease commitments

The following is a schedule of minimum lease payments under significant operating leases required in each of the following years:

2026	3,484,733
2027	3,486,897
2028	1,232,059
2029	92,832
Thereafter	-

Waterloo Region District School Board Notes to the Consolidated Financial Statements

August 31, 2024

17. Partnership in Student Transportation Services of Waterloo Region Inc.

Transportation consortium

On September 1, 2007, Student Transportation Services of Waterloo Region Inc. ("STSWR") was incorporated. On February 27, 2008, the board entered into an agreement with Waterloo Catholic District School Board in order to provide common administration of student transportation in the Region of Waterloo. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the boards. Under the agreement created at the time STSWR was established, decisions related to the financial and operating activities of STSWR are shared. No partner is in a position to exercise unilateral control.

Each board participates in the shared costs associated with this service for the transportation of their respective students through STSWR. This entity is proportionately consolidated in the board's consolidated financial statements, whereby the board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the board's consolidated financial statements. The board's pro-rata share for 2025 is 59.5% (2024 – 61.2%). Inter-organizational transactions and balances between these organizations have been eliminated.

The following provides condensed financial information.

	2025		2024	
	Total	Board portion	Total	Board portion
Financial position				
Financial assets	\$ 2,020,105	\$ 1,201,962	\$ 1,022,185	\$ 625,577
Liabilities	2,035,476	1,211,108	1,037,502	634,951
Non-financial assets	<u>15,317</u>	<u>9,146</u>	<u>15,317</u>	<u>9,374</u>
Accumulated deficit	-	-	-	-
Operations				
Revenues	31,983,605	19,003,470	31,728,843	19,418,052
Expenses	<u>31,983,605</u>	<u>19,003,470</u>	<u>31,728,843</u>	<u>19,418,052</u>
Annual surplus	\$ -	\$ -	\$ -	\$ -

18. Repayment of the "55 School Board Trust" funding

On June 1, 2003, the board received \$1,407,664 from the 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, the 55 School Board Trust repaid the board's debt in consideration for the assignment by the board to the trust of future provincial grants payable to the board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the board's financial position. The flow-through of \$104,872 (2024 \$104,872) in grants in respect of the above agreement for the year ended August 31, 2025, is recorded in these consolidated financial statements.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2024

19. Related party disclosures

The Ontario Financing Authority (OFA) provides financing to various public bodies on direction from the Province. These loans are included in the Province's consolidated financial statements.

The board has principal amounts payable to OFA of \$71,249,333 (2024 - \$76,987,313). These loans bear interest ranging from 3.564% to 5.347% and mature from 2031 to 2039. Details of the loans are disclosed under Note 9.

20. In-kind transfers from the Ministry of Public and Business Service Delivery

The board has recorded entries, both revenues and expenses, associated with centrally procured in-kind transfers of personal protective equipment (PPE) and critical supplies and equipment (CSE) received from the Ministry of Public and Business Service Delivery (MPBS). The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MPBS and quantity information based on the board's records. The in-kind revenue recorded for these transfers is \$8,570 with expenses based on use of \$8,570 for a net impact of \$nil.

21. Future accounting standard adoption

The board is in the process of assessing the impact of the upcoming new standards and the extent of the impact of their adoption on its financial statements.

Applicable for fiscal years beginning on or after April 1, 2026 (in effect for the board for as of September 1, 2026 for the year ending August 31, 2027). Standards must be implemented at the same time:

New Public Sector Accounting Standards (PSAS) Conceptual Framework:

This new model is a comprehensive set of concepts that underlie and support financial reporting. It is the foundation that assists:

- preparers to account for items, transactions and other events not covered by standards;
- auditors to form opinions regarding compliance with accounting standards;
- users in interpreting information in financial statements; and
- Public Sector Accounting Board (PSAB) to develop standards grounded in the public sector environment.

The main changes are:

- Additional guidance to improve understanding and clarity
- Non-substantive changes to terminology/definitions
- Financial statement objectives foreshadow changes in the Reporting Model
- Relocation of recognition exclusions to the Reporting Model
- Consequential amendments throughout the Public Sector Accounting Handbook

The framework is expected to be implemented prospectively. Reporting Model- PS 1202- Financial Statement Presentation: This reporting model provides guidance on how information should be presented in the financial statements and will replace PS 1201- Financial Statement Presentation. The model is expected to be implemented retroactivity with restatement of prior year amounts.

The main changes are:

- Restructured Statement of Financial Position • Introduction of financial and non-financial liabilities • Amended non-financial asset definition
- New components of net assets- accumulated other and issued share capital
- Relocated net debt to its own statement
- Renamed the net debt indicator
- Revised the net debt calculation
- Removed the Statement of Change in Net Debt

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2024

21. Future accounting standard adoption (continued)

- New Statement of Net Financial Assets/Liabilities
- New Statement of Changes in Net Assets Liabilities
- Isolated financing transaction in the Cash Flow Statement