

Consolidated Financial Statements of

**OTTAWA-CARLETON
DISTRICT SCHOOL BOARD**

And Independent Auditor's Report thereon

Year ended August 31, 2023

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OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2023

Management Report

Independent Auditor's Report

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2022-2023 MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Ottawa-Carleton District School Board are the responsibility of Board management and have been prepared in compliance 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 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 of Trustees and the Audit Committee meet with management and the external auditors to review the consolidated financial statements and 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 KPMG LLP, independent external auditors appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Ottawa-Carleton District School Board's consolidated financial statements.

Concerns Regarding Provincial Funding of Education

The Board of Trustees continue to express their concerns on the level of funding provided by the provincial government to Ontario's school boards. Under the existing requirements of the Education Act, school boards are almost completely dependent on provincial government funding and must approve balanced budgets. The government's multi-year plan to deal with the provincial deficit indicates overall restraints in funding growth to less than the rate of inflation. If the application of the plan to the education sector results in a loss of existing purchasing power, the only significant action a school board will be able to implement to balance its budget is to reduce spending, thereby impacting the level of service provided to its students.

Pino Buffone

Randall Gerior, CPA, CMA

Director of Education/Secretary of the Board

Associate Director, Business Operations and
Treasurer

[DATE]

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Ottawa-Carleton District School Board

Opinion

We have audited the consolidated financial statements of the Ottawa-Carleton District School Board (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2023
- the consolidated statement of operations and accumulated surplus (deficit) 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 Entity as at August 31, 2023, and its consolidated results of operations, 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 Entity 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 – Basis of Presentation

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.

Emphasis of Matter - Comparative Information

We draw attention to Note 18 to the financial statements, which explains that certain comparative information presented for the year ended August 31, 2022 has been restated. Note 18 explains the reason for the restatement and explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended August 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended August 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting as described in note 1(a), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 group Entity 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.

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

[DATE]

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|--|-----------------|-------------------------|
| | | (Restated - note 18) |
| Financial assets: | | |
| Cash | \$ 68,143,853 | \$ 38,846,395 |
| Accounts receivable: | | |
| Government of Ontario - approved capital funding (note 2) | 133,458,134 | 134,546,107 |
| Municipality | 35,324,737 | 35,850,729 |
| Other | 60,088,956 | 48,644,581 |
| Total financial assets | 297,015,680 | 257,887,812 |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 126,935,614 | 86,034,714 |
| Other accounts payable (note 5c) | 9,434,903 | 8,366,123 |
| Net long-term liabilities (note 3) | 75,462,150 | 80,738,889 |
| Deferred revenue (note 4) | 47,872,502 | 40,700,928 |
| Employee future benefits liability (note 5) | 31,623,238 | 35,043,587 |
| Deferred capital contributions (note 6) | 839,093,807 | 812,446,106 |
| Asset retirement obligation (note 8) | 260,414,855 | 228,333,937 |
| Total financial liabilities | 1,390,837,069 | 1,291,664,284 |
| Net debt | (1,093,821,389) | (1,033,776,472) |
| Non-financial assets: | | |
| Prepaid expenses | 4,253,507 | 4,903,633 |
| Inventories of supplies | 2,928,997 | 4,083,622 |
| Tangible capital assets (note 7) | 1,056,829,636 | 997,795,359 |
| Total non-financial assets | 1,064,012,140 | 1,006,782,614 |
| Commitments and contingent liabilities (note 10) | | |
| Accumulated deficit (note 9) | \$ (29,809,249) | \$ (26,993,858) |

See accompanying notes to consolidated financial statements.

Pino Buffone
Director of Education/Secretary of the Board

Lynn Scott
Chair of the Board

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus (deficit)

Year ended August 31, 2023, with comparative information for 2022

| | 2023 Budget | 2023 Total | 2022 Total (Restated - note 18) |
|---|-----------------|-----------------|--|
| Revenue: | | | |
| Provincial grants: | | | |
| Grants for student needs (note 11) | \$ 920,096,041 | \$ 944,856,818 | \$ 894,777,384 |
| Program specific | 8,982,246 | 50,483,602 | 29,432,022 |
| Ontario Youth Apprenticeship Program | 398,724 | 484,476 | 335,779 |
| Amortization of deferred capital contributions | 70,004,315 | 73,330,104 | 66,936,755 |
| Federal grants and fees | 2,607,735 | 3,844,768 | 2,925,288 |
| Other school boards | 497,873 | 766,236 | 703,460 |
| Other fees and revenue | 55,417,487 | 49,757,237 | 53,628,590 |
| Interest income | 800,000 | 2,596,087 | 448,950 |
| School-funded activities | 17,668,933 | 17,506,296 | 5,991,623 |
| | 1,076,473,354 | 1,143,625,624 | 1,055,179,851 |
| Expenses (note 12): | | | |
| Instruction | 781,182,749 | 798,492,735 | 776,455,847 |
| School operations and maintenance | 162,432,060 | 180,865,223 | 168,986,953 |
| Transportation (note 15) | 47,183,238 | 50,852,049 | 45,998,823 |
| Administration | 22,615,381 | 24,686,031 | 22,351,494 |
| Other | 34,711,088 | 75,089,852 | 29,641,079 |
| School-funded activities | 17,668,933 | 16,455,125 | 5,829,852 |
| | 1,065,793,449 | 1,146,441,015 | 1,049,264,048 |
| Annual surplus (deficit) | 10,679,905 | (2,815,391) | 5,915,803 |
| Accumulated surplus, beginning of year | (26,993,858) | (26,993,858) | 130,296,334 |
| Accumulated surplus, PSAB adjustment | – | – | (163,205,995) |
| Adjusted accumulated deficit, beginning of year | (26,993,858) | (26,993,858) | (32,909,661) |
| Accumulated deficit, end of year (note 9) | \$ (16,313,953) | \$ (29,809,249) | \$ (26,993,858) |

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2023, with comparative information for 2022

| | 2023 | 2022 (Restated - note 18) |
|--|--------------------|---------------------------------|
| Annual surplus (deficit) | \$ (2,815,391) | \$ 5,915,803 |
| Tangible capital assets (note 7): | | |
| Net acquisition of tangible capital assets | (107,225,346) | (130,640,672) |
| Amortization of tangible capital assets | 80,271,987 | 73,406,926 |
| Change in estimate of TCA-ARO | (32,080,918) | - |
| | (59,034,277) | (57,233,746) |
| Non-financial assets: | | |
| Acquisition of inventories of supplies | (2,887,557) | (6,376,866) |
| Acquisition of prepaid expenses | (2,339,629) | (3,241,613) |
| Consumption of inventories of supplies | 4,042,182 | 5,016,545 |
| Use of prepaid expenses | 2,989,755 | 2,577,542 |
| | 1,804,751 | (2,024,392) |
| Increase in net debt | (60,044,917) | (53,342,335) |
| Net debt, beginning of year | (1,033,776,472) | (752,100,200) |
| Net debt, PSAB adjustment | - | (228,333,937) |
| Adjusted net debt, beginning of year | (1,033,776,472) | (980,434,137) |
| Net debt, end of year | \$ (1,093,821,389) | \$ (1,033,776,472) |

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2023, with comparative information for 2022

| | 2023 | 2022 (Restated - note 18) |
|---|----------------|---------------------------------|
| Operating transactions: | | |
| Annual surplus (deficit) | \$ (2,815,391) | \$ 11,626,151 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 80,271,987 | 67,696,578 |
| Amortization of deferred capital contributions | (73,330,104) | (66,936,755) |
| Disposals, write-offs and adjustments of tangible capital assets | – | 3,363,029 |
| Change in non-cash assets and liabilities: | | |
| Increase in accounts receivable (non-capital) | (10,918,383) | (19,154,852) |
| Increase in accounts payable and accrued liabilities | 40,900,900 | 712,451 |
| Increase in other accounts payable | 1,068,780 | 1,297,680 |
| Increase (decrease) in deferred revenue | 7,171,574 | (12,936,934) |
| Decrease in employee future benefits liability | (3,420,349) | (5,529,175) |
| Change in asset retirement obligation liabilities | 32,080,918 | – |
| Decrease (increase) in prepaid expenses | 650,126 | (664,071) |
| Decrease (increase) in inventories of supplies | 1,154,625 | (1,360,321) |
| Cash applied to operating transactions | 72,814,683 | (21,886,219) |
| Capital transactions: | | |
| Acquisition of tangible capital assets | (139,306,264) | (134,003,701) |
| Cash applied to capital transactions | (139,306,264) | (134,003,701) |
| Financing transactions: | | |
| Principal repayments of net long-term liabilities | (5,276,739) | (5,043,624) |
| Decrease (increase) in accounts receivable – Government of Ontario approved capital funding | 1,087,973 | (5,918,805) |
| Additions to deferred capital contributions | 99,977,805 | 109,693,087 |
| Cash applied to financing transactions | 95,789,039 | 98,730,658 |
| Increase (decrease) in cash | 29,297,458 | (57,159,262) |
| Cash, beginning of year | 38,846,395 | 96,005,657 |
| Cash, end of year | \$ 68,143,853 | \$ 38,846,395 |

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2023

1. Significant accounting policies:

The consolidated financial statements of the Ottawa-Carleton District School Board (the "Board") are prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

(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 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 (deficit) 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 amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions included 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:

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

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus (deficit) 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.

The consolidated financial statements include the following organizations:

- (i) The Ottawa-Carleton Education Network (“OCENET”): OCENET is consolidated in the financial statements. OCENET is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. OCENET’s principal activity is to market products, programs, services and expertise to international students, and generate tuition revenue for the Board.
- (ii) The Ottawa Student Transportation Authority (“OSTA”): OSTA is included in the consolidated financial statements using the proportionate consolidation method of accounting and reporting, whereby the Board’s pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the consolidated financial statements. The Board is a member of OSTA with the Ottawa Catholic School Board. OSTA is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. OSTA’s principal activity is to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the Ottawa area on behalf of the member school boards.
- (iii) School generated funds: the assets, liabilities, revenues, expenses, and fund balances of various organizations that exist at the school level and which are deemed to be controlled by the Board have been reflected in the consolidated financial statements.

Inter-departmental and inter-organizational transactions and balances are eliminated in these consolidated financial statements.

(c) Trust funds:

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

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

(e) 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. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all 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, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

| Rate | Estimated Useful Lives |
|-------------------------------------|------------------------|
| Land improvements with finite lives | 15 years |
| Buildings | 40 years |
| Portable structures | 20 years |
| First-time equipping of schools | 10 years |
| Furniture | 10 years |
| Equipment | 5 to 15 years |
| Computer hardware | 3 years |
| Computer software | 5 years |
| Vehicles | 5 to 10 years |
| Leasehold improvements | Over term of lease |

Assets under construction and assets that relate to pre-acquisition and pre-construction 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 cease to be amortized and the carrying value is written down to its residual 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.

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

(f) Deferred revenue:

The Board receives certain amounts pursuant to legislation, regulation or agreement that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

(g) Deferred capital contributions:

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

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Education property taxation revenues which were historically used to fund capital assets

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, retirement gratuity, service awards, and worker's compensation. The 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 principals and vice-principals associations, Employee Life and Health Trusts ("ELHTs") were established between 2016 and 2018 for all employee groups. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. School boards are required to remit a negotiated amount per full-time equivalency on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs and additional Ministry funding in the form of a Crown contribution and Stabilization Adjustment. The Board continues to be responsible for its share of the cost of benefits based on the cost sharing arrangement prior to the transition to the ELHT.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

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

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

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days, 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 (if applicable) and years of service as at August 31, 2012 and management's best estimate of discount rates. 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.

For self-insured retirement and 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 worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the event occurs. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) 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.
 - (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.
- (i) Accumulated surplus - available for compliance, internally appropriated:

Certain amounts, as approved by the Board of Trustees, are set aside as internally appropriated funds for future operating and capital purposes. Transfers to and/or from internally appropriated funds are an adjustment to the respective fund when approved.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

(j) 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 that give rise to a liability, they are deferred and recognized in revenue when the stipulations are met. As required by Regulation 395/11, government transfers for the purchase or development of tangible capital assets are recorded as deferred capital contributions and recognized as revenue in the consolidated statement of operations and accumulated surplus at the same rate and over the same periods as the asset is amortized.

(k) Interest income:

Interest 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 and education development charges forms part of the respective deferred revenue balances.

(l) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees ("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 Board approves its budget annually. The operating budget for 2022-2023 was approved on June 14, 2022, and is reflected on the consolidated statement of operations and accumulated surplus (deficit).

(m) 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 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, under Education Property Tax.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of the 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 amount 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. Actual results could differ from these current estimates.

Significant estimates include assumptions used in performing actuarial valuations of employee future benefits liabilities. 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 of \$260,414,855. 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.

2. Accounts receivable:

Government of Ontario approved capital funding:

The Province of Ontario (the "Province") replaced variable capital funding with a one-time debt support grant in 2009-2010. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that supports the capital programs as of that date. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. In any year, the Board may also receive additional capital grants to support new capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of \$133,458,134 (2022 - \$134,546,107) as at August 31, 2023 with respect to capital grants.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

3. Net long-term liabilities and temporary borrowing:

(a) Net long-term liabilities:

The Board's long-term liabilities result from new school construction and major school renewal renovation projects. The provincial government has committed to fully funding the annual payments for this debt as disclosed in note 2. Net long-term liabilities consist of the following:

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Ontario Financing Authority capital debenture debt: | | |
| bearing interest at a rate of 4.56% per annum (1 st issue), maturity date November 17, 2031 | \$ 22,602,000 | \$ 24,735,528 |
| bearing interest at a rate of 4.90% per annum (2 nd issue), maturity date March 31, 2033 | 8,374,715 | 9,026,976 |
| bearing interest at a rate of 5.06% per annum (3 rd issue), maturity date March 31, 2034 | 6,136,798 | 6,553,665 |
| bearing interest at a rate of 5.232% per annum (4 th issue), maturity date April 13, 2035 | 12,146,816 | 12,866,387 |
| bearing interest at a rate of 4.833% per annum (5 th issue), maturity date March 11, 2036 | 4,632,589 | 4,888,375 |
| bearing interest at a rate of 3.97% per annum (6 th issue), maturity date November 17, 2036 | 480,847 | 507,322 |
| bearing interest at a rate of 3.564% per annum (7 th issue), maturity date March 9, 2037 | 8,718,915 | 9,200,079 |
| bearing interest at a rate of 3.799% per annum (8 th issue), maturity date March 19, 2038 | 8,584,076 | 9,007,935 |
| bearing interest at a rate of 4.003% per annum (9 th issue), maturity date March 11, 2039 | 3,381,844 | 3,532,576 |
| bearing interest at a rate of 3.242% per annum (10 th issue), maturity date March 15, 2041 | 403,550 | 420,046 |
| | <u>\$ 75,462,150</u> | <u>\$ 80,738,889</u> |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

3. Net long-term liabilities and temporary borrowing (continued):

(a) Net long-term liabilities (continued):

Future principal and interest payments relating to the net long-term liabilities are due as follows:

| | Principal | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 2023-2024 | \$ 5,520,762 | \$ 3,353,062 | \$ 8,873,824 |
| 2024-2025 | 5,776,209 | 3,097,615 | 8,873,824 |
| 2025-2026 | 6,043,620 | 2,830,204 | 8,873,824 |
| 2026-2027 | 6,323,562 | 2,550,262 | 8,873,824 |
| 2027-2028 | 6,616,629 | 2,257,195 | 8,873,824 |
| Thereafter | 45,181,368 | 7,802,163 | 52,983,531 |
| | <u>\$ 75,462,150</u> | <u>\$ 21,890,501</u> | <u>\$ 97,352,651</u> |

Principal and interest payments made on the net long-term liabilities in the year are as follows:

| | 2023 | 2022 |
|--------------------|---------------------|---------------------|
| Principal payments | \$ 5,276,739 | \$ 5,043,624 |
| Interest payments | 3,597,085 | 3,830,199 |
| | <u>\$ 8,873,824</u> | <u>\$ 8,873,823</u> |

(b) Temporary borrowing:

The Board has credit facilities available to a maximum of \$95,000,000 to address operating requirements and to bridge funding of capital expenditures. Interest on the credit facilities is determined based on the bank's prime lending rate discounted pursuant to the agreement with the bank. All loans are unsecured and due on demand. There was no temporary borrowing as at August 31, 2023 (2022 - \$Nil) and, accordingly, no liability is reported.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

4. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts that are required to be set aside for specific purposes by legislation, regulation or agreement. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

Deferred revenue is comprised of:

| | 2023 | 2022 |
|--|----------------------|----------------------|
| By legislation, regulation or agreement: | | |
| Proceeds of disposition - school buildings | \$ 63,002 | \$ 60,140 |
| Amounts restricted by external funders | 47,809,500 | 40,640,788 |
| | <u>\$ 47,872,502</u> | <u>\$ 40,700,928</u> |
| Balance, beginning of year | \$ 40,700,928 | \$ 53,637,862 |
| Amounts received during the year (note 4(b)) | 67,764,417 | 79,751,814 |
| Amounts recognized as revenue or transferred to deferred capital contributions | (60,592,843) | (92,688,748) |
| Balance, end of year | <u>\$ 47,872,502</u> | <u>\$ 40,700,928</u> |

(a) Proceeds of disposition - school buildings:

The proceeds of disposition deferred revenue balance consists of proceeds from the sale of schools. The Board is required to use this amount with Ministry of Education approval to fund future capital costs related to Board facilities.

(b) Detail of amounts received during the year:

| | 2023 | 2022 |
|--|----------------------|----------------------|
| School renewal | \$ 14,923,156 | \$ 14,894,345 |
| Temporary accommodations | 1,768,638 | 1,495,911 |
| Special education | 3,005,639 | 2,658,636 |
| Grants from other provincial ministries | 3,169,299 | 8,853,871 |
| Other various Ministry of Education | 32,912,098 | 37,537,048 |
| Education development charges | 7,477,014 | 9,195,877 |
| School generated funds, OCENET and other | 4,505,711 | 5,026,044 |
| Proceeds of disposition | 2,862 | 90,082 |
| Total | <u>\$ 67,764,417</u> | <u>\$ 79,751,814</u> |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

5. Retirement and other employee future benefits:

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

(a) 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 of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System:

All administrative and support employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2023, the Board contributed \$14,105,722 (2022 - \$13,140,925) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

The OMERS pension plan had a deficit as at December 31, 2022, based on the actuarial valuation of the pension benefit obligation resulting in the plan being 95% funded (2022 - 97% funded). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

(iii) Retirement gratuity benefits:

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 gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

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

(b) Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

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. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 require the Board to provide a salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision.

(ii) Sick leave top-up benefits:

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 consolidated financial statements are \$493,780 (2022 - \$550,561).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as at August 31, 2023. This actuarial valuation is based on assumptions about future events and is based on the average daily salary and banked sick days of employees as at August 31, 2023.

(iii) Long-term disability life insurance:

Prior to 2019, the Board provided group life insurance benefits to employees on long-term disability leave that were not yet members of an ELHT. The premiums were waived for the employee and the Board. The costs were reflected in the experience of the plan. The Board provided these benefits through an unfunded defined benefit plan. Commencing 2019, all employees were members of an ELHT and, accordingly the Board did not incur costs during the year. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

(iv) Post-employment life insurance and health care benefits:

The Board continues to provide life insurance, dental and health care benefits to employee groups after retirement until the age of 65. The premiums are based on the Board's experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2012, employees retiring on or after this date no longer qualify for Board subsidized premiums or contributions.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

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

(c) Accrued benefit liability:

The accrued benefit obligations for employee future benefit plans are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2023. The actuarial valuation was based on assumptions about future events.

During 2018, an assumption relating to the eligibility of certain teachers to receive a gratuity payment upon retirement was amended. The amended assumption resulted in an increase to the accrued employee future benefit obligation reported at August 31, 2018. The increase in the obligation was reported as an unamortized actuarial loss which is being recognized over the remaining service life of employees eligible for a gratuity payment.

The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

| | 2023 | 2022 |
|---------------|-----------------|-----------------|
| Discount rate | 4.45% per annum | 3.95% per annum |

Information with respect to the Board's retirement and other employee future benefit obligations is as follows:

| | Retirement gratuities | Other employee future benefits | 2023 Total employee future benefits | 2022 Total employee future benefits |
|---|-----------------------|--------------------------------|-------------------------------------|-------------------------------------|
| Accrued employee future benefit obligations at August 31 | \$ 32,630,116 | \$ 505,239 | \$ 33,135,355 | \$ 38,368,673 |
| Unamortized actuarial gains (losses) at August 31 | (152,633) | 727 | (151,906) | (1,191,596) |
| | 32,477,483 | 505,966 | 32,983,449 | 37,177,077 |
| Current portion of retirement gratuities included in other accounts payable | (1,360,211) | – | (1,360,211) | (2,133,490) |
| Employee future benefits liability at August 31 | \$ 31,117,272 | \$ 505,966 | \$ 31,623,238 | \$ 35,043,587 |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

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

(c) Accrued benefit liability (continued):

| | Retirement gratuities | Other employee future benefits | 2023 Total employee future benefits | 2022 Total employee future benefits |
|--|--------------------------|---|---|---|
| Current year benefit cost | \$ 120,417 | \$ 491,846 | \$ 612,263 | \$ 1,129,509 |
| Interest on accrued benefit obligation | 1,404,350 | 509 | 1,404,859 | 830,595 |
| Benefits paid | (5,656,791) | 553,959 | (5,102,832) | (7,317,977) |
| Change in employee future benefits liability | \$ (4,132,024) | \$ 1,046,314 | \$ (3,085,710) | \$ (5,357,873) |

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. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

| | 2023 | 2022 |
|--|----------------|----------------|
| Opening balance, September 1 | \$ 812,446,106 | \$ 769,689,774 |
| Additions to deferred capital contributions | 99,977,805 | 109,693,087 |
| Amortization of deferred capital contributions | (73,330,104) | (66,936,755) |
| Closing balance, August 31 | \$ 839,093,807 | \$ 812,446,106 |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

7. Tangible capital assets:

| Cost | Balance at August 31, 2022 | Additions | Disposals, write-offs and adjustments | Balance at August 31, 2023 |
|------------------------------------|----------------------------------|-----------------------|---|----------------------------------|
| | (Restated) | | | |
| Land | \$ 114,093,761 | \$ 3,578,776 | \$ – | \$ 117,672,537 |
| Land improvements | 41,859,953 | 6,163,323 | – | 48,023,276 |
| Buildings | 1,558,426,674 | 50,531,706 | 52,142,126 | 1,661,100,506 |
| Portable structures | 29,385,131 | 5,625,949 | – | 35,011,080 |
| First-time equipping of schools | 8,033,312 | 893,524 | – | 8,926,836 |
| Furniture | 2,059,282 | 11,842 | (211,257) | 1,859,867 |
| Equipment | 9,440,430 | 542,596 | (311,257) | 9,671,769 |
| Computer hardware | 24,787,765 | 6,714,501 | – | 31,502,266 |
| Computer software | 6,846,849 | 29,752 | (131,576) | 6,745,025 |
| Vehicles | 1,673,942 | 168,755 | (301,822) | 1,540,875 |
| Leasehold improvements | 156,945 | 289,105 | – | 446,050 |
| Construction-in-progress | 42,066,979 | 32,675,517 | (20,061,208) | 54,681,288 |
| Total | \$ 1,838,831,023 | \$ 107,225,346 | \$ 31,125,006 | \$ 1,977,181,375 |

| Accumulated amortization | Balance at August 31, 2022 | Amortization | Disposals write-offs and adjustments | Balance at August 31, 2023 |
|------------------------------------|----------------------------------|----------------------|--|----------------------------------|
| | (Restated) | | | |
| Land improvements | \$ 27,810,002 | \$ 4,217,523 | \$ – | \$ 32,027,525 |
| Buildings | 778,070,182 | 63,650,170 | – | 841,720,352 |
| Portable structures | 8,774,850 | 1,616,517 | – | 10,391,367 |
| First-time equipping of schools | 4,917,460 | 848,007 | – | 5,765,467 |
| Furniture | 862,606 | 203,368 | (211,257) | 854,717 |
| Equipment | 4,908,558 | 811,690 | (311,257) | 5,408,991 |
| Computer hardware | 10,279,670 | 7,281,211 | – | 17,560,881 |
| Computer software | 4,386,823 | 1,320,924 | (131,576) | 5,576,171 |
| Vehicles | 916,202 | 302,477 | (301,822) | 916,857 |
| Leasehold improvements | 109,311 | 20,100 | – | 129,411 |
| Total | \$ 841,035,664 | \$ 80,271,987 | \$ (955,912) | \$ 920,351,739 |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

7. Tangible capital assets (continued):

| | Net book value August 31, 2023 | Net book value August 31, 2022 (Restated) |
|---------------------------------|--------------------------------------|--|
| Land | \$ 117,672,537 | \$ 114,093,761 |
| Land improvements | 15,995,751 | 14,049,951 |
| Buildings | 819,380,154 | 780,356,492 |
| Portable structures | 24,619,713 | 20,610,281 |
| First-time equipping of schools | 3,161,369 | 3,115,852 |
| Furniture | 1,005,150 | 1,196,676 |
| Equipment | 4,262,778 | 4,531,872 |
| Computer hardware | 13,941,385 | 14,508,095 |
| Computer software | 1,168,854 | 2,460,026 |
| Vehicles | 624,018 | 757,740 |
| Leasehold improvements | 316,639 | 47,634 |
| Construction-in-progress | 54,681,288 | 42,066,979 |
| Total | \$ 1,056,829,636 | \$ 997,795,359 |

8. Asset retirement obligation:

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

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

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

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

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Balance, beginning of year | \$ 228,333,937 | \$ – |
| Opening PSAB adjustment | – | 228,333,937 |
| Increase in liabilities reflecting change in the estimate | 32,080,918 | – |
| Balance, end of year | \$ 260,414,855 | \$ 228,333,937 |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

8. Asset retirement obligation (continued):

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.

9. Accumulated deficit:

Accumulated deficit consists of the following:

| | 2023 | 2022 (Restated) |
|---|------------------------|-----------------------|
| Available for compliance - unappropriated | | |
| Operating accumulated surplus | \$ 142,979 | \$ 1,926,714 |
| Available for compliance - internally appropriated by Board: | | |
| Provision for contingencies | 500,000 | 10,000,000 |
| Employee future benefits | 3,000,000 | 4,000,000 |
| Computer systems replacement | 2,000,000 | 1,000,000 |
| School budget carry-forwards | 1,677,870 | 2,177,870 |
| Department budget carry-forwards | 209,219 | 209,219 |
| Extended Day and Child Care Programs | (1,770,383) | (1,471,265) |
| Committed capital projects | 14,609,424 | 11,837,900 |
| Total internally appropriated | 20,226,130 | 27,753,724 |
| Total accumulated surplus available for compliance | 20,369,109 | 29,680,438 |
| Unavailable for compliance: | | |
| OCENET | 4,850,410 | 4,900,203 |
| School generated funds | 10,170,317 | 9,069,353 |
| Employee future benefits (note 5) | (7,910,635) | (15,821,271) |
| Asset Retirement obligation (note 8) | (174,960,985) | (168,916,343) |
| Revenue recognized for land | 117,672,535 | 114,093,762 |
| Total externally appropriated | (50,178,358) | (56,674,296) |
| Total accumulated deficit | \$ (29,809,249) | \$(26,993,858) |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

9. Accumulated deficit (continued):

Available for compliance - unappropriated:

(a) Total operating accumulated surplus:

This amount is the sum of the net annual surpluses and deficits from the start of the school year less any transfers to internally appropriated accumulated surpluses. The Board is able to use the amount to balance future years' budgets within limits set by the Ministry of Education.

Available for compliance - internally appropriated:

(b) Provision for contingencies:

A provision for contingencies has been established to respond to reduced revenues and increased expenses in comparison to the annual budget.

(c) Employee future benefits:

The Board has set aside an amount for use in years when actual employee future benefit costs (retirement gratuities and Workplace Safety and Insurance Board costs) exceed the annual budget.

(d) Computer systems replacement:

A provision has been established to provide for the replacement of financial, human resources, and payroll management systems.

(e) School budget carry-forwards:

The Board has approved the carry-forward of certain unspent budget amounts for use in the subsequent year.

(f) Department budget carry-forwards:

The Board has approved the carry-forward of certain unspent budget amounts for use in the subsequent year.

(g) Extended Day and Child Care Programs:

The Board has approved the carry-forward of the combined net operating surplus or deficit of the Extended Day and Child Care programs.

(h) Committed capital projects:

The Ministry of Education required school boards to establish appropriated accumulated surplus amounts equal to their spending on non-Ministry funded capital projects. There is an annual transfer to unappropriated accumulated surplus of an amount equal to the amortization of the relevant capital assets.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

9. Accumulated deficit (continued):

Unavailable for compliance:

(i) OCENET:

The balance is OCENET's accumulated surplus. The Board of OCENET determines its use.

(j) School generated funds:

Schools and school councils operate various fundraising activities during the year. The proceeds are used for the benefit of the students in the schools.

(k) Employee future benefits:

The basis of accounting described in note 1(a), requires school boards to record the annual deemed impact of employee earning benefits that will not actually be paid to them until future years. This balance is the offset to the accumulated annual expense entries.

(l) Asset retirement obligation:

Is the future legal obligation associated with the remediation of a tangible capital asset (TCA) in productive use or no longer in productive use upon retirement.

(m) Revenue recognized for land:

The amount of revenue recognized for the purchase of land.

10. Commitments and contingent liabilities:

(a) Litigation:

The Board is involved with pending litigation and claims which arose in the normal course of operations; however, a liability of \$2,350,000 (2022 - \$2,500,000) has been reported in response to a number of specific sexual assault claims. In the opinion of the administration, any additional liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board. Any adjustments arising from these matters will be provided for in future years.

(b) Capital construction:

Letters of credit totalling \$12,247,379 (2022 - \$5,474,297) were issued on behalf of the Board as required by the City of Ottawa for ongoing school construction projects.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

10. Commitments and contingent liabilities (continued):

(c) Contractual obligations:

The Board has a total of \$135,031,234 (2022 - \$77,706,982) of contractual obligations at year end relating to the construction or renovation of buildings, which are funded from government grants, existing deferred revenues and reserves and the issuance of new debt during the year.

(d) Ontario School Board Insurance Exchange (“OSBIE”):

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act of Ontario. OSBIE insures general liability, property damage and certain other risks.

Liability insurance is available to a maximum of \$27,000,000 per occurrence. Premiums paid to OSBIE for the policy year ending December 31, 2022 amounted to \$1,612,242 (2021 - \$1,624,801). There are ongoing legal cases with uncertain outcomes that could affect future premiums paid by the school board.

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

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

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

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

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

11. 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. Eighty-four percent of the consolidated revenues of the Board are directly controlled by the provincial government through the grants for student needs. The payment methods of this funding are as follows:

| | 2023 | 2022 |
|-------------------------------|----------------|----------------|
| Education property tax | \$ 284,989,080 | \$ 280,169,817 |
| Provincial legislative grants | 659,867,738 | 614,607,567 |
| | \$ 944,856,818 | \$ 894,777,384 |

12. Expenses by object:

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

| | 2023 Budget | 2023 Actual | 2022 Actual |
|---|------------------|------------------|------------------|
| Salary and wages | \$ 699,153,163 | \$ 726,948,207 | \$ 710,274,247 |
| Employee benefits | 137,063,358 | 134,259,415 | 128,449,257 |
| Total salary and benefits | 836,216,521 | 861,207,622 | 838,723,504 |
| Staff development | 2,490,056 | 1,874,604 | 1,514,821 |
| Supplies and services | 40,251,441 | 42,081,863 | 39,605,495 |
| Utilities | 18,538,396 | 18,061,146 | 16,496,850 |
| Rentals/leases | 1,060,339 | 953,285 | 1,121,754 |
| Fees/contracts/provincial schools | 26,520,746 | 26,848,878 | 22,121,541 |
| Transportation contracts | 45,060,202 | 48,690,082 | 43,834,498 |
| Other | 11,544,115 | 54,309,975 | 10,772,948 |
| Interest on debt | 3,597,084 | 3,597,084 | 3,830,199 |
| Amortization of tangible capital assets | 70,756,252 | 80,271,987 | 73,406,926 |
| School-funded activities | 17,668,933 | 16,455,125 | 5,829,852 |
| Subtotal other operating expenses | 237,487,564 | 293,144,029 | 218,534,884 |
| Decrease in employee future benefits | (7,910,636) | (7,910,636) | (7,994,340) |
| Total expenses | \$ 1,065,793,449 | \$ 1,146,441,015 | \$ 1,049,264,048 |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

13. School council activities:

The cash balance on the consolidated statement of financial position includes \$1,603,640 (2022 - \$1,355,713) relating to school councils whose activities were included in these consolidated financial statements. The school-funded activities revenue and school-funded activities expenses respectively include \$2,655,559 (2022 - \$744,779) and \$2,407,632 (2022 - \$892,112) of school council activities.

14. Trust funds:

Trust funds administered by the Board amounting to \$3,547,704 (2022 - \$3,496,193) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations and accumulated surplus, in accordance with the basis of accounting described in note 1(c).

15. Ottawa Student Transportation Authority:

The Board is a member of OSTA with the Ottawa Catholic School Board ("OCSB"). Related party transactions and balances with OSTA include the following:

- (a) The Board had expenditures of \$50,852,049 (2022 - \$45,998,823) for student transportation services of OCDSB students in the year.
- (b) The Board has a payable to OSTA of \$346,178 (2022 - \$304,530) for student transportation services.
- (c) The Board has a receivable from OSTA of \$396,133 (2022 - \$1,425,008).

OSTA's assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2023 are as follows:

| | 2023 | 2022 |
|-----------------------|--------------|--------------|
| Financial assets | \$ 2,800,524 | \$ 4,270,877 |
| Financial liabilities | (3,343,102) | (5,157,875) |
| Net debt | (542,578) | (886,998) |
| Non-financial assets | 542,578 | 886,998 |
| Accumulated surplus | \$ - | \$ - |

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

15. Ottawa Student Transportation Authority (continued):

| | 2023 | 2022 |
|----------------|---------------|---------------|
| Revenue | \$ 79,970,038 | \$ 72,991,628 |
| Expenses | (79,970,038) | (72,991,628) |
| Annual deficit | \$ – | \$ – |

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

The Board has recorded entries, both revenues and expenses, associated with centrally procured in-kind transfers of personal protective equipment (“PPE”) and critical supplies and equipment 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 Board’s records. The in-kind revenue recorded for these transfers is \$3,782,595 (2022 - \$5,136,341) with an equivalent amount of expenses based on use.

As at August 31, 2023, a deferred revenue of \$1,078,826 (2022 - \$2,607,321) is reported as required by the Ministry. An equivalent amount of inventory of PPE and critical supplies and equipment is also reported.

17. Subsequent event - Monetary Resolution to Bill 124, The Protecting a Sustainable Public Sector for Future Generations Act:

Subsequent to the financial statement date, a monetary resolution to Bill 124 was reached between the Crown and three education sector unions: the Ontario Secondary School Teachers’ Federation (OSSTF) Teachers, OSSTF Education Workers and the Elementary Teachers’ Federation of Ontario (ETFO) Education Workers. This agreement provides for a 0.75% increase in salaries and wages for the 2019-20 school year, a 0.75% increase in salaries and wages for the 2020-21 school year, and a minimum of 1.5% to a maximum of 3.25% increase in salaries and wages for the 2021-22 school year, which will be awarded through an arbitration process expected to be completed in the 2023-24 school year.

This agreement includes a provision whereby the Crown has committed to funding this monetary resolution for these employee groups to the applicable school boards consistent with the appropriate changes to the Grants for Student Needs benchmarks. As such, there will be a future impact to revenues and expenses of the board to be recognized in future periods.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

18. Change in accounting policy- adoption of new accounting standards:

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

- (a) 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.
- (b) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (c) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (d) 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.

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).

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

18. Change in accounting policy- adoption of new accounting standards (continued):

(d) 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.

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

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 new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

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

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

18. Change in accounting policy- adoption of new accounting standards (continued):

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

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

As a result of applying this accounting standard, an asset retirement obligation of \$260,414,855 (2022 - \$228,333,937) 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.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023

18. Change in accounting policy- adoption of new accounting standards (continued):

(e) The adoption of PS 3280 *Asset Retirement Obligations (ARO)* was applied to the comparative period as follows:

| | As previously reported | Adjustment | 2022 As restated |
|--|---------------------------|----------------|---------------------|
| Statement of Financial Position: | | | |
| Tangible capital assets including ARO | \$ 938,377,765 | \$ 59,417,594 | \$ 997,795,359 |
| Asset retirement obligation liability | – | 228,333,937 | 228,333,937 |
| Accumulated surplus (deficit) | 141,922,485 | (168,916,343) | (26,993,858) |
| Statement of Operations: | | | |
| School operations and maintenance | \$ 163,276,605 | \$ 5,710,348 | \$ 168,986,953 |
| Surplus for the year | 11,626,151 | (5,710,348) | 5,915,803 |
| Statement of Changes in Net Debt: | | | |
| Annual surplus | \$ 11,626,151 | \$ (5,710,348) | \$ 5,915,803 |
| Amortization of TCA (including TCA-ARO) | 67,696,578 | 5,710,348 | 73,406,926 |
| Change in net debt | (805,442,535) | (228,333,937) | (1,033,776,472) |