



Consolidated financial statements

Waterloo Catholic District School Board

August 31, 2023

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November 27, 2023

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Waterloo Catholic District School Board (the "Board") are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with the financial reporting provisions described in note 1(a) to the consolidated financial statements.

A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

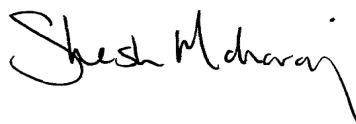
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management, the Board's internal auditor, and the audit team shared between school boards in the area.

The Audit Committee of the Board meets with management and the external auditors to review the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.



Tyrone Dowling
Director of Education



Shesh Maharaj
Executive Superintendent of Corporate Services

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of Waterloo Catholic District School Board ("the Board"), which comprise the consolidated statement of financial position as at August 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows 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 present, in all material respects, the financial position of Waterloo Catholic District School Board as at August 31, 2023, 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. 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 the basis of accounting described in Note 1 to the consolidated financial statements, 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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
November 27, 2023


Chartered Professional Accountants
Licensed Public Accountants

Waterloo Catholic District School Board

Consolidated Statement of Financial Position

August 31, 2023 with comparative figures for 2022

	2023	2022 (Restated)
Financial assets		
Cash and cash equivalents	\$ 20,670,650	\$ 32,278,706
Accounts receivable (note 3)	35,030,501	29,479,215
Accounts receivable - Government of Ontario approved capital (note 4)	46,837,972	49,290,451
Total financial assets	102,539,123	111,048,372
Liabilities		
Accounts payable and accrued liabilities	36,143,097	32,284,918
Deferred revenue (note 5)	20,986,851	26,262,562
Deferred capital contributions (note 6)	287,108,537	269,350,740
Retirement and other employee future benefits payable (note 7)	4,664,148	4,848,169
Net debenture debt and capital leases (note 8)	32,198,665	38,472,325
Asset retirement obligation (ARO) (note 10)	3,407,810	2,987,997
Total liabilities	384,509,108	374,206,711
Net debt	(281,969,985)	(263,158,339)
Non-financial assets		
Prepaid expenses	502,826	565,033
Tangible capital assets (note 12)	349,587,500	315,650,514
Total non-financial assets	350,090,326	316,215,547
Contractual obligations and contingencies (notes 15 and 17)		
Accumulated surplus (note 18)	\$ 68,120,341	\$ 53,057,208

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Tyrone Dowling, Director of Education

Tracey Weiler, Chair of the Board

Waterloo Catholic District School Board

Consolidated Statement of Operations

August 31, 2023 with comparative figures for 2022

	2023 Budget (Restated) (Note 21)	2023 Actual	2022 Actual (Restated)
Revenues			
Provincial grants - grants for student needs (note 23)	\$ 315,661,728	\$ 321,514,236	\$ 305,650,356
Provincial grants - other	5,255,427	7,570,137	15,838,684
Federal grants and fees	2,298,046	2,489,793	2,134,498
Other fees and revenues	16,454,171	32,083,559	24,515,118
Investment income	325,000	1,162,460	489,890
School fundraising	4,016,126	5,222,373	3,103,026
Total revenues	344,010,498	370,042,558	351,731,572
Expenses			
Instruction	266,731,109	276,125,401	261,180,032
Administration	11,308,822	12,203,383	11,308,296
Transportation	7,865,760	8,516,859	8,061,031
Pupil accommodation	47,397,721	50,148,462	51,272,914
School funded activities	3,971,595	5,100,755	2,837,433
Other	420,484	2,884,565	397,975
Total expenses (note 14)	337,695,491	354,979,425	335,057,681
Annual surplus	6,315,007	15,063,133	16,673,891
Accumulated surplus, beginning of year	67,991,632	53,057,208	38,627,618
PSAS adjustments	(2,244,301)	-	(2,244,301)
Adjusted accumulated surplus, beginning of year	65,747,331	53,057,208	36,383,317
Accumulated surplus, end of year	\$ 72,062,338	\$ 68,120,341	\$ 53,057,208

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Consolidated Statement of Cash Flows

August 31, 2023 with comparative figures for 2022

	2023	2022 (Restated)
Operating activities		
Annual surplus	\$ 15,063,133	\$ 16,673,891
Sources and (uses):		
Items not involving cash:		
Amortization of tangible capital assets	21,667,713	21,337,782
Decrease of tangible capital assets - asset retirement obligation	(419,813)	(2,987,997)
Grants recognized for deferred capital contributions	(21,447,908)	(18,987,606)
Decrease in retirement and other employee future benefits payable	(184,021)	(50,301)
Transfer from deferred revenue to deferred capital contributions	1,666,381	357,562
	1,282,352	(330,560)
Changes in non-cash assets and liabilities:		
(Increase) decrease in accounts receivable	(3,098,807)	2,110,355
Increase (decrease) in accounts payable and accrued liabilities	4,277,992	(1,997,482)
Increase in deferred revenue - operating	2,867,512	2,054,578
Decrease (increase) in prepaid expenses	62,207	(51,051)
	4,108,904	2,116,400
Cash provided by operating activities	20,454,389	18,459,731
Capital activities		
Cash used to acquire tangible capital assets	(55,184,886)	(34,579,902)
Cash applied to capital activities	(55,184,886)	(34,579,902)
Financing activities		
Capital grants received	37,539,324	20,867,470
Decrease in deferred revenue - capital	(8,143,224)	(5,346,509)
Debt repaid and sinking fund contributions	(6,273,660)	(6,488,528)
Cash provided by financing activities	23,122,440	9,032,433
Change in cash and cash equivalents	(11,608,057)	(7,087,738)
Cash and cash equivalents, beginning of year	32,278,706	39,366,444
Cash and cash equivalents, end of year	\$ 20,670,650	\$ 32,278,706

	2023	2022
The components of cash and cash equivalents are as follows:		
Cash	\$ 20,312,806	\$ 31,964,108
Cash equivalents	357,844	314,598
	\$ 20,670,650	\$ 32,278,706

	2023	2022
Cash paid for interest	\$ 1,886,852	\$ 2,219,224
Cash received for interest	1,162,460	489,890

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Consolidated Statement of Changes in Net Debt

August 31, 2023 with comparative figures for 2022

	2023 Budget (Restated)	2023 Actual	2022 Actual (Restated)
Annual surplus	\$ 6,315,007	\$ 15,063,133	\$ 16,673,891
Tangible capital asset activity			
Acquisition of tangible capital assets and tangible capital assets - ARO	(63,575,584)	(55,184,886)	(34,579,902)
Amortization of tangible capital assets	19,594,478	21,667,713	21,337,782
Changes in estimate of tangible capital assets - asset retirement obligation	-	(419,814)	(2,987,997)
Total tangible capital asset activity	(43,981,106)	(33,936,986)	(16,230,117)
Other non-financial asset activity			
Acquisition of prepaid expenses	(502,826)	(502,826)	(565,033)
Use of prepaid expenses	502,826	565,033	513,982
Total other non-financial asset activity	-	62,207	(51,051)
(Increase) decrease in net debt	(37,666,099)	(18,811,646)	392,723
Net debt, beginning of year	(263,158,339)	(263,158,339)	(260,563,065)
PSAS adjustments	-	-	(2,987,997)
Adjusted net debt, beginning of year	(263,158,339)	(263,158,339)	(263,551,062)
Net debt, end of year	\$ (300,824,437)	\$ (281,969,985)	\$ (263,158,339)

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements

Year ended August 31, 2023

As disciples of Christ, the mission of the Waterloo Catholic District School Board (Board) is to educate and to nurture hope in all learners to achieve their full potential to transform God's world.

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with the basis of accounting described below.

(a) Basis of accounting:

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

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 their 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 be 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 different from the requirements of Canadian Public Sector Accounting Standards (PSAS). Canadian public sector accounting standards require that:

- government transfers, which contain a stipulation that creates a liability, are deferred and recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Canadian 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 Canadian Public Sector Accounting Standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with Canadian Public Sector Accounting Standard PS3510.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

I. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Accordingly, 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.

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of 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 assets, liabilities, revenues and expenses of various organizations, that exist at the school level and which are controlled by the Board, are reflected in the consolidated financial statements.

Student Transportation Services of Waterloo Region (STSWR) is a transportation consortium operated through a partnership agreement between the Board and the Waterloo Region District School Board whereby certain costs are shared. As a result, a proportionate amount of STSWR's assets and liabilities have been consolidated with the Board's financial statements.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and bank balances.

(d) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the administration 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.

(e) 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 (DCC) 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 purposes
- Other restricted contributions received or receivable for capital purposes
- Property taxation revenues which were historically used to fund capital assets

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

1. Significant accounting policies (continued):

(f) Retirement and other employee future benefits payable:

The Board provides defined retirement and other future benefits to certain employees. These benefits include life insurance and health care benefits, retirement gratuities, and workers' compensation.

As part of negotiated collective agreements for unionized employees that bargain centrally the OECTA Employee Life and Health Trust (ELHT) was established in 2016-2017. The following ELHTs were established in 2017-2019: CUPE, Unifor and ONE-T for non-unionized employees. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff, and retired individuals who were part of the board's benefit plans when the ELHTs were formed. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustee associations and the Government of Ontario. Upon transition of the employee groups' health, dental and life benefits plans to the ELHTs, school boards were required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis.

The Board continues to provide health, dental and life insurance benefits for a small group of parented retired OECTA and CUPE individuals who were eligible for benefits on retirement, but were not permitted to participate in their ELHTs.

The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of subsidized retirement and other employee future benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates, and discount rates. 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 (if applicable) 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 and 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 Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

1. Significant accounting policies (continued):

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities and 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. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation, 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) The costs of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer defined pension plan benefit, are the employer's contributions due to the plan in the period; and
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(g) Tangible capital assets:

Tangible capital assets 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 which 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:

Asset	Estimated Useful Life in Years
Land improvements with finite lives	15
Buildings and building improvements	40
Portable structures	20
First-time equipping	10
Furniture	10
Equipment	5-15
Computer hardware	3
Computer software	5
Vehicles	5-10
Leasehold improvements, leases	Over the lease term

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

1. Significant accounting policies (continued):

Assets under construction and assets that related 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. Buildings permanently removed from service cease to be amortized and the carrying value is written down to the lower of carrying value and net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the Consolidated Statement of Financial Position.

(h) 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 periods as the asset is amortized.

(i) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income may be earned on externally restricted funds such as pupil accommodation, education development charges (EDC) and special education funds since they form part of the respective deferred revenue balances.

(j) Net debenture debt and capital leases:

Net debenture debt and capital leases are recorded net of related sinking fund balances.

(k) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the 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 Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

1. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of consolidated financial statements (note 1(a)) in conformity with the basis of accounting 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. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets, valuation allowances for receivables, estimating provisions for accrued liabilities and obligations related to employee future benefits.

Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

There is measurement uncertainty surrounding the estimation of liabilities for asset retirement obligations of \$3,407,810 (2022 - \$2,987,997) (note 2). 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), unknown dates, if any, on which the Board would be required to take action, the allocation of costs between required and discretionary activities and/or change in the discount rate.

(m) Education property tax revenue:

Under Canadian PSAS, the entity that determines and sets the tax levy records the revenue in the financial statements. In the case of the Board, this is the Province of Ontario. As a result, education property tax revenue received from the municipalities is recorded as part of Grants for Student Needs under Education Property Tax.

2. Change in Accounting Policy – Adoption of New Accounting Standards:

The Board adopted the following standards concurrently beginning September 1, 2022 prospectively:

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.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

2. Change in Accounting Policy – Adoption of New Accounting Standards (continued):

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

(i) Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

(ii) Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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 the government or a 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 Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended 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. 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. 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. 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.

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.

As a result of applying this accounting standard, an asset retirement obligation of \$3,407,810 (2022 – \$2,987,997) 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, and amortization expense 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:

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

2. Change in Accounting Policy – Adoption of New Accounting Standards (continued):

	Previously reported	Adjustments	Restated
Statement of Financial Position			
Tangible capital asset (TCA) including ARO	315,012,693	637,821	315,650,514
Asset retirement obligation liability	-	2,987,997	2,987,997
Accumulated surplus	55,407,384	(2,350,176)	53,057,208
Statement of Change in Net Debt			
Annual surplus	16,779,766	(105,875)	16,673,891
Amortization of TCA (incl TCA -ARO)	18,987,606	2,350,176	21,337,782
Change in Net Debt	392,723	-	392,723
Statement of Operations			
Amortization of TCA-ARO	-	(2,244,301)	(2,244,301)
Surplus for the year	16,779,766	(105,875)	16,673,891

3. Accounts receivable:

Accounts receivable consists of the following:

	2023	2022
Province of Ontario	\$ 15,252,322	\$ 10,683,315
Local Municipalities	7,919,684	7,837,605
Other	11,858,495	10,958,295
	\$ 35,030,501	\$ 29,479,215

4. Accounts receivable - Government of Ontario approved capital:

The Province of Ontario replaced variable capital funding with a one-time debt support grant on August 31, 2010. The Board received a one-time grant that recognized 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. The Board may also receive yearly capital grants to support capital programs which would be reflected in this accounts receivable balance.

The Board has a receivable balance from the Province of Ontario of \$46,837,972 as at August 31, 2023 (2022 - \$49,290,451) with respect to capital grants.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

5. Deferred revenue:

Revenues received which 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 as at August 31, 2023, is comprised of:

	Balance at August 31, 2022	Externally restricted revenue and interest	Revenue recognized	Transferred to DCC	Balance at August 31, 2023
Proceeds of disposition	\$ 8,827,006	\$ -	\$ -	\$ 1,651,901	\$ 7,175,105
School renewal	2,694,945	4,029,961	430,725	3,685,736	2,608,445
Labour framework	1,009,723	-	67,149	-	942,574
Third Party	10,894,568	20,549,947	20,585,812	1,781,125	9,077,578
Other grants	2,836,320	4,236,733	5,769,151	120,753	1,183,149
	\$ 26,262,562	\$ 28,816,641	\$ 26,852,837	\$ 7,239,515	\$ 20,986,851

6. 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.

	2023	2022
Deferred capital contributions, beginning of year	\$ 269,350,740	\$ 267,113,314
Add:		
Capital contributions received	31,966,190	18,173,672
Transfers from deferred revenue	7,239,515	3,051,360
Less:		
Revenue recognized in the year	(21,447,908)	(18,987,606)
Deferred capital contributions, end of year	\$ 287,108,537	\$ 269,350,740

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

7. Retirement and other employee future benefits:

Retirement and other employee future benefits as of August 31, 2023 were as follows:

(a) Employee future benefits liabilities:

			2023	2022
Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee future benefit obligations at August 31	\$ 1,010,614	\$ 3,603,483	\$ 4,614,097	\$ 4,838,608
Unamortized actuarial loss/(gain)	50,051	-	50,051	9,561
Employee future benefits liabilities	\$ 1,060,665	\$ 3,603,483	\$ 4,664,148	\$ 4,848,169

(b) Employee future benefits expenses:

			2023	2022
Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	\$ -	\$ 791,630	\$ 791,630	\$ 777,933
Recognized actuarial loss	8,675	(132,237)	(123,562)	80,836
Interest on accrued benefit obligation	41,657	118,907	160,564	80,103
Employee future benefit expenses	\$ 50,332	\$ 778,300	\$ 828,632	\$ 938,872

Actuarial losses are due to the change in the discount rate used for the retirement gratuity benefits are being amortized over Expected Average Remaining Service Life (EARS�) of 5.30 years. During the year, benefit payments of \$1,012,115 (2022 - \$987,987) were made.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

7. Retirement and other employee future benefits (continued):

Pension plans:

(i) Ontario Teacher's Pension Plan:

Employees with an Ontario College of Teachers certificate are eligible to be members of the Ontario Teacher's Pension Plan (OTPP). Employer contributions for these employees are provided directly to OTPP by the Province. The in-year 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.

(ii) Ontario Municipal Employees Retirement System:

All support staff 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 employee contributions to the plan. During the year ended August 31, 2023, the Board contributed \$5,089,254 (2022 - \$4,613,430) 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 plan is included in the Board's consolidated financial statements.

Retirement benefits:

(i) Retirement gratuities:

The retirement gratuity plan entitles employees to a cash payment upon retiring into an OMERS or OTPP pension with 10 or more years of service. The gratuity is the lesser of (i) \$4,000 and (ii) \$40/day up to a maximum of 50% of unused sick leave days as at August 31, 2012.

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.

Other employee future benefits:

1. Workplace Safety and Insurance Board obligation:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance 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 and has a stop loss insurance policy that limits the Board's exposure on any one claim to a maximum of \$300,000. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

7. Retirement and other employee future benefits (continued):

2. Long-term disability benefits:

The Board provides long-term disability benefits including partial salary compensation and payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date to employees who are not members of an ELHT. 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.

3. Sick leave top-up benefits:

As a result of new changes made in 2013 to the short-term sick leave and disability plan, a maximum of 11 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 financial statements are \$280,778 (2022 - \$291,375).

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

Actuarial assumptions:

The accrued benefit obligations for retirement and other employee future benefit plans are based on actuarial valuations for accounting purposes as at August 31, 2023. The next actuarial valuation will take place during the 2023-2024 school year. Changes, if any, will be included in the financial statements for the year ending August 31, 2024. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates for:

	2023	2022
Inflation	2.00%	2.00%
Wage escalation	0.00%	0.00%
Dental insurance premium escalation	5.00%	5.00%
Health insurance premium escalation	5.00%	5.00%
Discount on accrued benefit obligations	4.40%	3.90%

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

8. Net debenture debt:

Net debenture debt is reported on the Consolidated Statement of Financial Position and is comprised of the following:

	2023	2022
CIBC Mellon, interest rate of 7.2%, matures June 9, 2025	\$ 608,860	\$ 882,473
CIBC Mellon, interest rate of 6.55%, matures October 19, 2026	9,655,459	12,037,127
Region of Waterloo, interest rate of 5.487%, matures November 5, 2023	989,290	2,889,326
Ontario Financing Authority, interest rate of 4.560%, matures November 15, 2031	2,583,762	2,827,657
Ontario Financing Authority, interest rate of 4.850%, matures March 3, 2033	906,776	977,400
Ontario Financing Authority, interest rate of 5.062%, matures March 13, 2034	1,100,321	1,175,065
Ontario Financing Authority, interest rate of 4.762%, matures November 15, 2029	3,382,694	3,817,257
Ontario Financing Authority, interest rate of 5.232%, matures April 13, 2035	1,031,247	3,817,257
Ontario Financing Authority, interest rate of 3.942%, matures September 19, 2025	618,148	864,695
Ontario Financing Authority, interest rate of 4.833%, matures March 11, 2036	2,548,492	2,689,206
Ontario Financing Authority, interest rate of 3.564%, matures March 9, 2037	2,228,910	2,351,915
Ontario Financing Authority, interest rate of 3.799%, matures March 19, 2038	6,544,706	6,867,867
Balance as at August 31	\$ 32,198,665	\$ 38,472,325

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

8. Net debenture debt (continued):

The Ontario Financing Authority (OFA) is an agency of the Province of Ontario that manages the Province's debt and borrowing program. As such, the OFA is considered a related party by the Board. Financial obligations to the OFA are \$20,945,056 (2022 - \$22,663,399).

Principal and interest payments relating to net debenture debt of \$32,198,665 are due as follows:

	Principal	Interest	Total
2023-2024	\$ 5,617,797	\$ 1,546,399	\$ 7,164,196
2024-2025	4,898,848	1,248,918	6,147,766
2025-2026	4,665,356	968,393	5,633,749
2026-2027	3,272,658	698,702	3,971,360
2027-2028	1,835,944	569,552	2,405,496
Thereafter	11,908,062	2,088,324	13,996,386
	\$ 32,198,665	\$ 7,120,288	\$ 39,318,953

Interest on long-term debt amounted to \$1,906,967 (2022 - \$2,254,153).

9. Debt charges, capital loans and interest:

The principal and interest payments for net debentures are as follows:

	2023	2022
Principal payments on net debentures	\$ 6,273,660	\$ 6,488,528
Interest payments on net debenture debt	1,906,967	2,254,153
	\$ 8,180,627	\$ 8,742,681

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

10. Asset Retirement Obligations (ARO):

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.

As at August 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending amount of the ARO liability is below as at August 31:

	2023	2022
Liabilities for ARO – beginning of year	\$ 2,987,997	\$ -
Opening PSAS adjustment	-	2,987,997
Liabilities incurred during the year (note 11)	419,813	-
Liabilities for ARO – end of year	\$ 3,407,810	\$ 2,987,997

11. 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 Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

12. Tangible capital assets:

Cost	Balance at August 31, 2022	Adjustments for PS3280 (ARO)	Additions and Transfers	Disposals and Transfers	Revaluation of TCA-ARO (note 11)	Balance at August 31, 2023
Land	\$ 44,456,206	\$ -	\$ 15,979,180	\$ -	\$ -	\$ 60,435,386
Land Improvements	5,674,152	133,735	658,512	-	18,790	6,485,189
Buildings	425,584,500	2,854,262	27,887,011	-	401,024	456,726,797
Portable Structures	3,353,915	-	1,521,331	-	-	4,875,246
First-time Equipping	2,111,504	-	597,808	-	-	2,709,312
Equipment – 5 years	764,460	-	236,181	-	-	1,000,641
Equipment – 10 years	2,415,894	-	87,168	-	-	2,503,062
Equipment – 15 years	328,260	-	13,561	-	-	341,821
Furniture	908,844	-	91,905	-	-	1,000,749
Computer Hardware	3,942,357	-	3,859,862	-	-	7,802,219
Computer Software	861,286	-	147,611	-	-	1,008,897
Vehicles	971,821	-	63,664	-	-	1,035,485
Leasehold Improvements	21,424,633	-	911,482	-	-	22,336,115
Construction in Progress	6,075,777	-	20,681,097	17,551,487	-	9,205,387
Leased Buildings	3,940,000	-	-	-	-	3,940,000
	\$ 522,813,609	\$ 2,987,997	\$ 72,736,373	\$ 17,551,487	\$ 419,814	\$ 581,406,306

Accumulated Amortization	Balance at August 31, 2022	Adjustments for PS3280 (ARO)	Additions and Transfers	Disposals and Transfers	Revaluation of TCA-ARO (note 11)	Balance at August 31, 2023
Land Improvements	\$ 2,989,420	\$ 107,648	\$ 567,986	\$ -	\$ 2,751	\$ 3,667,805
Buildings	183,240,883	2,242,528	16,546,441	-	22,853	202,052,705
Portable Structures	1,402,762	-	180,695	-	-	1,583,457
First-time Equipping	1,421,344	-	209,331	-	-	1,630,675
Equipment – 5 years	239,040	-	175,771	-	-	414,811
Equipment – 10 years	1,425,059	-	181,035	-	-	1,606,094
Equipment – 15 years	85,313	-	23,218	-	-	108,531
Furniture	393,817	-	95,480	-	-	489,297
Computer Hardware	2,204,433	-	1,479,375	-	-	3,683,808
Computer Software	543,193	-	175,167	-	-	718,360
Vehicles	407,716	-	159,794	-	-	567,510
Leasehold Improvements	9,507,936	-	1,847,817	-	-	11,355,753
Leased Buildings	3,940,000	-	-	-	-	3,940,000
	\$ 207,800,916	\$ 2,350,176	\$ 21,642,110	\$ -	\$ 25,604	\$ 231,818,806

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

12. Tangible capital assets (continued):

Net Book Value	Balance at August 31, 2022 Restated	Balance at August 31, 2023	Change
Land	\$ 44,456,206	\$ 60,435,385	\$ 15,979,179
Land improvements	2,710,819	2,817,384	106,565
Buildings	242,955,353	254,674,092	11,718,739
Portable structures	1,951,153	3,291,790	1,340,637
First-time equipping	690,159	1,078,636	388,477
Equipment – 5 years	525,420	585,831	60,411
Equipment – 10 years	990,835	896,968	(93,867)
Equipment – 15 years	242,947	233,290	(9,657)
Furniture	515,026	511,452	(3,574)
Computer hardware	1,737,923	4,118,410	2,380,487
Computer software	318,094	290,538	(27,556)
Vehicles	564,105	467,975	(96,130)
Leasehold improvements	11,916,697	10,980,363	(936,334)
Construction in progress	6,075,777	9,205,386	3,129,609
	\$ 315,650,514	\$ 349,587,500	\$ 33,936,986

Assets under construction having a value of \$9,205,386 (2022 – \$6,075,777) have not been amortized. Amortization of these assets will commence when the asset is put into service.

The grants recognized for deferred capital contributions for the year ended August 31, 2023 were \$21,447,909 (2022 - \$18,987,606) and the amortization of tangible capital assets was \$21,561,838 (2022 - \$18,987,606). The difference between these amounts is reflective of tangible capital assets purchases funded by non-restricted revenues. Amortization of asset retirement obligations was \$105,875 (2022 - \$nil).

13. Temporary borrowing:

The Board has lines of credit available to a maximum of \$30 million to address operating requirements and/or to bridge capital expenditures.

Interest on short term debt is based on the CIBC's prime lending rate. All loans are unsecured, due on demand and are in the form of bank overdrafts.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

14. Expenses by object:

The following is a summary of certain current and capital expenditures reported on the Consolidated Statement of Operations by object:

	2023 Budget Restated	2023 Actual	2022 Actual Restated
Current expenditures:			
Salaries and wages	\$ 230,793,770	\$ 235,265,279	\$ 226,560,702
Employee benefits	42,263,960	41,986,291	40,030,872
Amortization and loss on disposals	19,594,478	21,561,839	18,987,606
Amortization – ARO	-	105,875	105,875
Fees and contract services	17,112,570	21,079,712	18,371,422
Supplies and services	19,072,187	22,034,283	18,370,413
Other	892,112	3,186,774	5,765,654
School funded activities	3,971,595	5,100,756	2,837,433
Debt charges and interest	1,789,977	1,839,605	2,140,725
Rental expenditures	1,264,787	1,349,545	1,072,493
Staff development	940,055	1,469,466	814,486
	\$ 337,695,491	\$ 354,979,425	\$ 335,057,681

15. Contractual obligations:

At August 31, 2023, the Board is committed to the following contracts for construction:

St. Mary's HS portapak	\$ 3,008,729
Resurrection CSS portapak	2,878,174
St. Josephine Bakhita CES	688,003
New Catholic Elementary School in Rosenberg subdivision, Kitchener	672,501
New 7-12 Catholic School in East Kitchener	537,413
St. David	381,600
Saint John Paul II	350,121
Holy Family	254,871
St. Nicholas	249,278
Other contractual obligations	1,286,864
	\$ 10,307,554

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

16. Ontario School Board Insurance Exchange (OSBIE):

The Ontario School Boards' Insurance Exchange (OSBIE) is a school board owned, non-profit insurance program with 118 members, representing 78 school boards/school authorities and 40 Joint Ventures in Ontario. The primary goals of the Exchange are to insure member school boards against losses, and to promote safe school practices.

The school 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, vehicles and other areas of risks common to school boards. Premiums paid to OSBIE for the policy year ending December 31, 2023 were \$372,432 (2022 - \$360,157). There may be 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, with the current agreement ending December 31, 2026.

OSBIE exercises stewardship over the assets of the reciprocal, including the guarantee fund. The guarantee fund represents the cumulative excess of income over expenses, including investment income, and may be used to cover potential future catastrophe claims or reduce future premiums as appropriate. While individual school boards are not entitled to access the assets, the agreement provides for two circumstances where a school board may receive a portion of the accumulated funds of the reciprocal:

- i. In the event that the OSBIE 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 policy premiums, grant credits, or provide refunds of premiums in current or future policy periods.
- ii. Upon termination of the exchange of reciprocal contracts of insurance within an underwriting group, the associated assets, after payment of all obligations, and after setting aside an adequate reserve for further liabilities, shall be distributed to each school board in the underwriting group according to their participation ratio. The reserve for future liabilities associated with the underwriting group will be reassessed from time to time and when all liabilities have been discharged, any remaining assets shall be redistributed using the same ratio as was used previously.

In the event that the Board ceases to participate in the exchange of contracts of insurance within an underwriting group or within the exchange, it shall be liable for any assessments 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.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

17. Contingencies:

The Board has an excess of loss (catastrophe) Workplace Safety and Insurance Board (WSIB) insurance policy of \$10 million per accident, per employee, aggregate for disease, with a \$1 million deductible per employee, per accident. As indicated above, the Board brings this deductible down to \$300,000 by participating in the School Boards' Cooperative Inc.'s Assistance Program loss stop policy. The Board has not provisioned for any possible WSIB claims that are highly likely to occur based on an actuarially determined assessment and that are in excess of the Board's deductible on its excess of loss insurance policy.

From time to time, claims may be made against the Board related to employment contracts, agreements, and other similar matters. Where insurance coverage is not available for a particular claim, and where payment to a third party can be estimated and is likely, accruals have been made in these financial statements to reflect any obligations that may exist.

18. Accumulated surplus:

At August 31, accumulated surplus consists of the following:

	2023	2022 Restated
Surplus:		
Invested in land	\$ 60,435,384	\$ 44,456,203
Employee future benefits payable	(1,426,028)	(1,426,028)
Interest payable	(523,682)	(640,672)
Future asset retirement obligations	(2,456,051)	(2,350,176)
Amounts restricted for future use:		
School generated funds	2,206,981	2,085,364
Committed capital	673,211	742,607
Other internally restricted reserves	9,210,526	10,189,910
	\$ 68,120,341	\$ 53,057,208

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

19. Student Transportation Services of Waterloo Region Inc.:

Student Transportation Services of Waterloo Region (STSWR) commenced operating activities in June 2008. As at August 31, 2023, the Board has proportionally consolidated 38.0% (2022 – 37.5%) of STSWR's assets and liabilities. The proportionate percentage incorporated into the consolidated financial statements is based on the ridership of each participating board. Inter-organizational transactions and balances have been eliminated. The consolidated financial statements include the Board's share of the following:

	2023	2022
Financial position:		
Financial assets	\$ 221,379	\$ 1,808,697
Financial liabilities	(237,948)	(1,831,783)
Non-financial assets	16,569	23,086
Accumulated surplus	\$ -	\$ -
Operations:		
Revenues	\$ 29,185,014	\$ 28,277,931
Expenses	29,185,014	28,277,931
Annual surplus	\$ -	\$ -

The Board has guaranteed the line of credit of Student Transportation Services of Waterloo Region Inc. up to a maximum of \$2,700,000.

20. Budget reconciliation:

The budget approved by the Board on June 13, 2022 was not prepared on a Canadian Public Sector Accounting Standards basis consistent with that used to report actual results. The 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 budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require a full accrual basis. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget approved by the Board with adjustments as outlined below.

Where amounts were not budgeted for (ARO amortization), 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.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

21. Budget reconciliation (continued):

	2023 Budget	Change	2023 Restated and unaudited
Revenues	\$ 344,010,498	\$ -	\$ 344,010,498
Expenses	337,589,616	-	337,589,616
Amortization of TCA-ARO	-	105,875	105,875
Annual surplus	\$ 6,420,882	\$ (105,875)	\$ 6,315,007
Accumulated surplus, beginning of year	\$ 67,991,632	\$ -	\$ 67,991,632
PSAS adjustment	-	(2,244,301)	(2,244,301)
Adjusted Accumulated surplus, beginning of year	\$ 67,991,632	\$ (2,244,301)	\$ 65,747,331
Accumulated surplus, end of year	\$ 74,412,514	\$ (2,350,176)	\$ 72,062,338

22. In-kind transfers from the Ministry of Public and Business Service Delivery (MPBSD):

The Board has recorded both revenues and expenses, associated with provincially procured in-kind transfers of personal protective equipment (PPE) and critical supplies and equipment (CSE) received from the MPBSD. The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MPBSD and quantity information based on the board's records. The in-kind revenue recorded for these transfers is \$74,426 (2022 - \$4,796,258) with expenses based on use of \$74,426 (2022 - \$4,796,258) for a net impact of \$nil.

23. 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. 86.9% 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:

	2023	2022
Provincial legislative grants	\$ 276,193,242	\$ 258,810,342
Education property tax	45,320,994	46,840,014
Grants for student needs	\$ 321,514,236	\$ 305,650,356

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Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

24. Financial Instruments:

Financial instruments are classified into three categories: fair value, amortized cost or 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.

Amortized cost: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or 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. 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.

The following table provides the carrying amount information of the Board's financial instruments by category. The maximum exposure to credit risk for the financial assets would be the carrying values shown below.

	2023	2023	2022	2022
	Amortized cost/cost	Fair value	Amortized cost/cost	Fair value
Cash and cash equivalents	\$ 20,670,650		\$ 32,278,706	
Accounts receivable	81,868,473		78,769,666	
Accounts payable and accrued liabilities	(36,143,097)		(32,284,918)	
Employee benefits payable		\$ (4,664,148)		\$ (4,848,169)

Credit risk

Credit risk is the risk of financial loss to the Board if a debtor fails to discharge their obligation (e.g. pay the accounts receivable owing to the Board). The Board is exposed to this risk arising from its cash and cash equivalents and receivables. The Board holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

24. Financial Instruments (continued):

Accounts receivable is primarily due from school boards. The Board measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Board's historical experience regarding collections. There are no impairment allowances related to receivables in the current year or prior year. There were no changes in exposures to credit risk during the period.

Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet all cash outflow obligations as they come due. The organization mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining sufficient cash on hand if unexpected cash outflows arise. The following table sets out the expected maturities, representing undiscounted cash-flows of its financial liabilities.

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Accounts payables and accrued liabilities	\$ 36,143,097	\$ -	\$ -	\$ -	\$36,143,097
Employee benefits payable	878,219	878,219	2,634,658	273,051	4,664,148
	<u>\$ 36,143,097</u>	<u>\$ 878,219</u>	<u>\$ 2,634,658</u>	<u>\$ 273,051</u>	<u>\$40,807,245</u>

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure that risk.

25. 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.

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Notes to Consolidated Financial Statements, continued

Year ended August 31, 2023

25. Future Accounting Standard Adoption (continued):

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.