



Consolidated Financial Statements

Waterloo Region District School Board

August 31, 2023

Contents

	Page
Independent auditor's report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Changes in Net Debt	6
Notes to the consolidated financial statements	7 - 33

Independent auditor's report

Grant Thornton LLP
Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4

T +1 416 366 0100
F +1 905 804 0509

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

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, 2023, 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, 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. 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Mississauga, Canada
November 13, 2023

Chartered Professional Accountants
Licensed Public Accountants

Waterloo Region District School Board

Consolidated Statement of Financial Position

As at August 31

2023

2022
(Restated)

Financial assets

Cash and cash equivalents	\$ 58,047,571	\$ 6,241,056
Accounts receivable – other (Note 3)	75,362,849	131,595,950
Accounts receivable – Government of Ontario – approved capital (Note 3)	<u>112,221,197</u>	<u>140,188,116</u>
	<u>245,631,617</u>	<u>278,025,122</u>

Liabilities

Accounts payable and accrued liabilities	47,741,989	73,006,197
Net debenture debt and capital loans (Notes 10 and 11)	90,250,822	101,340,681
Deferred revenue (Note 4)	48,406,540	35,357,927
Employee benefits payable (Note 9)	22,447,884	24,025,030
Asset retirement obligation (ARO) (Note 6 and 7)	84,265,425	72,105,334
Deferred capital contributions (Note 5)	<u>628,836,139</u>	<u>622,377,857</u>
	<u>921,948,799</u>	<u>927,213,026</u>

Net debt

(676,317,182) (650,187,904)

Non-financial assets

Inventories of supplies	820,521	181,897
Prepaid expenses	21,638,726	18,810,710
Tangible capital assets (TCA) (Note 14)	<u>783,892,641</u>	<u>766,772,922</u>
	<u>806,351,888</u>	<u>785,765,529</u>

Accumulated surplus (Note 15)

\$ 130,034,706 \$ 135,577,625

Contractual obligations and contingent liabilities (Note 18)

On behalf of the Board



Director of Education

Date November 24, 2023



Chair of the Board

Date November 27, 2023

See accompanying notes to the consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Operations

Year ended August 31, 2023

	<u>Budget</u> (Note 19)	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u> (Restated)
Revenues			
Grants for Student Needs (Note 12)			
Provincial legislative grants	\$ 571,618,974	\$ 575,969,437	\$ 567,804,814
Education property tax	173,938,650	173,945,894	153,803,565
Provincial grants – other	6,899,676	14,453,738	29,320,973
School generated funds revenue	7,145,000	8,972,568	3,304,277
Federal grants and fees	-	-	157,446
Investment income	610,600	1,834,822	318,227
Other fees and revenues from other sources	32,992,850	25,222,513	27,349,941
Amortization of deferred capital contributions	<u>47,659,279</u>	<u>47,386,011</u>	<u>44,249,153</u>
Total revenues	<u>840,865,029</u>	<u>847,784,983</u>	<u>826,308,396</u>
Expenses (Note 13)			
Instruction expenses	649,108,606	647,331,962	634,219,160
Administration expenses	20,294,751	22,082,195	18,582,673
Transportation expenses	20,169,788	21,924,011	21,365,058
Pupil accommodation expenses	121,815,105	121,777,794	122,738,970
School generated funds expenses	7,145,000	8,432,329	3,541,944
Other expenses (Note 23)	<u>18,657,032</u>	<u>31,779,661</u>	<u>23,757,203</u>
Total expenses	<u>837,190,282</u>	<u>853,327,902</u>	<u>824,205,007</u>
Annual (deficit) surplus (Note 15)	3,674,747	(5,542,919)	2,103,389
Accumulated surplus at beginning of year, as previously stated	174,010,333	135,577,625	177,604,325
Accumulated surplus (deficit) – PSAS Adjustments (Note 2)	<u>(44,130,089)</u>	-	<u>(44,130,089)</u>
Accumulated surplus at beginning of year, as restated	129,880,244	135,577,625	133,474,236
Accumulated surplus at end of year	<u>\$ 133,554,991</u>	<u>\$ 130,034,706</u>	<u>\$ 135,577,625</u>

See accompanying notes to the consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Cash Flows

Year ended August 31

2023

2022
(Restated)

Sources and uses of cash and cash equivalents

Operating transactions

Annual (deficit) surplus	\$ (5,542,919)	\$ 2,103,389
Non-cash items including:		
Amortization, write downs, (gains) loss on disposal of TCA	48,076,003	45,014,065
Amortization of TCA-ARO	1,908,405	1,908,405
Increase of ARO liabilities excluding settlements	13,171,116	2,977,656
Increase of TCA-ARO asset excluding amortization on TCA-ARO	(10,193,460)	-
Deferred capital contributions revenue	(47,386,011)	(44,249,153)
Decrease (Increase) in accounts receivable - other	46,175,597	(41,496,212)
Decrease (Increase) in accounts receivable – Delayed grant payment	10,057,504	1,895,932
Increase (Decrease) in accounts payable and accrued liabilities	(25,264,208)	(773,063)
Increase (Decrease) in deferred revenues-operating	(781,791)	4,035,721
Increase (Decrease) in employee benefits payable	(1,577,146)	(3,143,917)
Decrease (Increase) in prepaid expenses	(2,828,016)	(845,078)
Decrease (Increase) in inventories of supplies	(638,624)	(181,890)
Settlement of asset retirement liability through abatement	(1,011,025)	-
Cash provided by (applied to) operating transactions	<u>24,165,425</u>	<u>(32,754,155)</u>

Capital transactions

Cash used to acquire tangible capital assets	<u>(56,910,667)</u>	<u>(89,169,910)</u>
--	---------------------	---------------------

Financing transactions

Debt repaid and sinking fund contributions	(11,089,859)	(10,567,306)
Decrease in accounts receivable – Government of Ontario – approved capital	27,966,919	11,633,849
Additions to deferred capital contributions	53,844,293	75,017,901
Increase in deferred revenues – Capital	<u>13,830,404</u>	<u>5,708,486</u>
Net increase in cash from financing	<u>84,551,757</u>	<u>81,792,930</u>

Change in cash and cash equivalents	51,806,515	(40,131,125)
-------------------------------------	------------	--------------

Opening cash and cash equivalents	<u>6,241,056</u>	<u>46,372,181</u>
-----------------------------------	------------------	-------------------

Closing cash and cash equivalents	<u>\$ 58,047,571</u>	<u>\$ 6,241,056</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

	<u>Budget</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u> (Restated)
	(Note 19)		
Annual (deficit) surplus	\$ 3,674,747	\$ (5,542,919)	\$ 2,103,389
Tangible capital asset activity			
Acquisition of tangible capital assets	-	(56,910,667)	(89,169,910)
Amortization, write downs, (gains) loss on disposal of TCA	48,338,078	48,076,003	45,014,065
Amortization of TCA - ARO	1,908,405	1,908,405	1,908,405
Changes in estimate of TCA - ARO	-	(10,193,460)	-
Total tangible capital asset activity	<u>50,246,483</u>	<u>(17,119,719)</u>	<u>(42,247,440)</u>
Other non-financial asset activity			
Acquisition of supplies inventories	-	(820,521)	(181,897)
Acquisition of prepaid expenses	-	(21,638,726)	(18,810,710)
Consumption of supplies inventories	-	181,897	-
Use of prepaid expenses	-	18,810,710	17,965,632
Total other non-financial asset activity	<u>-</u>	<u>(3,466,640)</u>	<u>(1,026,975)</u>
Change in net net debt	53,921,230	(26,129,278)	(41,171,026)
Net debt at beginning of year	(650,187,904)	(650,187,904)	(539,889,201)
PSAS adjustments to net debt (Note 2)	-	-	(69,127,677)
Restated net debt at beginning of year	<u>(650,187,904)</u>	<u>(650,187,904)</u>	<u>(609,016,878)</u>
Net debt at end of year	\$ (596,266,674)	(676,317,182)	\$ (650,187,904)

See accompanying notes to the consolidated financial statements.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

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 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, 2023

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

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.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

1. Summary of significant accounting policies (continued)

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 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, 2023

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 Grants for Student Needs (GSN) 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, 2023

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, 2023

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.

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 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.

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.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

1. Summary of significant accounting policies (continued)

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 and the estimated useful lives of tangible capital assets. Actual results could differ from these estimates.

There is measurement uncertainty surrounding the estimation of liabilities for asset retirement obligations of \$84,265,425 (2022 – \$72,105,334). These estimates are subject to uncertainty because of several factors including but not limited to incomplete information on the extent of controlled materials used (e.g. asbestos included in inaccessible construction material), indeterminate settlement dates, the allocation of costs between required and discretionary activities and/or change in the discount rate.

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 Grants for Student Needs under Education Property Tax

2. Changes in accounting policy – adoption of new accounting standards

The board adopted the following standards concurrently beginning September 1, 2022 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments*.

PS1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on September 1, 2022 on a modified retroactive basis with prior period restatement.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

2. Change in accounting policy – adoption of new accounting standards (continued)

In the past, the board has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. It has reported obligations for closure and post closure activities related to landfill sites as the landfill site's capacity was used (if applicable). The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability (PS 3270). Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from board buildings and closure and post closure activities related to landfill sites (if applicable). The board reports liabilities related to the legal obligations where the board is obligated to incur costs to retire a tangible capital asset.

The board's ongoing efforts to assess the extent to which designated substances exist in board assets, and new information obtained through regular maintenance and renewal of board assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the board uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

Waterloo Region District School Board
Notes to the Consolidated Financial Statements
August 31, 2023

2. Change in accounting policy – adoption of new accounting standards (continued)

As a result of applying this accounting standard, an asset retirement obligation of \$84,265,425 (2022 – \$72,105,334) was recognized as a liability in the Statement of Financial Position. These obligations represent estimated retirement costs for the board owned buildings and equipment, including tanks, and restoration costs related to leasehold improvements. The board has restated the prior period based on a simplified approach, using the ARO liabilities, ARO assets and the associated ARO accumulated amortization, amortization expense and accretion expense (for discounted ARO liabilities) for the period September 1, 2022 to August 31, 2023 as a proxy for September 1, 2021 to August 31, 2022 information. The associated DCC, DCC revenue, TCA gross book value, TCA accumulated amortization and TCA amortization expense were not restated. The adoption of PS 3280 ARO was applied to the comparative period as follows:

2022	As previously reported	Adjustments	As restated
	\$	\$	\$
Statement of Financial Position			
Tangible Capital Assets including ARO	743,683,738	23,089,184	766,772,922
Accounts receivable - Other	130,946,565	649,378	131,595,950
Asset retirement obligation liability	-	72,105,334	72,105,334
Employee benefits payable	24,038,496	(13,466)	24,025,030
Deferred Capital Contributions	621,715,007	662,850	622,377,857
Statement of Change in Net Debt			
Annual Surplus (deficit)	6,989,449	(4,886,060)	2,103,389
Amortization of TCA - ARO	-	1,908,405	1,908,405
Change in Net Debt	(38,193,370)	(2,977,656)	(41,171,026)
Statement of Operations			
Amortization of TCA-ARO	-	1,908,405	1,908,405
Accretion- Asset Retirement Obligations	-	2,977,656	2,977,656
Surplus for the year	6,989,449	(4,886,060)	2,103,389
Accumulated Surplus (deficit), at beginning of the year	177,604,325	(44,130,089)	133,474,236

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

3. 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 \$112,221,196 with respect to capital grants (2022 - \$140,188,116).

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, 2023 is \$27,410,242 (2022 - \$37,467,745).

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

4. 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, 2023 comprises:

	Balance at August 31 2022	Externally restricted revenue and investment income 2023	Adjustment	Revenue recognized in the period	Transfers to deferred capital contributions	Balance at August 31 2023
Pupil accommodation	\$ 5,334,033	\$ 37,191,249	\$ -	\$ 21,319,997	\$ 17,673,481	\$ 3,531,804
Education development charges	8,660,514	19,120,090	-	2,842,661	-	24,937,943
Proceeds of disposition – minister exemptions and other	959,753	-	-	-	-	959,753
Proceeds of disposition – regular	1,626,428	-	-	-	139,394	1,487,034
Special education	6,028,936	95,249,020	-	94,691,540	-	6,586,416
Restricted grants	11,317,807	11,294,444	(90,053)	11,622,348	1,583,643	9,316,207
Other	1,430,456	1,346,775	(62,738)	1,127,110	-	1,587,383
Total deferred revenue	\$ 35,357,927	\$164,201,578	\$ (152,791)	\$131,603,656	\$ 19,396,518	\$ 48,406,540

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

5. Deferred capital contributions

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

	<u>2023</u>	<u>2022</u> (Restated)
Opening balance	\$ 622,377,857	\$ 590,946,259
Opening balance adjustment (Note 2)	-	662,850
Additions to deferred capital contributions	53,844,293	75,017,901
Revenue recognized in the period	<u>(47,386,011)</u>	<u>(44,249,153)</u>
Closing balance	<u>\$ 628,836,139</u>	<u>\$ 622,377,857</u>

6. Asset retirement obligations

The board has recorded ARO as of the September 1, 2022 implementation date on a modified retroactive basis, with a simplified restatement of prior year amounts.

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, 2023, all liabilities for asset retirement obligations are reported at present value as determined through a discounted cash flow model.

	<u>2023</u>	<u>2022</u> (Restated)
Liabilities for Asset Retirement Obligations at Beginning of Year	\$ 72,105,334	\$ 69,127,678
Liabilities Incurred During the Year	39,587	-
Increase in Liabilities Reflecting Changes in the Estimate of Liabilities ¹	10,153,873	-
Increase in Liabilities due to Accretions ²	2,977,656	2,977,656
Liabilities Settled During the Year	<u>(1,011,025)</u>	<u>-</u>
Liabilities for Asset Retirement Obligations at End of Year	<u>\$ 84,265,425</u>	<u>\$ 72,105,334</u>

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

7. Revaluation of asset retirement obligations liability

As a result of recent high levels of inflation, liability balances based on previous cost estimates, the board has made an inflation adjustment increase in estimates of 14.05% as at March 31, 2023, in line with the Provincial government fiscal year end, to reflect costs as at that date. This rate represents the percentage increase in the Canada Building Construction Price Index (BCPI) survey from October 1, 2021 to September 30, 2022 and is the rate being used to update costs assumptions in the costing models in order to be reflective of March 31, 2023 costs.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

8. 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 Statement of Financial Position represent the Board's maximum credit exposure as at the 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 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, portfolio investments, other investments, 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, 2023

9. Employee benefits payable

				<u>2023</u>	<u>2022</u>
	<u>Retirement gratuities</u>	<u>WSIB benefits</u>	<u>Sick leave benefits</u>	Total employee future benefits	Total employee future benefits
Opening balance accrued employee future benefit obligations at August 31	\$ 17,335,837	\$ 5,976,187	\$ 713,006	\$ 24,025,030	\$ 27,182,413
Current period benefit cost	-	1,958,444	549,328	2,507,772	3,158,351
Interest accrued	639,106	195,920	-	835,026	475,610
Less: benefit payments	(2,772,359)	(1,905,180)	(561,950)	(5,239,489)	(5,893,023)
Amortization of actuarial loss (gain)	<u>470,601</u>	<u>-</u>	<u>(151,056)</u>	<u>319,545</u>	<u>(898,321)</u>
Employee future benefit liability at August 31	<u>\$ 15,673,185</u>	<u>\$ 6,225,371</u>	<u>\$ 549,328</u>	<u>\$ 22,447,884</u>	<u>\$ 24,025,030</u>
				<u>2023</u>	<u>2022</u>
	<u>Retirement gratuities</u>	<u>WSIB benefits</u>	<u>Sick leave benefits</u>	Total employee future benefits	Total employee future benefits
Current period benefit cost	\$ -	\$ 1,958,444	\$ 549,328	\$ 2,507,772	\$ 3,158,351
Interest on accrued benefit obligation	639,106	195,920	-	835,026	475,610
Recognized actuarial losses (gains)	<u>470,601</u>	<u>-</u>	<u>(151,056)</u>	<u>319,545</u>	<u>(898,321)</u>
Employee future benefit expenses*	<u>\$ 1,109,707</u>	<u>\$ 2,154,364</u>	<u>\$ 398,272</u>	<u>\$ 3,662,343</u>	<u>\$ 2,735,640</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, 2023

9. 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, 2023, the board contributed \$10,490,293 (2022 - \$10,241,225) 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, 2023

9. Employee benefits payable (continued)

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2023 are based on actuarial assumptions of future events determined for account purposes as at August 31, 2023 and based on updated average daily salary and banked sick days as at August 31, 2022. 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>2023</u>	<u>2022</u>
Inflation	2.0%	2.0%
Discount on accrued benefit obligations	4.4%	3.9%

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 4-1/2 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, 2023 are based on actuarial valuations for accounting purposes as at August 31, 2023. 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>2023</u>	<u>2022</u>
Inflation	2.5%	2.7%
Discount on accrued benefit obligations	4.4%	3.9%

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 \$549,328 (2022 - \$713,006).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2023.

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

9. Employee benefits payable (continued)

Life insurance benefits

Based on the updated triennial Post-Retirement Benefits valuation prepared as at August 31, 2022 and special claims fluctuation reserve (CFR) information provided by the board as at September 1, 2022, the PSAS liability was set to nil for the Post-Retirement Benefits as at August 31, 2022 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.

	<u>2023</u>	<u>2022</u>
Inflation	2.0%	2.0%
Discount on accrued benefit obligations	4.4%	3.9%

Health care and dental benefits

The board sponsors a separate plan for 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, 2023

10. Net long-term debt

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

	<u>2023</u>	<u>2022</u>
Debenture #CDS 02-45 due on November 21, 2022. Interest payments semi annually at 6.05%.	\$ -	\$ 2,645,000
Debenture #CDS 04-49 due on November 29, 2024. Interest payments semi annually at 5.161%.	3,246,993	5,277,804
Debenture #CDS 06-53 due on October 30, 2026. Interest payments semi annually at 4.746%.	4,527,377	5,690,154
Ontario Financing Authority Loan (OFA#1) due on November 17, 2031. Interest payments semi annually at 4.560%.	11,646,305	12,745,664
Ontario Financing Authority Loan (OFA#2) due on March 3, 2033. Interest payments semi annually at 4.900%.	8,430,285	9,086,873
Ontario Financing Authority Loan (OFA#3) due on November 15, 2033. Interest payments semi annually at 5.347%.	7,426,060	7,941,391
Ontario Financing Authority Loan (OFA#4) due on March 13, 2034. Interest payments semi annually at 5.062%.	3,326,580	3,552,552
Ontario Financing Authority Loan (OFA#5) due on November 15, 2034. Interest payments semi annually at 5.047%.	983,770	1,045,575
Ontario Financing Authority Loan (OFA#6) due on April 13, 2035. Interest payments semi-annually at 5.230%	5,732,567	6,072,162
Ontario Financing Authority Loan (OFA#7) due on April 13, 2036. Interest payments semi-annually at 4.833%	7,898,525	8,334,640
Ontario Financing Authority Loan (OFA#8) due on November 15, 2036. Interest payments semi- annually at 3.970%	4,924,949	5,196,116
Ontario Financing Authority Loan (OFA#9) due on March 9, 2037. Interest payments semi-annually at 3.564%	10,789,281	11,384,701

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

10. Net long-term debt (continued)

	<u>2023</u>	<u>2022</u>
Ontario Financing Authority Loan (OFA#10) due on March 19, 2038. Interest payments semi-annually at 3.799%	20,754,612	21,779,419
Ontario Financing Authority Loan (OFA#11) due on March 11, 2039. Interest payments semi-annually at 4.003%	<u>563,518</u>	<u>588,630</u>
	\$ 90,250,822	\$ 101,340,681

Principal and interest payments relating to net long-term liabilities of \$115,479,102 outstanding as at August 31, 2023 are due as follows:

	<u>Principal payments</u>	<u>Interest</u>	<u>Total</u>
2023/24	\$ 8,844,729	\$ 3,912,136	\$ 12,756,865
2024/25	8,125,137	3,493,064	11,618,201
2025/26	7,336,777	3,142,760	10,479,537
2026/27	6,963,812	2,806,128	9,769,940
2027/28	5,658,207	2,019,134	7,677,341
Thereafter	<u>53,322,160</u>	<u>9,855,060</u>	<u>63,177,218</u>
Net long-term liabilities	\$ 90,250,822	\$ 25,228,282	\$ 115,479,104

11. Debt charges and capital loans interest

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

	<u>2023</u>	<u>2022</u>
Principal payments on long-term liabilities	\$ 11,089,860	\$ 10,567,306
Interest expense on long-term liabilities	<u>4,392,677</u>	<u>4,930,643</u>
	\$ 15,482,537	\$ 15,497,949

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

12. Grants for Student Needs

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: 88.6% (2022 – 87.3%) of the consolidated revenues of the board are directly controlled by the provincial government through the grants for student needs. The payment amounts of this funding are as follows:

	<u>2023</u>	<u>2022</u>
Provincial Legislative Grants	\$ 575,969,437	\$ 567,804,814
Education Property Tax	<u>173,945,894</u>	<u>153,803,565</u>
Grants for Student Needs	<u>\$ 749,915,331</u>	<u>\$ 721,608,379</u>

13. Expenses by object

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

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
	(Restated)	Actual	Actual
			(Restated)
Salary and wages	\$ 583,095,868	\$ 581,971,053	\$ 576,790,247
Employee benefits	99,145,019	98,432,828	94,121,675
Staff development	4,427,105	1,736,674	1,564,517
Supplies and services	49,241,994	53,374,269	40,542,084
Interest charges on capital	4,275,870	4,225,492	4,896,106
Rental	1,865,550	2,040,093	2,157,408
Fees and contract services	35,639,658	41,355,191	41,026,496
Other	6,275,079	16,891,905	13,192,548
Amortization of tangible assets	48,338,078	48,076,003	45,014,065
Transfer to Other Boards	-	338,333	13,800
Accretion and Other Expenses – ARO	2,977,656	2,977,656	2,977,656
Amortization and Net Loss - ARO	<u>1,908,403</u>	<u>1,908,403</u>	<u>1,908,405</u>
	<u>\$ 837,190,282</u>	<u>\$ 853,327,902</u>	<u>\$ 824,205,007</u>

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

14. Tangible capital assets

	<u>Cost</u>			<u>Accumulated amortization</u>			<u>Balance at August 31 2023</u>	<u>Net book value August 31 2023</u>	<u>Net book value August 31 2022</u> (Restated)	
	<u>Balance at August 31 2022</u> (Restated)	<u>Additions and transfers</u>	<u>Disposals</u>	<u>Balance at August 31 2022</u> (Restated)	<u>Amortization</u>	<u>Disposals, writeoffs and adjustments</u>				
Land	\$ 110,124,295	\$ 2,809,227	\$ -	\$ 112,933,522	\$ -	\$ -	\$ -	\$ 112,933,522	\$ 110,124,295	
Land improvements	22,995,581	1,852,269	-	24,847,850	9,974,283	1,804,199	-	11,778,485	13,021,298	
Buildings	1,058,722,704	57,975,073	-	1,116,697,777	446,354,040	36,627,140	-	482,981,180	612,368,664	
Portable structures	7,405,719	153,838	(938,528)	6,621,029	5,943,185	350,668	(938,528)	5,355,325	1,462,534	
Construction in progress	7,087,948	(5,044,036)	-	2,043,912	-	-	-	2,043,912	7,087,948	
Pre-acquisition and construction cost	218,251	1,224,326	-	1,442,577	-	-	-	1,442,577	218,251	
Furniture and equipment	12,319,550	668,296	(1,906,985)	11,080,861	7,193,384	1,168,717	(1,906,985)	6,455,116	5,126,166	
Computer hardware and software	27,768,360	7,237,847	(6,647,558)	28,358,349	12,002,677	9,668,261	(6,647,558)	15,023,080	15,765,683	
Vehicles	2,139,844	192,504	-	2,332,349	1,805,021	137,409	-	1,942,430	334,820	
Leasehold improvements	2,657,069	34,778	-	2,691,847	1,393,806	228,012	-	1,621,818	1,263,263	
	<u>\$ 1,251,439,321</u>	<u>\$ 67,104,122</u>	<u>\$ (9,493,371)</u>	<u>\$ 1,309,050,072</u>	<u>\$ 484,666,396</u>	<u>\$ 49,984,406</u>	<u>\$ (9,493,371)</u>	<u>\$ 525,157,431</u>	<u>\$ 783,892,641</u>	<u>\$ 766,772,922</u>

Assets under construction

Assets under construction (which include construction in progress and pre-acquisition cost) having a value of \$3,486,493 (2022 - \$7,306,198) have not been amortized.

Writedown of tangible capital assets

The writedown of tangible capital assets during the year was \$1,149,679 (2022 - \$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, 2023

15. Accumulated surplus

Accumulated surplus consists of the following:

	<u>2023</u>	<u>2022</u> (Restated)
Accumulated surplus - unappropriated	\$ 51,182,708	\$ 54,674,742
Invested in non-depreciable tangible capital assets (land)	113,116,696	110,342,546
Amounts restricted for future use by Board motion	12,996,401	14,093,879
Asset Retirement Obligation	(52,891,184)	(49,016,150)
Other	<u>5,630,085</u>	<u>5,482,608</u>
Total accumulated surplus	<u>\$ 130,034,706</u>	<u>\$ 135,577,625</u>

The annual deficit of \$(5,542,919) for 2023 (2022 – surplus of \$2,103,389) includes revenues recognized for land of \$2,774,150 (2022 - \$12,909,973), transfers to internally appropriated of \$1,657,420 (2022 - \$2,445,071), transfers (from)/ to externally appropriated of \$(2,848,071) (2022 - \$(1,101,450)) and recognized actuarial gain of (\$319,545) (2022 - gain of \$898,321). The impact of these adjustments is summarized below:

	<u>2023</u>	<u>2022</u> (Restated)
Annual surplus/(deficit) before the following items	\$ (3,492,033)	\$ (8,158,384)
Revenues recognized for land	2,774,150	12,909,973
Transfer (from) internally appropriated	(1,657,420)	(2,445,071)
Transfer (from)/ to externally appropriated	(2,848,071)	(1,101,450)
Recognized actuarial gain (loss)	<u>(319,545)</u>	<u>898,321</u>
Annual surplus	<u>\$ (5,542,919)</u>	<u>\$ 2,103,389</u>

16. Trust funds

Trust funds administered by the board amounting to \$1,868,732 (2022 - \$1,905,494) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

17. 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, 2022 amount to \$1,156,108 (2022 - \$1,198,292). 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, 2023

17. 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 in the board of directors to buy out such liability.

18. Contractual obligations and contingent liabilities

Contractual obligations

The cost to complete construction contracts in progress at August 31, 2023 is estimated to be \$19,074,455 (2022 - \$21,089,393).

Contingent liabilities

The board has various labour related and legal issues that are outstanding. Although the outcome of these matters is not known, management has made an estimate of what it believes represents the minimum amount that will become payable and this estimate has been recorded in these financial statements. The amount of the estimate has not been disclosed, as proceedings relating to these matters are ongoing. Based on the nature of the matters and existing knowledge, it is reasonably possible that changes in future conditions in the near term could require a material change in the recognized amounts. The difference between the recognized amount and the actual amount will be recorded in the period that the settlement of this matter is reached.

Operating lease commitments

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

2024	\$	3,128,235
2025		2,895,536
2026		2,576,080
2027		2,578,159
2028		842,155
Thereafter		413,659

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

19. 2022-23 Budget reconciliation

The audited budget data presented in these consolidated financial statements is based upon the 2023 budgets approved by the board. The budget was prepared prior to the implementation of the PS 3280-Assets Retirement Obligations (ARO) standard.

The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations.

Where amounts were not budgeted for (ARO amortization and accretion expenses), the actual amounts for 2023 were used to adjust the budget numbers to reflect the same accounting policies that were used to report the actual results.

As school boards only budget the Statement of Operations, the budget figures in the Consolidated Statement of Change in Net Debt have not been provided. The adjustments do not represent a formal amended budget as approved by the board. This is an amendment to make the 2023 budget information more comparable.

Consolidated Statement of Operations (Simplified)
For the year ended August 31

	2022-23		2022-23
	<u>Budget</u>	<u>Change</u>	<u>Budget Restated</u>
Revenues	\$ 840,865,029	\$ -	\$ 840,865,029
Expenses			
Amortization of TCA-ARO	832,304,221	4,886,061	837,190,282
Annual surplus (deficit)	8,560,808	(4,886,061)	3,674,747
Accumulated Surplus (Deficit)			
at beginning of year	174,010,333	-	174,010,333
Accumulated Surplus (Deficit) PSAS Adjustments	<u>-</u>	<u>(44,130,089)</u>	<u>(44,130,089)</u>
Adjusted Accumulated Surplus (Deficit)			
at beginning of year	174,010,333	(44,130,089)	129,880,244
Accumulated Surplus/ (Deficit) at the end of year	<u>\$ 182,571,141</u>	<u>\$ (49,016,150)</u>	<u>\$ 133,554,991</u>

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

20. 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 2023 is 62.00% (2022 – 62.50%). Inter-organizational transactions and balances between these organizations have been eliminated.

The following provides condensed financial information.

	<u>2023</u>		<u>2022</u>	
	<u>Total</u>	<u>Board portion</u>	<u>Total</u>	<u>Board portion</u>
Financial position				
Financial assets	\$ 221,379	\$ 137,255	\$ 1,811,713	\$ 1,380,706
Liabilities	237,948	147,528	1,834,800	1,391,552
Non-financial assets	<u>16,569</u>	<u>10,273</u>	<u>23,087</u>	<u>15,979</u>
Accumulated deficit	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,133</u>
Operations				
Revenues	29,185,014	18,094,709	28,277,930	17,673,706
Expenses	<u>29,185,014</u>	<u>18,094,709</u>	<u>28,277,930</u>	<u>17,673,706</u>
Annual surplus	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Waterloo Region District School Board

Notes to the Consolidated Financial Statements

August 31, 2023

21. 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.

22. 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 \$82,476,449 (2022 - \$87,727,723). 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 10.

23. 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 \$1,272,696 with expenses based on use of \$1,272,696 for a net impact of \$nil.

24. 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.

Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the board for as of September 1, 2023 for the year ending August 1, 2024):

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

PSG-8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 Public Private Partnerships (P3s) provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

Waterloo Region District School Board
Notes to the Consolidated Financial Statements

August 31, 2023

25. Comparative figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.