

Consolidated Financial Statements of

**UPPER GRAND DISTRICT
SCHOOL BOARD**

And Independent Auditor's Report thereon

Year ended August 31, 2024

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Upper Grand District School Board (the School Board) are the responsibility of the School Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in note 1(a) to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. School 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 Audit Committee of the School Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the approval by the Board of Trustees of the consolidated financial statements.

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



Peter Sovran,
Director of Education/CEO & Secretary

December 5, 2024



Glen Regier,
Chief Financial Officer

Upper Grand District School Board

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|-----------------------------|--------------------------------|----------------|-------------------|------------------|
| • Ralf Mesenbrink; Chair | • Katherine Hauser; Vice Chair | • Jen Edwards | • Irene Hanenberg | • Martha MacNeil |
| • Alethia O'Hara Stephenson | • Robin Ross | • Lynn Topping | • Luke Weiler | • Laurie Whyte |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Upper Grand District School Board

Opinion

We have audited the consolidated financial statements of Upper Grand District School Board (the "School Board"), which comprise:

- the consolidated statement of financial position as at August 31, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the School Board as at August 31, 2024, and its consolidated results of operations and accumulated surplus, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the 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 Financial Statements***" section of our auditor's report.

We are independent of the School Board in accordance with the ethical requirements that are relevant to our audit of the 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 - Financial Reporting Framework

Without modifying our opinion, we draw attention to note 1(a) to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

As a result, the financial statements may not be suitable for another purpose.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in note 1(a) to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the School Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 the 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 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 School 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 School 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 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 School Board's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the School Board to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

December 5, 2024

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2024, with comparative information for 2023

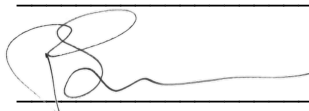
	2024	2023
Financial Assets		
Cash	\$ 3,915,956	\$ 6,408,953
Cash - school activity funds (note 3)	5,581,100	4,788,762
Accounts receivable (note 4)	58,291,372	79,845,994
Accounts receivable - Government of Ontario approved capital (note 5)	86,751,609	98,948,842
Total financial assets	154,540,037	189,992,551
Financial Liabilities		
Demand loan (note 6)	3,390,000	2,839,372
Accounts payable and accrued liabilities (note 7)	36,413,006	51,435,763
Deferred revenue (note 8)	21,349,149	22,270,350
Deferred capital contributions (note 9)	335,850,690	331,070,398
Asset retirement obligations (note 10)	16,625,297	16,038,295
Retirement and other employee future benefit liabilities (note 11)	6,097,295	6,556,663
Net long-term debt (note 12)	75,692,862	85,543,809
Total financial liabilities	495,418,299	515,754,650
Net debt	(340,878,262)	(325,762,099)
Non-Financial Assets		
Prepaid expenses	7,336,953	4,637,643
Inventories (note 22)	—	484,801
Tangible capital assets (note 14)	408,049,264	403,368,289
Total non-financial assets	415,386,217	408,490,733
Contractual obligations and contingent liabilities (note 18)		
Subsequent event (note 25)		
Accumulated surplus (note 20)	\$ 74,507,955	\$ 82,728,634

See accompanying notes to consolidated financial statements.

ard:



Chair of the Board



Director of Education and Secretary-Treasurer

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Revenue			
Government of Ontario grants:			
Grants for student needs (note 15)	\$ 440,698,797	\$ 466,101,188	\$ 449,388,772
Other	6,676,064	44,027,437	9,626,788
Amortization of deferred capital contributions (note 9)	18,172,944	18,792,198	19,033,595
Federal grants and fees	1,314,382	1,731,309	1,618,108
Other fees and revenue	5,331,000	8,050,181	8,781,422
School fundraising and other revenue	6,190,000	11,179,989	9,737,003
Investment income	1,350,000	2,330,872	1,338,307
Total revenue	479,733,187	552,213,174	499,523,995
Expenses (note 16)			
Instruction	377,930,775	438,660,359	374,278,311
Administration	11,879,153	15,001,560	13,933,881
Transportation	25,024,701	24,875,412	22,657,729
Pupil accommodation	61,593,913	69,712,335	65,211,239
School funded activities	6,190,000	10,398,096	9,165,615
Other	965,107	1,786,091	18,737,590
Total expenses	483,583,649	560,433,853	503,984,365
Annual deficit	(3,850,462)	(8,220,679)	(4,460,370)
Accumulated surplus, beginning of year		82,728,634	87,189,004
Accumulated surplus, end of year		\$ 74,507,955	\$ 82,728,634

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Net Debt

Year ended August 31, 2024, with comparative information for 2023

	2024	2023
Annual deficit	\$ (8,220,679)	\$ (4,460,370)
Tangible capital asset activity		
Acquisition of tangible capital assets	(23,795,705)	(27,801,564)
Amortization of TCA and ARO	19,699,894	19,931,718
TCA - revaluation asset retirement obligations	(585,164)	(1,969,606)
Total tangible capital asset activity	(4,680,975)	(9,839,452)
Other non-financial asset activity		
Acquisition of supplies inventories	-	(164,437)
Acquisition of prepaid expenses	(9,921,809)	(4,433,817)
Use of inventories	484,801	579,299
Use of prepaid expenses	7,222,499	2,430,244
Total other non-financial asset activity	(2,214,509)	(1,588,711)
Increase in net debt	(15,116,163)	(15,888,533)
Net debt, beginning of year	(325,762,099)	(309,873,566)
Net debt, end of year	\$ (340,878,262)	\$ (325,762,099)

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2024, with comparative information for 2023

	2024	2023
Sources and (uses)		
Operating transactions		
Annual deficit	\$ (8,220,679)	\$ (4,460,370)
Items not involving cash:		
Amortization of tangible capital assets and ARO	19,699,894	19,931,718
Revaluation of asset retirement obligations	(585,164)	(1,969,606)
ARO – revaluation no service life	1,838	6,177
TCA – revaluation asset retirement obligations	585,164	1,969,606
Amortization of deferred capital contributions	(18,792,198)	(19,033,595)
Retirement and other employee future benefits liabilities	(459,368)	(97,070)
Changes in non-cash assets and liabilities:		
Accounts receivable	21,554,622	2,423,896
Accounts payable and accrued liabilities	(15,022,757)	21,544,950
Deferred revenue - operating	850,231	(1,542,695)
Inventories	484,801	414,862
Prepaid expenses	(2,699,310)	(2,003,573)
Increase (decrease) in cash from operating transactions	(2,602,926)	17,184,300
Capital transactions		
Cash used to acquire tangible capital assets	(23,795,705)	(27,801,564)
Decrease in cash from capital transactions	(23,795,705)	(27,801,564)
Financing transactions		
Accounts receivable - Government of Ontario approved capital	12,197,233	6,090,370
Repayment of demand loan	–	(7,630,628)
Advance of demand loan	550,628	–
Additions to deferred capital contributions	23,572,490	27,704,754
Debt repayments and sinking fund contributions	(9,850,947)	(9,288,070)
Deferred revenue – capital	(1,771,432)	(1,618,383)
Increase in cash from financing transactions	24,697,972	15,258,043
Increase (decrease) in cash	(1,700,659)	4,640,779
Cash, beginning of year	11,197,715	6,556,936
Cash, end of year	\$ 9,497,056	\$ 11,197,715

The components of cash and cash equivalents are as follows:

	2024	2023
Cash	\$ 3,915,956	\$ 6,408,953
Cash - school activity funds	5,581,100	4,788,762
	\$ 9,497,056	\$ 11,197,715

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2024

1. Significant accounting policies:

The consolidated financial statements for Upper Grand District School Board (the School Board) are prepared by management in accordance with the basis of accounting described below.

(a) Basis of accounting:

These consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 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 (the Ministry) 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 Consolidated Statement of Operations and Accumulated Surplus 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, education property tax revenue.

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

- (i) 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;
- (ii) 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
- (iii) education 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 Consolidated Statement of Operations and Accumulated Surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(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 School Board and which are controlled by the School Board.

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level, which are controlled by the School Board, are reflected in the financial statements.

Service de Transport de Wellington-Dufferin Student Transportation Services (STWDSTS) is a separately incorporated transportation consortium of five member school boards operating through an agreement, whereby certain costs are shared. As a result, the proportionate amounts of STWDSTS' assets, liabilities, revenues and expenses have been consolidated with the School Board's financial statements.

Interdepartmental and interorganizational transactions and balances between these organizations are eliminated.

(c) Cash:

Cash comprises of cash on hand and demand deposits.

(d) Trust funds:

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

(e) Inventories:

Inventories are valued at the lower of cost or net realizable value on an average cost basis.

(f) Deferred revenue:

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

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(g) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing depreciable tangible capital assets for use in providing services, or any contributions of depreciable tangible capital assets received or receivable for use in providing services, are recorded as deferred capital contributions as required 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:

- (i) government transfers received or receivable for capital purposes
- (ii) other restricted contributions received or receivable for capital purposes
- (iii) education property taxation revenues which were historically used to fund capital assets

(h) Retirement and other employee future benefits:

The School Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, dental benefits, retirement gratuities, workers' compensation, short-term leave and disability plan and long-term disability benefits. The School Board accrues its obligation for these employee 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 2016-2017: Elementary Teachers' Federation of Ontario (ETFO) and Ontario Secondary School Teachers' Federation (OSSTF) which includes: teachers, Office Clerical and Technical (OCT), Professional Student Service Personnel (PSSP), Educational Assistant (EA), Special Program Assistant (SPA), Designated Early Childhood Educator (DECE) employee groups. The following ELHTs were established in 2017-2018: Canadian Union of Public Employees (CUPE) and Ontario Non-union Education Trust (ONE-T) for non-unionized employees including principals and vice-principals. The ELHTs provide health, dental and life insurance benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), and other school board staff. Currently ONE-T ELHTs also provide benefits to individuals who retired prior to the school board's participation date into 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. School Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHTs 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.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(h) Retirement and other employee future benefits (continued):

The School Board continues to provide health, dental and life insurance benefits for a small group of retired individuals up until they obtain the age of 65. This group of 5 individuals was previously represented by Ontario Principals Council (OPC) and Senior Administration.

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

- (i) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- (ii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.
- (iii) The costs of other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities is 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. Actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group. The average remaining service period of the active employees covered by the retirement gratuities plan is 3.9 years (2023 - 4.40 years).

For other employee future benefits that vest or accumulate 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.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and long-term disability, 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.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(i) Government transfer payments:

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 and recognized as revenue in the Consolidated Statement of Operations and Accumulated Surplus as the same rate and over the same periods as the asset is amortized.

(j) Other revenue recognition:

Other revenues from transactions with performance obligations, for federal grants and fees, other fees and revenue, school fundraising and other revenue of goods or rendering of services, are recognized as the School Board satisfies a performance obligation by providing the promised goods or services to the payor. Other revenue from transactions with no performance obligations are recognized when the School Board has the authority to claim or retain an inflow of economic resources and when a past transaction or event is an asset.

(k) 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.

(l) 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.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(l) Tangible capital assets (continued):

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

Asset	Estimated useful life
Land improvements with finite lives	15 years
Buildings	40 years
Other buildings	20 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	3 years
Computer software	5 years
Vehicles	5 - 10 years

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 net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings 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 which meet the criteria for financial assets are reclassified as "assets held for sale" in the Consolidated Statement of Financial Position.

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

(m) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset and other contract obligations;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(m) Asset retirement obligations (continued):

A liability has been recognized based on estimated future expenses on retirement of the tangible capital assets. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

(n) Long-term debt:

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

(o) 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.

The School Board approves its budget annually. The approved operating budget for 2023-2024 is reflected on the Consolidated Statement of Operations and Accumulated Surplus; the budget was approved on June 27, 2023. As the School Board only prepared a budget for the Consolidated Statement of Operations and Accumulated Surplus the budget figures in the Consolidated Statement of Change in Net Debt have not been provided.

(p) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) 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 value of estimating provisions for accrued liabilities, tangible capital assets and asset retirement obligations and valuation of obligations related to employee future benefits. Actual results could differ from these estimates.

These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

There is measurement uncertainty surrounding the estimation of liabilities for asset retirement obligations. 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.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(q) Education property tax revenue:

Under 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 School Board, 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.

(r) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the organization is directly responsible or accepts responsibility for the liability
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of the liability can be made.

(s) 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.

Financial Instrument	Measurement Method
Cash	Cost
Accounts receivable	Amortized Cost
Demand loan	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Net long-term debt	Amortized Cost

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(s) Financial instruments (continued):

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Amortized cost is measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. 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.

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.

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.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the consolidated statement of remeasurement gains and losses.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

1. Significant accounting policies (continued):

(s) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the consolidated statement of remeasurement gains and losses are reversed and recognized in the consolidated statement of operations.

Financial instruments standard requires the School Board to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

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

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

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.

(t) Purchased intangibles:

Purchased intangibles are identifiable non-monetary economic resources without physical substance that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other intangible assets or tangible capital assets;
- Have useful economic lives extending beyond one year;
- Are to be used on a continuing basis;
- Are purchased through an arm's length exchange transaction between knowledgeable, willing parties that are under no compulsion to act;
- Are not for sale in the ordinary course of operations; and
- Are not held as part of a collection.

A purchased intangible asset is recognized and capitalized on its acquisition date and is recorded at acquisition cost as a non-financial asset.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

2. Change in accounting standards:

The School Board adopted the following accounting standards beginning September 1, 2023, retroactively, with no impact on the consolidated financial statements:

- i. 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. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.
- ii. 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.
- iii. PS 3160 *Public Private Partnerships (P3s)* provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

3. Cash - school activity funds:

This balance consists of cash held by various organizations that exist at the school level.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

4. Accounts receivable:

Accounts receivable consists of the following:

	2024	2023
Government of Canada	\$ 4,053,829	\$ 3,257,386
Government of Ontario	37,818,443	60,456,202
Municipalities	14,720,545	14,305,651
Other school boards	499,961	250,907
Other	1,198,594	1,575,848
	<u>\$ 58,291,372</u>	<u>\$ 79,845,994</u>

The Ministry 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, 2024 is \$13,122,514 (2023 - \$25,520,777).

5. Accounts receivable - Government of Ontario approved capital:

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

The School Board has an accounts receivable from the Province of Ontario of \$86,751,609 (2023 - \$98,948,842) as at August 31, 2024 with respect to capital grants.

6. Demand loan:

The School Board has an operating line available to a maximum of \$19,000,000 to address operating requirements and/or to bridge capital expenditures. Interest on the operating facility is at bank prime less 0.65%. The demand loan is unsecured and due on demand.

As at August 31, 2024, the amount drawn under the demand loan was \$3,390,000 (2023 - \$2,839,372).

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is an amount payable to the Government of Ontario of \$780,907 (2023 - \$399,145).

8. Deferred revenue:

Revenues received 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 is comprised of:

	Balance as at August 31, 2023	Externally restricted revenue and investment income	Transferred to revenue or deferred capital contributions in the year	Balance as at August 31, 2024
School renewal	\$ 7,209,932	\$ 6,279,607	\$ 8,058,056	\$ 5,431,483
Proceeds of disposition	6,503,345	—	—	6,503,345
Education development charges	2,266,289	3,734,097	3,386,897	2,613,489
SEA Formula Based Funding	1,384,119	1,418,484	660,965	2,141,638
Targeted Student Supports	—	1,673,620	1,673,620	—
Tuition fees	1,633,143	1,009,964	1,596,235	1,046,872
MPBSD PPE/CSE (note 22)	484,801	—	484,801	—
Indigenous Education	721,012	1,921,369	834,343	1,808,038
Other	2,067,709	89,335,916	89,599,341	1,804,284
	\$ 22,270,350	\$ 105,373,057	\$ 106,294,258	\$ 21,349,149

9. 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.

	2024	2023
Deferred capital contributions, beginning of year	\$ 331,070,398	\$ 322,399,239
Additions to deferred capital contributions	23,572,490	27,704,754
Amortization of deferred capital contributions	(18,792,198)	(19,033,595)
Deferred capital contributions, end of year	\$ 335,850,690	\$ 331,070,398

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

10. Asset retirement obligations:

The asset retirement obligations represent estimated retirement costs for the School Board's buildings that have asbestos which represent a health hazard upon demolition, renovation or remediation and equipment which includes fuel, water, and septic tanks; drinking and monitoring wells; and laboratory equipment.

All liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

	2024	2023
Asset retirement obligations, beginning of year	\$ 16,038,295	\$ 14,062,512
Less: obligations settled during the year	–	–
Plus: revaluation – TCA with service life (note 14)	585,164	1,969,606
Plus: revaluation – TCA no service life (note 16)	1,838	6,177
Asset retirement obligations, end of year	\$ 16,625,297	\$ 16,038,295

The School Board made an inflation adjustment increase in estimates of 3.66% as at March 31, 2024, to reflect costs as at that date based on Ministry direction to align with Provincial government fiscal year end.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

11. Retirement and other employee future benefits:

			2024	2023
	Retirement gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	\$ –	\$ 1,155,970	\$ 1,155,970	\$ 2,123,568
Interest on accrued benefit obligation	84,296	152,485	236,781	200,528
Amortization of actuarial loss (gain)	30,385	(152,737)	(122,352)	(111,866)
Employee future benefit expenses ¹	\$ 114,681	\$ 1,155,718	\$ 1,270,399	\$ 2,212,230
Total payments made during the year	\$ 529,705	\$ 1,200,062	\$ 1,729,767	\$ 2,309,300

¹Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

			2024	2023
	Retirement gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee future benefit obligations	\$ 1,791,017	\$ 4,287,639	\$ 6,078,656	\$ 6,512,662
Unamortized actuarial loss	18,639	–	18,639	44,001
Accrued employee future benefit liabilities	\$ 1,809,656	\$ 4,287,639	\$ 6,097,295	\$ 6,556,663

The School Board has designated reserves for retirement gratuities. The balance of these reserves totaled \$213,451 at August 31, 2024 (2023 - \$295,984).

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

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

(a) Actuarial assumptions:

The accrued benefit obligations for employee future benefit plans as at August 31, 2024 are based on the most recent actuarial valuations completed for accounting purposes. These actuarial valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the School Board's best estimates of expected rates of:

	2024	2023
Inflation	2.00%	2.00%
Health insurance premium escalation	5.00%	5.00%
Dental insurance premium escalation	5.00%	5.00%
Discount on accrued benefit obligations	3.80%	4.40%

(b) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

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

(ii) Ontario Municipal Employees Retirement System:

All non-teaching employees of the School 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. Employee contribution rates are at rates of up to 14.6% of earnings. The School Board's contributions equal the employees' contributions to the plan.

During the year, the School Board contributed \$9,021,724 (2023 - \$5,958,002) to the plan. As this is a multi-employer pension plan, these contributions are the School Board's pension benefit expenses. No pension liability for this type of plan is included in the School Board's consolidated financial statements.

The latest available report for the OMERS plan was December 31, 2023. At that time the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit), based on actuarial liabilities of \$134.6 billion (2022 - \$128.8 billion) and actuarial assets of \$130.4 billion (2022 - \$122.1 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

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

(b) Retirement benefits (continued):

(iii) Retirement gratuities:

The School Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The School Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the School 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 as at August 31, 2012. The accrued benefit obligation for the retirement gratuities obligation is based on the actuarial valuation for accounting purposes as at August 31, 2024.

(c) Other employee future benefits:

(i) Retirement life insurance and health care benefits:

The School Board continues to provide a separate life insurance benefits plan, health care and dental benefits for certain retirees.

The premiums are based on the School Board's experience and retirees' premiums may be subsidized by the School Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the School Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, no longer qualify for School Board subsidized premiums or contributions. The accrued benefit obligation for the retirement life insurance and health care benefits is based on the actuarial valuation for accounting purposes as at August 31, 2024.

(ii) Workplace Safety and Insurance Board Obligation:

The School 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 School Board provides salary top-up to a maximum of 4 ½ 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 School 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 School Board's consolidated financial statements.

The total amount of the future benefit obligation with respect to claims at year end, as actuarially determined, is \$3,938,731 (2023 - \$3,909,175). The accrued benefit obligation for the Workplace Safety and Insurance Board Obligations is based on the actuarial valuation for accounting purposes as at August 31, 2024.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

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

(c) Other employee future benefits (continued):

(iii) Long-term disability benefits:

The School Board provides long-term disability benefits, including partial salary compensation, during the period an employee is unable to work or until their normal retirement date. The School Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the School Board's consolidated financial statements. The accrued benefit obligation for the long-term disability benefits is based on the actuarial valuation for accounting purposes as at August 31, 2024.

(iv) Sick leave benefits:

The School Board allows certain employees a maximum of 11 unused sick leave days to 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 accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as at August 31, 2024. This valuation is based on the assumptions about future events.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

12. Net debentures and loans:

Net debentures and loans reported on the Consolidated Statement of Financial Position are comprised of the following:

	2024	2023
Sinking fund debenture, repayable as specified by Upper Grand District School Board Bylaw (1999)-1, with variable interest, matures December 13, 2024	\$ 28,825,000	\$ 28,825,000
Debenture, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2002)-A2-UG, with interest at 5.9% per annum, matures October 11, 2027	4,371,507	5,465,606
Debenture, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2003)-A2-UG, with interest at 5.8% per annum, matures November 7, 2028	6,524,295	7,759,954
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2006)-1, with interest at 4.56%, matures November 17, 2031	5,729,368	6,357,128
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2008)-1, with interest at 4.90%, matures March 3, 2033	4,822,250	5,251,552
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2008)-2, with interest at 4.83%, matures March 3, 2033	567,742	618,466
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2009)-1, with interest at 5.06%, matures March 13, 2034	2,772,588	2,985,808
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2010)-1, with interest at 5.23%, matures April 13, 2035	8,334,502	8,888,993
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2011)-1, with interest at 4.83%, matures March 11, 2036	4,892,511	5,193,283
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2012)-1, with interest at 3.564%, matures March 9, 2037	4,788,339	5,078,690
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2013)-1, with interest at 3.799%, matures March 19, 2038	3,181,901	3,353,857
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2013)-2, with interest at 4.037%, matures October 30, 2028	4,930,954	5,920,951
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2014)-1, with interest at 4.003%, matures March 11, 2039	6,547,718	6,866,119
Carry forward	\$ 86,288,675	\$ 92,565,407

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

12. Net debentures and loans (continued):

Net debentures and loans reported on the Consolidated Statement of Financial Position are comprised of the following:

	2024	2023
Carried forward	\$ 86,288,675	\$ 92,565,407
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2015)-1, with interest at 2.993%, matures March 9, 2040	4,914,906	5,154,788
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2016)-1, with interest at 3.242%, matures March 15, 2041	6,333,139	6,612,259
OFA Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2017)-1, with interest at 3.594%, matures March 14, 2042	5,500,468	5,717,475
	103,037,188	110,049,929
Less sinking fund assets (carrying value)	(27,344,326)	(24,506,120)
	\$ 75,692,862	\$ 85,543,809

Principal, sinking fund and interest payments relating to net debentures and loans of \$75,692,862 outstanding as at August 31, 2024, are due as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2025	\$ 8,833,886	\$ 4,184,221	\$ 13,018,107
2026	7,710,831	2,832,140	10,542,971
2027	8,086,487	2,456,483	10,542,970
2028	7,780,787	2,061,851	9,842,638
2029	5,939,901	1,709,929	7,649,830
Thereafter	37,340,970	6,812,153	44,153,123
	\$ 75,692,862	\$ 20,056,777	\$ 95,749,639

Included in net debentures and loans are outstanding sinking fund debentures of \$28,825,000 (2023 - \$28,825,000) secured by sinking fund assets with a carrying value of \$27,344,326 (fair value of \$27,474,702). Sinking fund assets are comprised of short-term notes and deposits, and government bonds.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

12. Net debentures and loans (continued):

The Ontario Financing Authority (OFA) is a related party to the School Board and the Province of Ontario (the Province) as it was established as an agency of the Crown, on November 15, 1993, by the Capital Investment Plan Act, 1993 (the Act). In accordance with the Act, the OFA performs a number of functions including conducts borrowing, investment and financial risk management for the Province. The outstanding debt financed through OFA debentures and loans at year end are \$63,316,386 (2023 - \$67,999,369), principal payments of \$4,682,983 (2023 - \$4,489,284) and interest of \$2,791,246 (2023 - \$2,984,946).

13. Debt charges:

The expenditure for debt charges includes principal, sinking fund contributions, operating leases and interest expense are as follows:

	2024	2023
Principal payments on long-term liabilities including contributions to sinking funds	\$ 8,661,718	\$ 8,337,547
Payments on operating leases	341,006	234,442
Interest expense on long-term debt	5,412,065	5,741,425
Interest expense on demand loan	121,841	227,233
	<u>\$ 14,536,630</u>	<u>\$ 14,540,647</u>

Included in debt repayment and sinking fund contributions in the Consolidated Statement of Cash Flows in total of \$9,850,948 (2023 - \$9,288,070) are principal payments on long-term debt of \$8,661,718 (2023 - \$8,337,547) and sinking fund interest revenue of \$1,189,230 (2023 - \$950,523).

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

14. Tangible capital assets:

The School Board's tangible capital assets are identified by asset type. The cost of tangible capital assets, their accumulated amortization and net book value are disclosed in the following schedule:

Cost	Balance at August 31, 2023	Additions and transfers	Disposals and transfers	Revaluation of ARO (note 10)	Balance at August 31, 2024
Land	\$ 58,758,445	\$ 18,390	\$ -	\$ -	\$ 58,776,835
Land improvements	17,786,273	1,836,579	-	-	19,622,852
Buildings	568,404,533	21,319,428	-	585,164	590,309,125
Other buildings	1,567,082	-	-	-	1,567,082
Portable structures	4,402,879	317,309	-	-	4,720,188
First-time equipping of schools	3,747,777	-	(937,985)	-	2,809,792
Furniture	618,413	-	(60,731)	-	557,682
Equipment	4,298,460	126,478	(191,995)	-	4,232,943
Computer hardware and software	7,872,677	81,035	(1,369,239)	-	6,584,473
Vehicles	1,767,540	96,486	-	-	1,864,026
	\$ 669,224,079	\$ 23,795,705	\$ (2,559,950)	\$ 585,164	\$ 691,044,998

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

14. Tangible capital assets (continued):

Cost	Balance at August 31, 2023	Amortization	Disposals and transfers	Balance at August 31, 2024
Land improvements	\$ 8,597,670	\$ 1,198,738	\$ —	\$ 9,796,408
Buildings	242,058,955	15,678,440	—	257,737,395
Other buildings	869,513	80,410	—	949,923
Portable structures	1,936,082	228,077	—	2,164,159
First-time equipping of schools	3,452,844	191,892	(937,985)	2,706,751
Furniture	322,701	55,046	(60,731)	317,016
Equipment	2,258,766	418,726	(191,995)	2,485,497
Computer hardware and software	4,860,971	1,724,104	(1,369,239)	5,215,836
Vehicles	1,498,288	124,461	—	1,622,749
	\$ 265,855,790	\$ 19,699,894	\$ (2,559,950)	\$ 282,995,734

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

14. Tangible capital assets (continued):

Net book value	2024	2023
Land	\$ 58,776,835	\$ 58,758,445
Land improvements	9,826,444	9,188,603
Buildings	332,571,730	326,345,578
Other buildings	617,159	697,569
Portable structures	2,556,029	2,466,797
First-time equipping of schools	103,041	294,933
Furniture	240,666	295,712
Equipment	1,747,446	2,039,694
Computer hardware and software	1,368,637	3,011,706
Vehicles	241,277	269,252
	<u>\$ 408,049,264</u>	<u>\$ 403,368,289</u>

(a) Assets under construction:

Assets under construction having a value of \$7,001,791 (2023 - \$3,680,950) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$nil (2023 - \$nil).

15. 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 School 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. 84% (2023 – 90%) of the consolidated revenues of the School Board are directly controlled by the provincial government through the grants for student needs. The grants for student needs comprise of the following:

	2024	2023
Provincial legislative grants	\$ 361,247,123	\$ 346,407,355
Education property tax	104,854,065	102,981,417
<u>Grants for student needs</u>	<u>\$ 466,101,188</u>	<u>\$ 449,388,772</u>

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

16. Expenses by object:

The following is a summary of the expenses reported on the Consolidated Statement of Operations and Accumulated Surplus by object:

	2024 Budget	2024 Actual	2023 Actual
Salary and wages (note 25)	\$ 331,586,762	\$ 389,216,164	\$ 343,897,676
Employee benefits	55,527,271	62,879,646	59,152,369
Staff development	1,454,036	1,663,328	1,229,805
Supplies and services	29,593,968	34,599,901	31,497,847
Interest charges on capital	5,519,155	5,412,065	5,741,425
Rental expenses	386,951	458,611	571,373
Fees and contract services	39,404,431	44,485,333	39,396,568
Other	1,136,319	2,017,073	2,559,407
Amortization of TCA and ARO	18,974,756	19,699,894	19,931,718
Revaluation ARO - no service life (note 10)	–	1,838	6,177
	<u>\$ 483,583,649</u>	<u>\$ 560,433,853</u>	<u>\$ 503,984,365</u>

17. Ontario School Board Insurance Exchange (OSBIE):

The School Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$20,000,000 per occurrence.

The premiums over a five-year period are based on the reciprocal's and the School Board's actual claims experience. Periodically, the School Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. 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.

Premiums paid to OSBIE for the policy year ended December 31, 2023 total \$552,868 (2022 - \$566,866).

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

18. Contractual obligations and contingent liabilities:

(a) Capital commitments:

The School Board has commitments to construct and renovate various new and existing schools at August 31, 2024 totaling \$15,775,815. The School Board intends to finance these capital expenditures through a combination of educational development charges and long-term financing.

(b) Operating leases:

At August 31, 2024, the School Board is committed to the following operating leases:

2025	\$	349,917
2026		342,016
2027		308,601
2028		303,839
2029		67,425
		<hr/>
	\$	1,371,798

(c) Pay equity:

The School Board is subject to provincial pay equity legislation for its employees. It is management's opinion that the amount of any potential settlement is not determinable at this time. Consequently, management is not in a position to state that it has adequately provided for any or all potential settlements.

(d) Litigation and claims:

The School Board is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the School Board believes it has valid defenses. In the School Board's judgment, no material exposure exists on the eventual settlement of such litigation, and accordingly, no provision has been made in the accompanying consolidated financial statements.

19. Trust funds:

Trust funds administered by the School Board amounting to \$467,389 (2023 - \$489,087) have not been included in the Consolidated Statement of Financial Position and their operations have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

20. Accumulated surplus:

Accumulated surplus consists of the following:

	2024	2023
Surplus:		
Invested in non-depreciable tangible capital assets	\$ 54,459,451	\$ 51,054,782
Amounts restricted for future use:		
Employee future benefits	(6,097,295)	(6,556,663)
Retirement gratuities	213,451	295,984
School renewal	7,160,248	7,160,248
Asset retirement obligations	(8,643,798)	(8,277,630)
Other	27,415,898	39,051,913
Total accumulated surplus	\$ 74,507,955	\$ 82,728,634
Available for compliance - internally appropriated	\$ 28,034,798	\$ 40,025,887
Unavailable for compliance - externally appropriated	46,473,157	42,702,747
	\$ 74,507,955	\$ 82,728,634

21. Repayment of "The 55 School Board Trust" Funding:

On June 1, 2003, the School Board received \$11,377,073 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 School Board's debt in consideration for the assignment by the School Board to the trust of future provincial grants payable to the School 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 School Board's financial position. The flow-through of \$847,600 (2023 - \$847,600) in grants in respect of the above agreement for the year ended August 31, 2024, is recorded in these consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

22. In-Kind Transfers from Ministry of Public and Business Service Delivery:

The School 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 (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 School Board's records. The in-kind revenue recorded for these transfers is \$484,801 (2023 - \$579,298) with expenses based on use of \$484,801 (2023 - \$579,298) for a net impact of \$nil. The in-kind revenue is included in Government of Ontario grants – other and the expense is included in other expenses.

23. Financial instruments and financial risks:

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

(a) Credit risk:

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

(b) Market risk:

The School Board is exposed to interest rate risk on its net long-term debt, all of which are regularly monitored.

(c) Liquidity risk:

Liquidity risk is the risk that the School Board will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The School Board manages its liquidity risk by monitoring its operating requirements and having financing available. The School Board prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

24. Service de Transport de Wellington Dufferin Student Transportation Services (STWDSTS):

This entity is proportionately consolidated in the School Board's consolidated financial statements whereby the School Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the School Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

STWDSTS adopted the new accounting standards included note 2. There was no impact on STWDSTS financial statements as a result of adoption of the new accounting standards.

The following provides condensed financial information:

	2024		2023	
	Total	School Board Portion	Total	School Board Portion
Financial Position:				
Financial assets	\$ 1,967,960	\$ 1,543,632	\$ 2,235,746	\$ 1,751,239
Financial liabilities	2,030,836	1,592,951	2,299,813	1,801,422
Net debt	(62,876)	(49,319)	(64,067)	(50,183)
Accumulated deficit	\$ (62,876)	\$ (49,319)	\$ (64,067)	\$ (50,183)
Operations:				
Revenue	\$ 32,726,280	\$ 23,749,632	\$ 29,726,065	\$ 22,117,932
Expenses	32,725,089	23,748,768	29,725,498	22,117,510
Annual surplus	1,191	864	567	422
Accumulated deficit, beginning of year	(64,067)	(50,183)	(64,634)	(50,605)
Accumulated deficit, end of year	\$ (62,876)	\$ (49,319)	\$ (64,067)	\$ (50,183)

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

25. Monetary resolution of Bill 124, the protecting of sustainable Public Sector for Future Generations Act:

A monetary resolution to Bill 124 was reached between the Crown and the following education sector unions Elementary Teachers' Federation of Ontario (ETFO), Ontario Secondary School Teachers' Federation (OSSTF), Ontario English Catholic Teachers' Association (OECTA), and Association des Enseignantes et Enseignants Franco-Ontariens (AEFO), Canadian Union of Public Employees (CUPE), Elementary Teachers' Federation of Ontario - Education Workers (ETFO-EW), Ontario Secondary School Teachers' Federation - Education Workers (OSSTF-EW), Education Workers' Alliance of Ontario (EWAO), and Ontario Council of Education Workers (OCEW). This agreement provides a 0.75% increase for salaries and wages on September 1, 2019, a 0.75% increase for salaries and wages on September 1, 2020, and a 2.75% increase in salaries and wages on September 1, 2021, in addition to the original 1% increase applied on September 1 in each year during the 2019-22 collective agreements.

The Crown has funded the monetary resolution for these employee groups to the applicable school boards through the appropriate changes to the Grants for Student Needs benchmarks and additional Priorities and Partnerships Funding (PPF). Due to this resolution, there is an impact on salary and wages expenses of \$40.6 million in the 2023-24 fiscal year. The portion related to 2019-20 to 2022-23 is \$30.9 million, with the remainder of \$9.7 million related to 2023-24.

In 2023, the School Board estimated the impact of the OSSTF and OSSTF-EW settlement for Bill 124 for the years from 2019-20 to 2022-23 at \$11.9 million which is included in other expenses.

Subsequent to August 31, 2024, a monetary resolution to Bill 124 was reached between the Crown and Principals and Vice-Principals. This agreement provides a 0.75% increase for salaries and wages on September 1, 2020, a 2.75% increase for salaries and wages on September 1, 2021 and a 2.00% increase in salaries and wages on September 1, 2022, in addition to the original 1% increase applied on September 1 in each year during the 2020-22 collective agreements. Included in accounts payable and accrued liabilities is \$3.6 million related to the resolution to Bill 124 between the Crown and Principals and Vice-Principals.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2024

26. Future accounting standards:

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

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

(a) New Public Sector Accounting Standards (PSAS) Conceptual Framework:

This new model is a comprehensive set of concepts that underlie and support financial reporting.

The main changes are:

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

(b) Reporting Model - PS 1202 *Financial Statement Presentation*:

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