500 Victoria Road N.
Guelph, ON N1E 6K2

Audit Committee – Open Session

Tuesday, November 21, 2023 • 5:00pm
GBO Boardroom and Virtual

AGENDA

1. **Call to Order**

2. **Land Acknowledgment**

   The Upper Grand District School Board is situated on the ancestral, treaty and title lands of two Anishinaabek Ojibwe Nations: the Michi Saagig of the Credit and the Saugeen Ojibway Nation. This land also includes a specified tract of land granted to the Six Nations of the Grand River. These Nations hold legal and specific rights in their respective territories. This area has been and continues to be home for Indigenous Peoples and non-Indigenous peoples.

3. **Approve Agenda**

4. **Declarations of Conflict of Interest**

5. **Approve Minutes of September 19, 2023 – Open Session (Minutes Attached)**

6. **External Auditors – KPMG (Materials Attached)**

   6.1 Audit Findings Report

7. **Draft Financial Statements for Upper Grand DSB (Materials Attached)**

   7.1 Upper Grand District School Board Financial Statements

8. **Draft Financial Statements for Upper Grand DSB Trust (Materials Attached)**

   8.1 Upper Grand District School Board Trust Financial Statements

9. **Dates of Future Meetings:**

   - **March 19, 2024**
   - **June 18, 2024**

10. **Other Business**

11. **Move to Audit Committee Meeting Closed Session**

12. **Adjournment**

This document is available in alternative formats upon request.

500 Victoria Road N.
Guelph, ON N1E 6K2

Audit Committee – Open Session Minutes

Tuesday, September 19, 2023 • 5:00 pm

GBO Boardroom and Virtual

Members Present :	Ralf Mesenbrink (Chair), Irene Hanenberg, Katherine Hauser, Mark Gilroy
Staff Present:	Peter Sovran, Glen Regier, Rachelle Molnar, Peggy Seiftert, Angela Alies
Guests Present:	Stacey Stahlmann (KPMG), Andrea Eltherington (RIAT)
Regrets:	Debbie Speight

1. Call to Order

Meeting was called to order at 5:00 pm.

Quorum as described in Regulation 361 was achieved.

2. Land Acknowledgment

Land Acknowledgement was delivered by Trustee Hauser.

3. Approve Agenda

Trustee Hauser moved that the September 19, 2023 Open Session agenda be approved as written. **CARRIED**

4. Declarations of Conflict of Interest

None

5. Approve Minutes of June 20, 2023 – Open Session (Minutes Attached)

Trustee Hauser moved that the minutes of June 20, 2023 be approved as written.

CARRIED

6. External Auditors – KPMG

S. Stahlmann of KPMG provided a verbal update on work that has occurred since the previous meeting, as well as reference to the year-end audit timelines and process.

Trustee Hanenberg moved that the verbal update be received. **CARRIED**

7. Regional Internal Audit Team Status Update

Andrea Eltherington, Regional Internal Audit Manager (RIAM), presented a status report as attached to the agenda.

Trustee Hauser moved to receive the report. **CARRIED**

8. Draft Report – 2022 2023 Interim Financial Reporting as at August 31, 2023

G. Regier presented the Interim Financial Report as at August 31, 2023. Key drivers for changes year over year were highlighted. G. Regier noted that the year-end financial statements will provide a more in-depth analysis in comparison to funding versus expenditures, and a more robust report will be presented at the November 21, 2023 Audit Committee meeting.

Trustee Hauser moved to receive the report. **CARRIED**

9. Dates of Future Meetings:

Dates were highlighted as follows:

- **November 21, 2023**
- **March 19,2024**
- **June 18, 2024**

10. Other Business

None.

11. Move to Audit Committee Meeting Closed Session

Trustee Hauser placed a motion to move to the closed session. **CARRIED**

12. Adjournment

M. Gilroy moved that the meeting adjourn at 5:30 pm. **CARRIED**

KPMG

Upper Grand District School Board

Audit Findings Report for the year ended August 31, 2023

OPEN SESSION

Licensed Public Accountants

Prepared November 19, 2023 for presentation at the Audit Committee meeting on November 21, 2023

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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Table of contents

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements as at and for the year ended August 31, 2023. This report builds on the Audit Plan we presented to the Audit Committee. This report is intended solely for the information and use of Management, the Audit Committee, and the Board of Trustees and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Audit highlights

Status of the audit

We have completed the audits of:

- Consolidated financial statements ("financial statements") of Upper Grand District School Board ("School Board");
- Financial statements of Upper Grand District School Board Trust Funds ("Trust Funds");

with the exception of certain remaining outstanding procedures, which are highlighted on slide 6 of this report.

Significant changes to our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

However, we did update our audit to reflect a group audit and the materiality for the School Board as a changed. See slide 7 for details.

Audit Risks and results

School Board's significant findings related to significant risks and other findings are discussed on slides 8 - 19.

Uncorrected audit misstatements

Professional standards require that we request of management and the Audit Committee that all identified audit misstatements be corrected. We have already made this request of management.

We have identified one adjustment which remains uncorrected. See the summary of audit adjustments and differences included on slide 22 for more details.

We did not identify uncorrected nor corrected audit misstatements for the Trust Fund.

Corrected audit misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management, and subsequently corrected in the audited financial statements.

We have identified one corrected audit misstatements identified, See slide 21.

Audit risks and results – going concern assessment

No matters to report.

Accounting policies and practices

See slide 10 for additional information with respect to the adoption of the Asset Retirement Obligation standard (PSAS 3280), which has been applied on a modified retroactive basis and resulted in a restatement of the prior year's comparative information in the August 31, 2023 financial statements.

Other financial reporting matters

We have concluded that the financial statement presentation complies with the School Board's financial reporting framework.

We have concluded that the financial statement presentation complies with the Trust Fund's financial reporting framework.

We have not identified any other financial reporting matters for communication to the Audit Committee.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 23 for certain required communications regarding control deficiencies.

Technology highlights

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

KPMG Clara Workflow (KCw)

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements. The tool allowed us to identify and respond to relevant risks, document our audit procedures, conclusions, and reporting.

KPMG Clara for Clients (Kcfc)

Allows the client team to see the real-time status of the engagement and who from our KPMG team is leading on a deliverable. The tool was used to control the status of audit requirements and as a collaboration site to share files and data.

Datasnipper

Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout.

Monetary Unit Sampling (MUS)

Sampling tool embedded in our KCw application used by the engagement team to calculate the most efficient sample sizes based on the specific risk considerations of an account and assertion, select and extract items from a population, and evaluate our results after audit procedures have been performed over selected items.

Status of the audit

As of November 19, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Signed final actuarial confirmation;
- Completion of journal entry testing;
- Completing our internal quality review procedures;
- Obtaining evidence for the remaining audit work;
- Receipt of responses from legal counsel regarding litigation and claims;
- Completing our subsequent events procedures to the date of the approval of the financial statements;
- Completing our discussions with the Audit Committee;
- Obtaining evidence of the Board of Trustee's approval of the financial statements; and
- Obtaining the signed Management Representation Letters for the Board and Trust Funds.

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report will be dated upon the completion of the remaining procedures.

KPMG Clara for Clients (KCfc)

Real-time collaboration and transparency

We leveraged **KCfc** to facilitate real-time collaboration with your team and provide visual insights into the status of the audit!

On your audit we used KCfc to coordinate requests from the management.

Learn more

Changes from Audit Plan

We have made the following significant changes related to our audit strategy since our audit plan:

Audit strategy	
The engagement is now defined as a group audit	We previously had not communicated that the audit is a group audit given Wellington-Dufferin Student Transportation Services is proportionately consolidated.
Materiality has been updated for the components	In the audit planning report presented on June 20, 2023, we communicated to you that our materiality would be $8,600,000, which is for the group. Materiality has been updated for the component materiality. We set the component materiality for the School Board at $8,500,000.

Significant risks and results

Fraud risk from revenue recognition

Significant risk and our response

Under Canadian Auditing Standards (CAS) there are presumed fraud risks for revenue recognition and management override of controls. We have rebutted the risk relating to fraud from revenue recognition as revenue transactions do not involve elements of significant judgement. We continued to perform procedures over revenues to ensure completeness, existence and accuracy.

Results

- We have not identified any indicators that management possesses the attitude, character or ethical values that would result in knowing and intentional dishonesty.
- No significant findings were noted as a result of our audit work. We have confirmed our assessment of the significant risk of fraud that affect the School Board from a financial reporting perspective and as a result we have not modified our planned audit approach.
- As a result of the aforementioned audit procedures, we did not identify any instances of fraudulent revenue recognition.

Significant risks and results

Fraud risk from management override of controls

Significant risk and our response

Under Canadian Auditing Standards (CAS) there are presumed fraud risks for management override of controls. Our audit methodology incorporates the required procedures in professional standards to address the risk.
Our tailored audit procedures included:

- Utilizing KPMG application software to evaluate the completeness of the journal entry populations through a roll-forward of 100% of the accounts;
- Utilizing computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing;
- Inquiry with individuals involved in the financial reporting process and testing the design and implementation of controls over the journal entry process;
- Performing a review of estimates to assess potential bias and;
- Evaluating the business rationale of significant unusual transactions, if any.

Results

As a result of the aforementioned audit procedures, we did not identify any instances of management override of controls.

Significant risks and results

Asset Retirement Obligations

Significant risk and our response

The School Board adopted Public Accounting Standard PS 3280 – *Asset Retirement Obligations* (ARO). The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the School Board. ARO's are an estimate which are derived from available information and required the School Board to make judgements and assumptions leveraging available data.

Management performed an assessment of the impact of the new accounting standard on the School Board's financial statements, including potential liabilities related to asbestos abatement, future removal of equipment, tanks and wells. To generate their assessment, Management worked with external experts to determine asbestos quantities present and perform a calculation of asbestos abatement costs. As at August 31, 2023, a $16 million asset retirement obligation has been recognized on the statement of financial position ($13.3 million relates to asbestos).

We performed the following audit procedures to assess the reasonability of Management's estimate:

- We obtained an understanding of the activities performed by Management to identify the School Board's legal obligations associated with the retirement of tangible capital assets, and ensured that all of the recognition criteria have been met to recognize an ARO in the financial statements. We obtained asbestos inventory reports for various schools and tied quantities of affected material per the reports to the school's floorplans.
- We obtained Management's most up-to-date calculation of the asset retirement obligation and verified that the estimated ARO costs were reasonable by agreeing each category's costs to a quote received from the Ministry of Education ("MOE") calculation model.
- We have assessed the design and implementation of certain of the School Board's controls over the ARO liability.
- The School Board has chosen not to discount or use the present value technique for measurement of the ARO liability, as the timeline for the retirement activities is not well defined and discounting would add an additional layer of substantial uncertainty. KPMG notes that while PS 3280 does not require the present value technique for measurement, it does suggest that it is often the best available technique. We do understand the School Board position for not discounting the obligation as there is uncertainty as to the timing of remediation.
- Appropriate disclosures have been made in the financial statements for the adoption of the new accounting policy.
- The School Board has chosen to apply the MOE cost model of applying costs for each category of material to the affected square feet. We have evaluated the cost model.

Significant risks and results

Asset Retirement Obligations

Significant risk and our response

- As instructed by the Ministry, the School Board applied a cost escalation to the ARO obligation in fiscal 2023 in the amount of $1.9 million. The Ministry had suggested an increase of 14% to bring costs up to September 1, 2022 rates to be recorded in March 2023 (fiscal 2023). The School Board utilized the suggested 14%. KPMG has proposed an audit difference on the cost escalation adjustment as the adjustment relates to cost increases in previous periods rather than cost increases in fiscal 2023. As the rate provided by the MOE reflected cost increases to September 2022, we believe $1.9 million would have been related to previous periods.
- Additionally, the entire cost escalation recorded was included in tangible capital assets, which is appropriate. The School Board has calculated amortization on this adjustment in accordance with the accounting policy.
- In subsequent periods effective communication will be continued to be required between facilities management and finance to ensure that all obligations are alleviated, costs updated, or new obligations identified.

Results

- We noted no issues in the performance of the above procedures.
- KPMG provided sample presentation and disclosure examples to management and provided feedback to ensure that the financial statements included appropriate note disclosure related to the adoption of the new standard (note 2 of the financial statements).
- As discussed above we did note an audit difference with regards to the recording of the cost escalation in year ended 2023 instead it should have been recorded in the opening adjustment.
- As a result of the aforementioned audit procedures, we did not identify any issues.

Other findings and results

Government grants
Accounts and grants receivable
Deferred revenue

Other findings and our response

The School Board recorded total revenue of $499.5 million in fiscal 2023 (2022 - $462.82 million).

In response to our focus on the accounting for government funding and deferred contributions we undertook the following procedures as part of the audit:

- We completed substantive audit procedures to address the relevant assertions, including obtaining MOE confirmation and assessing the revenue recognition for significant grants.
- Reviewed major funding agreements, and confirmed receipt of payment with the recognized revenue.

Results

As a result of the aforementioned audit procedures, we did not identify any issues.

Other findings and results

Tangible capital assets and deferred capital contributions

Other findings and our response

KPMG performed the following procedures over capital assets and deferred capital contributions (“DCC”).

- We performed substantive audit procedures over capital assets including testing of additions, disposals, and construction in progress
- KPMG also tested and ensured costs were appropriately expensed or capitalized in accordance with the TCA guidelines for approximately $27.8M in additions.
- Performed predictive analysis over amortization of capital assets and DCCs.

Results

As a result of the aforementioned audit procedures, we did not identify any issues.

Other findings and results

Salaries, wages and benefits expense

Other findings and our response

We utilized a combined testing approach with respect to payroll through the use of both substantive and control related testing.

- We performed control testing over the payroll process as well as substantive audit procedures over the salaries and benefits expense including a review of all new and pending union agreements.
- We assessed the assumptions used by the actuary such as the discount rate and determined that they were reasonable and consistent with other school boards. As well we selected a sample of the data provided to the actuary to test its accuracy. See slide 16 for further details.

Results

- We did not identify any material misstatements related to salaries, wages and benefits.
- As a result of the aforementioned audit procedures, we did not identify any other issues.

Other findings and results

Accrued salaries, wages and benefits

Other findings and our response

In 2023, the School Board has recorded additional employee related accruals of $19.7 million related to the following:

- regular monthly payroll and related accrual;
- a provisional rate increase for identified occupational groups;
- an external assessment for non-union employee groups;
- pay equity; and
- subsequent to year end, a 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.

In response to our focus on the accounting for salaries and benefits including accruals we performed the following procedures:

- We ensured the approach to accruing the liabilities arising from the above mentioned were consistent and appropriate with other school boards.
- We recalculated the accrual relating to various employee groups, obtaining the budget used to develop these expectations and comparing the budgets to actual costs incurred.
- We verified the inputs in the calculation to supporting payroll documentation including Ministry of Education correspondence, subsequent to year end settlement agreements, signed agreements, management expert report or subsequent payments.
- We sent confirmations to legal counsel regarding any outstanding labour related grievances.
- Appropriate levels of disclosure has been included in the financial statements.

Other findings and results

Accrued salaries, wages and benefits (continued)

Results

- We did not identify a material misstatement related the accrual of salaries, wages and benefits.
- As a result of the aforementioned audit procedures, we did not identify any other issues.

Other findings and results

Employee future benefits

Other findings and our response

We rely on the actuarial valuations performed by management's expert, School Boards' Co-operative Inc. in the valuation of the accrued Employee Future Benefits ("EFB") liability at August 31, 2023. A full valuation of the EFB plans was performed as at August 31, 2023 using new source data provided by the School Board.

Our audit procedures over the EFB balances included:

- Reviewing the actuarial report in detail and ensuring all balances and disclosures in the financial statements are accurate.
- Ensuring the note disclosure is appropriate and adequate under PSAS and assessing the key assumptions for reasonability, including comparing these rates to other school boards.
- Public sector accounting standards allow management to select either the forecasted rate of return on assets or the cost of borrowing as the actuarial discount rate. This is problematic, as School Board EFB plans do not have segregated assets to assess earnings for, and school boards are generally funded by the province for operations and do not have long-term debt similar in nature to their EFB plan.
- School Boards' Co-operative has approximated the cost of borrowing for school boards. School Boards' Co-operative Inc. has constructed this rate using Province of Ontario spot rate curve as at August 31, 2023.
- Our audit included detailed analysis of the rate selected (4.40%) compared to KPMG recommended rates for Canadian benefit plans (5.18%). The change in the discount rate year over year is consistent with the change in KPMG recommended rates.

Results

As a result of the aforementioned audit procedures, we did not identify any other issues.

Other findings and results

Accounts payable, accrued liabilities and non-payroll expenses

Other findings and our response and results

- We substantively tested the non-payroll expense population, vouching to supporting invoices and documentation.
- We vouched to supporting documentation for account payable, significant accruals and performed a search for unrecorded liabilities.
- As a result of the aforementioned audit procedures, we did not identify any issues.

Long-term Debt

Other findings and our response and results

- Our testing involved confirmation of debt balances with third parties.
- As a result of the aforementioned audit procedures, we did not identify any issues.

Other findings and results

Contingencies

Other findings and our response and results

- Our testing involved the review of School Board and Audit Committee minutes and legal correspondence. As well as direct communication with external legal counsel to ensure all significant contingent liabilities are appropriately disclosed/recorded.
- As a result of the aforementioned audit procedures, we did not identify any issues.

Corrected and Uncorrected audit misstatements

Uncorrected audit misstatements include financial presentation and disclosure omissions.

There are corrected and uncorrected misstatement which have been included in the schedule below

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Individually significant corrected audit misstatements

Corrected audit misstatements greater than $425,000 individually:

Presented in thousands	Income effect	Financial position		
Description of individually significant misstatements	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Accumulated Surplus (Decrease) Increase**
Under accrual of liabilities	(1,254)	-	1,254	(1,254)
Total corrected misstatements (see Management Representation Letter)	**(1,254)**	**-**	**1,254**	**(1,254)**

Individually significant uncorrected audit misstatements

Uncorrected audit misstatements greater than $425,000 individually:

Presented in thousands	Income effect	Financial position		
Description of individually significant misstatements	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Accumulated Surplus (Decrease) Increase**
Asset retirement obligations - cost escalation to be recorded in opening balances (September 1, 2022), instead it was recorded in 2023. Impacting the following statements/notes: • Statement of changes in net debt and cashflows – TCA revaluation asset retirement obligations and revaluation of asset retirement obligations • Change in accounting policy (note 2) • Asset retirement obligations (note 10) • Revaluation of asset retirement obligations (note 11) • Tangible capital assets note (note 15) *It is important to note that the School Board followed the MOE directions to record the cost escalation adjustment in the year ended August 31, 2023, which is not consistent with public sector accounting standards.*	-	-	-	-
Budget numbers missing on the statement of changes in net debt (disclosure/presentation)	-	-	-	-
Total uncorrected misstatements (see Management Representation Letter)	-	-	-	-

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the School Board's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Response to newly effective auditing standard

CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement

Key changes to the audit approach in the current year

A risk of material misstatement exists when there is a reasonable possibility of a misstatement occurring and being material if it were to occur

- New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement
- New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement
- New requirement to separately assess inherent risk and control risk for each risk of material misstatement
- Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk
- Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement
- Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process
- Modernized to recognize the evolving environment, including in relation to IT
- Enhanced requirements relating to exercising professional skepticism
- Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control

Results of procedures performed

We designed and performed risk assessment procedures to obtain an understanding of the:

- The School Board and its environment;
- applicable financial reporting framework; and
- School Board's internal control environment.

The audit evidence obtained from this understanding provided a basis for:

- identifying and assessing the risks of material misstatement, whether due to fraud or error; and
- the design of audit procedures that are responsive to the assessed risks of material misstatement.

No significant, or other, issues were identified in responding to the newly effective auditing standard.

Significant accounting policies and practices

Initial selections of significant accounting policies and practices

PSAS 3280 Asset Retirement Obligation Standards was effective for fiscal years beginning on or after April 1, 2022. The adoption of this standard was reflected in the August 31, 2023 financial statements.

Note disclosure has been included in the financial statements for the transition to the new accounting standard. Please see note 2 for additional information relating to the transitional adjustments.

Description of new or revised significant accounting policies and practices

The new accounting standard, PS 3280, addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the School Board and the remediation of tanks, equipment and wells on property owned by the School Board. The standard was adopted on the modified retrospective basis at the date of adoption such that the assumptions used to estimate the School Board's asset retirement obligations were applied as of the date of adoption of the standard.

Significant qualitative aspects of the accounting policies and practices

The adoption of the Asset Retirement Obligations Standard required management to calculate the value of the obligation as of the date of transition. For application of the Standard, the School Board used internal knowledge of the obligations, which was supplemented with professional third party advisors.

Future implementation

Accounting pronouncements issued but not yet effective have not been disclosed in the notes to the financial statements.

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content

- The presentation and disclosure included in the financial statements is in accordance with the required standards as disclosed in the notes to the financial statements. Ministry updates have been reflected in the financial statements.

Concerns regarding application of new accounting pronouncements

PS 3280 Asset Retirement Obligations

- The School Board's estimate of its asset retirement obligations has been audited by KPMG in accordance with Canadian Auditing Standards. Based on the results of our procedures, no concerns have been identified.
- The financial statements include note disclosure relating to the application of the new accounting standard for asset retirement obligations.
- An emphasis of matter and other matter paragraphs have been added to the audit opinion to bring the readers attention to the change in comparative information as a result of the accounting change.

The following accounting standards are in effect beginning September 1, 2022, did not have a significant impact on the consolidated financial statements:

- PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation
- PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation.
- PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments
- PS 3450 Financial Instruments

Significant qualitative aspects of financial statement presentation and disclosure

- No additional matters relating to the School Board's financial statement presentation and disclosure have been identified.

Appendices

A

Management representation letter

B

Other required communications

C

Audit quality

Appendix A: Management representation letters

Appendix B: Other required communications

Engagement terms

A copy of the engagement letter was provided in our audit planning report presented to the Audit Committee in June 2023.

CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results

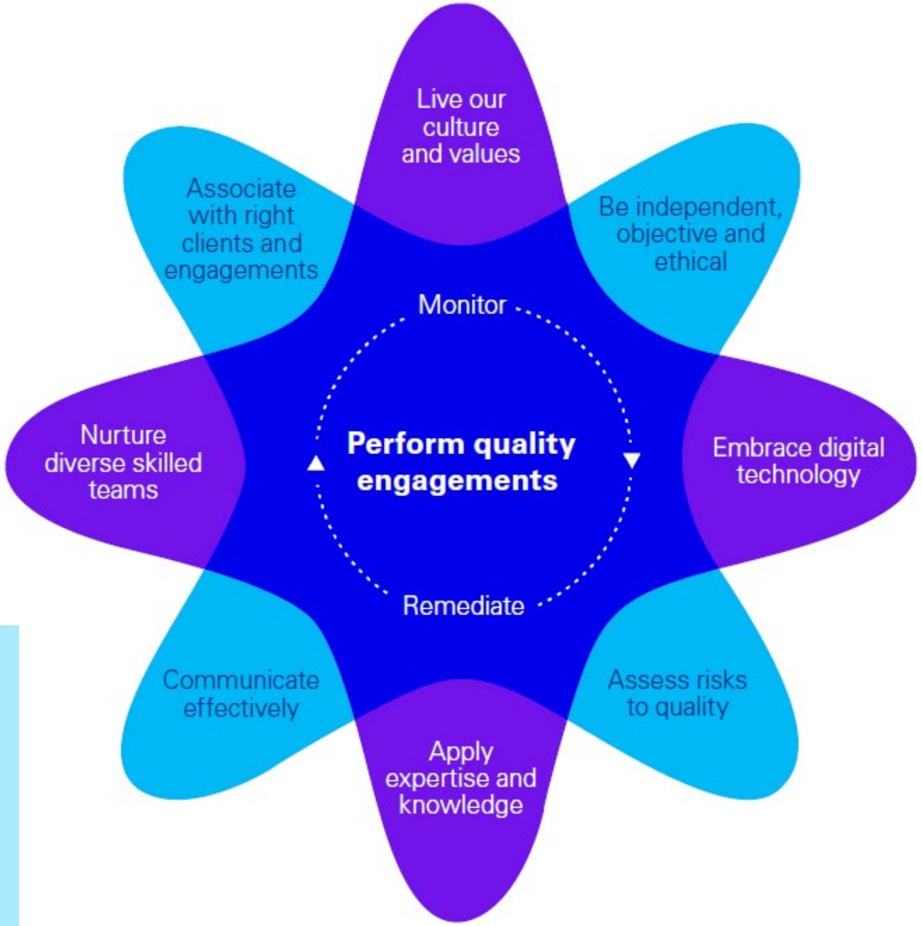
Appendix C: Audit quality - How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

KPMG 2022 Audit Quality and Transparency Report



We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**

https://kpmg.com/ca/en/home.html

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Consolidated Financial Statements of

UPPER GRAND DISTRICT SCHOOL BOARD

And Independent Auditor's Report thereon

Year ended August 31, 2023

DRAFT

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 & Secretary-Treasurer	Glen Regier, Executive Superintendent - Business Services

(date)

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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, 2023
- 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, 2023, 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.

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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.

Our opinion is not modified in respect of this matter.

Change in accounting policy

We draw attention to note 2 to the financial statements which indicates that the School Board has changed its accounting policy for Asset Retirement Obligations, as a result of the adoption of PS 3280, *Asset Retirement Obligations*, and has applied the change using the modified retroactive method, with prior period restatement.

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 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.

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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.

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- 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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

(date)

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UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2023, with comparative information for 2022

	2023	2022 (note 2)
Financial Assets		
Cash	$ 6,408,953	$ 2,366,356
Cash - school activity funds (note 3)	4,788,762	4,190,580
Accounts receivable (note 4)	79,845,994	82,269,890
Accounts receivable - Government of Ontario approved capital (note 5)	98,948,842	105,039,212
Total financial assets	189,992,551	193,866,038
Financial Liabilities		
Demand loan (note 6)	2,839,372	10,470,000
Accounts payable and accrued liabilities (note 7)	51,435,763	29,890,813
Deferred revenue (note 8)	22,270,350	25,431,428
Deferred capital contributions (note 9)	331,070,398	322,399,239
Asset retirement obligations (note 10)	16,038,295	14,062,512
Retirement and other employee future benefit liabilities (note 12)	6,556,663	6,653,733
Net long-term debt (note 13)	85,543,809	94,831,879
Total financial liabilities	515,754,650	503,739,604
Net debt	(325,762,099)	(309,873,566)
Non-Financial Assets		
Prepaid expenses	4,637,643	2,634,070
Inventories (note 25)	484,801	899,663
Tangible capital assets (note 15)	403,368,289	393,528,837
Total non-financial assets	408,490,733	397,062,570
Contractual obligations and contingent liabilities (note 19)		
Subsequent event (note 28)		
Accumulated surplus (note 21)	$ 82,728,634	$ 87,189,004

See accompanying notes to consolidated financial statements.

On behalf of the Board:

________________________ Chair of the Board

________________________ Director of Education and Secretary-Treasurer

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UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

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

	2023 Budget (note 23)	2023 Actual	2022 Actual (note 2)
Revenue			
Government of Ontario grants:			
Grants for Student Needs (note 16)	$ 426,057,501	$ 449,388,772	$ 416,027,828
Other	3,737,626	9,626,788	14,636,029
Amortization of deferred capital contributions (note 9)	18,008,288	19,033,595	17,979,351
Federal grants and fees	1,314,382	1,618,108	2,166,553
Other fees and revenue	6,355,346	8,781,422	7,365,027
School fundraising and other revenue	10,000,000	9,737,003	4,394,766
Investment income	782,000	1,338,307	258,368
Total revenue	466,255,143	499,523,995	462,827,922
Expenses (note 17)			
Instruction	360,238,178	374,278,311	359,699,622
Administration	11,783,727	13,933,881	12,229,854
Transportation	21,458,116	22,657,729	22,880,870
Pupil accommodation	59,883,592	65,211,239	60,951,555
School funded activities	10,000,000	9,165,615	4,480,709
Other	950,591	18,737,590	2,895,232
Total expenses	464,314,204	503,984,365	463,137,842
Annual surplus (deficit)	1,940,939	(4,460,370)	(309,920)
Accumulated surplus, beginning of year, as previously reported			94,970,209
Change in accounting policy (note 2)			(7,471,285)
Accumulated surplus, beginning of year, as restated		87,189,004	87,498,924
Accumulated surplus, end of year		$ 82,728,634	$ 87,189,004

See accompanying notes to consolidated financial statements.

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UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Net Debt

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

	2023	2022 (note 2)
Annual deficit	$ (4,460,370)	$ (309,920)
Tangible capital asset activity		
Acquisition of tangible capital assets	(27,801,564)	(29,808,237)
Amortization of TCA and ARO	19,931,718	18,829,949
TCA – revaluation asset retirement obligations	(1,969,606)	–
Total tangible capital asset activity	(9,839,452)	(10,978,288)
Other non-financial asset activity		
Acquisition of supplies inventories	(164,437)	(1,205,349)
Acquisition of prepaid expenses	(4,433,817)	(3,279,506)
Use of inventories	579,299	1,931,234
Use of prepaid expenses	2,430,244	2,152,053
Total other non-financial asset activity	(1,588,711)	(401,568)
Increase in net debt	(15,888,533)	(11,689,776)
Net debt, beginning of year, as previously reported		(284,121,278)
Change in accounting policy (note 2)		(14,062,512)
Net debt, beginning of year, as restated	(309,873,566)	(298,183,790)
Net debt, end of year	$ (325,762,099)	$ (309,873,566)

See accompanying notes to consolidated financial statements.

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UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

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

	2023	2022 (note 2)
Sources and (uses)		
Operating transactions		
Annual deficit	$ (4,460,370)	$ (309,920)
Items not involving cash:		
Amortization of tangible capital assets and ARO	19,931,718	18,829,949
Revaluation of asset retirement obligations	(1,969,606)	–
TCA – revaluation asset retirement obligations	1,969,606	–
Accretion of asset retirement obligations	6,177	–
Amortization of deferred capital contributions	(19,033,595)	(17,979,351)
Retirement and other employee future benefits liabilities	(97,070)	(950,253)
Changes in non-cash assets and liabilities:		
Accounts receivable	2,423,896	(17,590,188)
Accounts payable and accrued liabilities	21,544,950	(8,358,422)
Deferred revenue - operating	(1,542,695)	54,295
Inventories	414,862	725,885
Prepaid expenses	(2,003,573)	(1,127,453)
Increase (decrease) in cash from operating transactions	17,184,300	(26,705,458)
Capital transactions		
Cash used to acquire tangible capital assets	(27,801,564)	(29,808,237)
Decrease in cash from capital transactions	(27,801,564)	(29,808,237)
Financing transactions		
Accounts receivable - Government of Ontario approved capital	6,090,370	8,390,260
Advance of demand loan	–	10,470,000
Repayment of demand loan	(7,630,628)	–
Additions to deferred capital contributions	27,704,754	18,995,794
Debt repayments and sinking fund contributions	(9,288,070)	(8,133,625)
Deferred revenue – capital	(1,618,383)	3,592,999
Increase in cash from financing transactions	15,258,043	33,315,428
Increase (decrease) in cash	4,640,779	(23,198,267)
Cash, beginning of year	6,556,936	29,755,203
Cash, end of year	$ 11,197,715	$ 6,556,936

The components of cash and cash equivalents are as follows:

	2023	2022
Cash	$ 6,408,953	$ 2,366,356
Cash - school activity funds	4,788,762	4,190,580
	$ 11,197,715	$ 6,556,936

See accompanying notes to consolidated financial statements.

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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.

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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 and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

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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.

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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 4.40 years (2022 - 4.80 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.

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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) 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.

(k) 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.

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1. Significant accounting policies (continued):

(k) 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.

(l) 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.

1. Significant accounting policies (continued):

(l) Asset retirement obligations (continued):

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

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.

(m) Long-term debt:

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

(n) 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 2022-2023 is reflected on the Consolidated Statement of Operations and Accumulated Surplus; the budget was approved on June 28, 2022. 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.

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1. Significant accounting policies (continued):

(o) 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.

(p) 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.

(q) 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

(iv) a reasonable estimate of the liability can be made.

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1. Significant accounting policies (continued):

(r) Financial instruments:

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.

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.

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.

Net long-term debt is recorded at cost.

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.

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2. Change in accounting standards:

(a) The School Board adopted the following accounting standards beginning September 1, 2022, with no impact on the consolidated financial statements:

i. PS *1201 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 Investment*s, 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.

ii. 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.

iii. 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.

iv. 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.

(b) The School Board adopted the following accounting standard beginning September 1, 2022:

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in building controlled by public sector entities. An ARO liability 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.

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2. Change in accounting standards (continued):

(b) The School Board adopted the following accounting standard beginning September 1, 2022 (continued):

In the past, the School 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, and replaces Section PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability*. 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. 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 School Board buildings and closures. The School Board reports liabilities related to the legal obligations where the School Board is obligated to incur costs to retire a tangible capital asset.

The School Board's ongoing efforts to assess the extent to which designated substances exist in School Board's assets, and new information obtained through regular maintenance and renewal of School Board's 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.

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the School 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.

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2. Change in accounting standards (continued):

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.

The School Board has restated the prior period based on a simplified approach, using the ARO liabilities, ARO assets and the associated ARO accumulated amortization, amortization expense and accretion expense for the period September 1, 2022 to August 31, 2023 as a proxy for September 1, 2021 to August 31, 2022 information.

The adoption of PS 3280 ARO was applied to the comparative information as follows:

	2022 Actual	Adjustments	2022 Restated
Financial Position:			
Tangible capital assets	$ 387,288,074	$ 6,240,763	$ 393,528,837
Asset retirement obligations	–	14,062,512	14,062,512
Accumulated surplus, end of year	95,010,753	(7,821,749)	87,189,004
Changes in Net Debt:			
Annual surplus (deficit)	40,544	(350,464)	(309,920)
Amortization of TCA and ARO	18,479,485	350,464	18,829,949
Net debt, beginning of year	(284,121,278)	(14,062,512)	(298,183,790)
Operations:			
Amortization of TCA and ARO	18,479,485	350,464	18,829,949
Pupil accommodation	60,601,091	350,464	60,951,555
Annual surplus (deficit)	40,544	(350,464)	(309,920)
Accumulated surplus, beginning of year	94,970,209	(7,471,285)	87,498,924
Cash Flows:			
Annual surplus (deficit)	40,544	(350,464)	(309,920)
Amortization of TCA and ARO	18,479,485	350,464	18,829,949

The associated deferred capital contributions (DCC) and DCC amortization, tangible capital assets (TCA) gross book value, TCA accumulated amortization and TCA amortization expense were not restated.

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3. Cash - school activity funds:

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

4. Accounts receivable:

Accounts receivable consists of the following:

	2023	2022
Government of Canada	$ 3,257,386	$ 2,943,911
Government of Ontario	60,456,202	64,390,886
Municipalities	14,305,651	13,866,555
Other school boards	250,907	–
Other	1,575,848	1,068,538
	$ 79,845,994	$ 82,269,890

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, 2023 is $25,520,777 (2022 - $39,241,216).

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 $98,948,842 (2022 - $105,039,212) as at August 31, 2023 with respect to capital grants.

6. Demand loan:

The School Board has an operating line available to a maximum of $19,000,000 (2022 - $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, 2023, the amount drawn under the demand loan was $2,839,372 (2022 - $10,470,000).

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7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is an amount payable to the Government of Ontario of $399,145 (2022 - $nil).

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, 2022	Externally restricted revenue and investment income	Transferred to revenue or deferred capital contributions in the year	Balance as at August 31, 2023
School renewal	$ 8,434,886	$ 6,261,175	$ 7,486,129	$ 7,209,932
Proceeds of disposition	6,503,345	–	–	6,503,345
Education development charges	1,973,686	4,426,598	4,133,995	2,266,289
SEA Formula Based Funding	757,865	1,410,893	784,639	1,384,119
Targeted Student Supports	1,724,365	1,395,941	3,120,306	–
Tuition fees	1,794,529	2,313,062	2,474,448	1,633,143
MPBSD PPE/CSE (note 21)	899,663	164,437	579,299	484,801
Indigenous Education	488,928	1,160,266	928,182	721,012
Other	2,854,161	5,481,042	6,267,494	2,067,709
	$ 25,431,428	$ 22,613,414	$ 25,774,492	$ 22,270,350

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.

	2023	2022
Deferred capital contributions, beginning of year	$ 322,399,239	$ 321,382,796
Additions to deferred capital contributions	27,704,754	18,995,794
Amortization of deferred capital contributions	(19,033,595)	(17,979,351)
Deferred capital contributions, end of year	$ 331,070,398	$ 322,399,239

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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.

	2023	2022 (note 2)
Asset retirement obligations, beginning of year, as previously reported		$ –
Change in accounting policy (note 2)		14,062,512
Asset retirement obligations, beginning of year, as restated	$ 14,062,512	14,062,512
Less: obligations settled during the year	–	–
Plus: revaluation of asset retirement obligations (note 11)	1,969,606	–
Plus: Increase in obligations due to accretion	6,177	–
Asset retirement obligations, end of year	$ 16,038,295	$ 14,062,512

11. Revaluation of asset retirement obligations:

As a result of recent high levels of inflation, liability balances based on previous cost estimates, the School 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.

Further evaluation was done on the School Board's liability balances as at August 31, 2023, and no additional adjustments were recorded to account for further changes as at August 31, 2023.

12. Retirement and other employee future benefits:

	Retirement gratuities	Other employee future benefits	2023 Total employee future benefits	2022 Total employee future benefits
Current year benefit cost	$ –	$ 2,123,568	$ 2,123,568	$ 1,450,563
Interest on accrued benefit obligation	89,793	110,735	200,528	114,977
Amortization of actuarial loss (gain)	65,137	(177,003)	(111,866)	196,474
Employee future benefit expenses[1]	$ 154,930	$ 2,057,300	$ 2,212,230	$ 1,762,014
Total payments made during the year	$ 562,542	$ 1,746,758	$ 2,309,300	$ 2,712,267

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

	Retirement gratuities	Other employee future benefits	2023 Total employee future benefits	2022 Total employee future benefits
Accrued employee future benefit obligations	$ 2,180,679	$ 4,331,983	$ 6,512,662	$ 6,688,590
Unamortized actuarial gain (loss)	44,001	–	44,001	(34,857)
Accrued employee future benefit liabilities	$ 2,224,680	$ 4,331,983	$ 6,556,663	$ 6,653,733

The School Board has designated reserves for retirement gratuities. The balance of these reserves totaled $295,984 at August 31, 2023 (2022 - $450,914).

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

(a) Actuarial assumptions:

The accrued benefit obligations for employee future benefit plans as at August 31, 2023 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:

	2023	2022
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	4.40%	3.90%

(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 $5,958,002 (2022 - $5,515,655) 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 OMERS pension plan had a funding deficit of $6.7 billion as at December 31, 2022 based on the actuarial valuation of the pension benefit obligation. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

12. 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, 2023.

(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, 2023.

(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 $3,909,175 (2022 - $3,504,408). 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, 2023.

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12. 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, 2023.

(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, 2023. This valuation is based on the assumptions about future events.

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13. Net debentures and loans:

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

		2023		2022
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		5,465,606		6,497,901
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		7,759,954		8,926,945
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		6,357,128		6,957,213
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		5,251,552		5,660,566
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		618,466		666,825
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		2,985,808		3,188,633
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		8,888,993		9,415,572
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		5,193,283		5,480,028
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		5,078,690		5,358,964
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		3,353,857		3,519,461
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		5,920,951		6,872,161
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		6,866,119		7,172,146
Carry forward	$	92,565,407	$	98,541,415

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13. Net debentures and loans (continued):

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

	2023	2022
Carried forward	$ 92,565,407	$ 98,541,415
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	5,154,788	5,387,648
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	6,612,259	6,882,546
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	5,717,475	5,926,890
	110,049,929	116,738,499
Less sinking fund assets (carrying value)	(24,506,120)	(21,906,620)
	$ 85,543,809	$ 94,831,879

Principal, sinking fund and interest payments relating to net debentures and loans of $85,543,809 outstanding as at August 31, 2023, are due as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2024	$ 8,661,717	$ 5,519,155	$ 14,180,872
2025	10,083,537	4,184,221	14,267,758
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
Thereafter	43,220,450	8,531,081	51,751,531
	$ 85,543,809	$ 25,584,931	$ 111,128,740

Included in net debentures and loans are outstanding sinking fund debentures of $28,825,000 (2022 - $28,825,000) secured by sinking fund assets with a carrying value of $24,506,120 (fair value of $24,534,263). Sinking fund assets are comprised of short-term notes and deposits, and government bonds.

13. 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 $67,999,369 (2022 - $72,488,653), principal payments of $4,489,284 (2022 - $4,303,775) and interest of $2,984,946 (2022 - $3,170,455).

14. Debt charges:

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

	2023	2022
Principal payments on long-term liabilities including contributions to sinking funds	$ 8,337,547	$ 8,028,874
Payments on operating leases	234,442	161,462
Interest expense on long-term debt (note 13)	5,741,425	6,054,432
Interest expense on demand loan	227,233	41,598
	$ 14,540,647	$ 14,286,366

Included in debt repayment and sinking fund contributions in the Consolidated Statement of Cash Flows in total of $9,288,070 (2022 - $8,133,625) are principal payments on long-term debt of $8,337,547 (2022 - $8,028,874) and sinking fund interest revenue of $950,523 (2022 - $104,751).

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15. 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, 2022	Restated (note 2)	Restated Balance at August 31, 2022	Additions and transfers	Disposals and transfers	Revaluation of ARO (note 11)	Balance at August 31, 2023
Land	$ 58,740,673	$ –	$ 58,740,673	$ 17,772	$ –	$ –	$ 58,758,445
Land improvements	16,171,253	–	16,171,253	1,615,020	–	–	17,786,273
Buildings	528,695,800	14,018,548	542,714,348	23,720,579	–	1,969,606	568,404,533
Other buildings	1,567,082	–	1,567,082	–	–	–	1,567,082
Portable structures	4,402,879	–	4,402,879	–	–	–	4,402,879
First-time equipping of schools	4,048,981	–	4,048,981	–	(301,204)	–	3,747,777
Furniture	633,470	–	633,470	49,999	(65,056)	–	618,413
Equipment	4,240,982	–	4,240,982	331,955	(274,477)	–	4,298,460
Computer hardware and software	7,390,791	–	7,390,791	2,023,244	(1,541,358)	–	7,872,677
Vehicles	1,724,545	–	1,724,545	42,995	–	–	1,767,540
	$ 627,616,456	$ 14,018,548	$ 641,635,004	$ 27,801,564	$ (2,182,095)	$ 1,969,606	$ 669,224,079

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15. Tangible capital assets (continued):

Accumulated Amortization	Balance at August 31, 2022	Restated (note 2)	Restated Balance at August 31, 2022	Amortization	Disposals and transfers	Balance at August 31, 2023
Land improvements	$ 7,500,995	$ –	$ 7,500,995	$ 1,096,675	$ –	$ 8,597,670
Buildings	218,787,127	7,777,785	226,564,912	15,494,043	–	242,058,955
Other buildings	789,108	–	789,108	80,405	–	869,513
Portable structures	1,715,938	–	1,715,938	220,144	–	1,936,082
First-time equipping of schools	3,426,151	–	3,426,151	327,897	(301,204)	3,452,844
Furniture	331,452	–	331,452	56,305	(65,056)	322,701
Equipment	2,098,790	–	2,098,790	434,453	(274,477)	2,258,766
Computer hardware and software	4,325,261	–	4,325,261	2,077,068	(1,541,358)	4,860,971
Vehicles	1,353,560	–	1,353,560	144,728	–	1,498,288
	$ 240,328,382	$ 7,777,785	$ 248,106,167	$ 19,931,718	$ (2,182,095)	$ 265,855,790

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15. Tangible capital assets (continued):

Net book value	2023	2022 (note 2)
Land	$ 58,758,445	$ 58,740,673
Land improvements	9,188,603	8,670,258
Buildings	326,345,578	316,149,436
Other buildings	697,569	777,974
Portable structures	2,466,797	2,686,941
First-time equipping of schools	294,933	622,830
Furniture	295,712	302,018
Equipment	2,039,694	2,142,192
Computer hardware and software	3,011,706	3,065,530
Vehicles	269,252	370,985
	$ 403,368,289	$ 393,528,837

(a) Assets under construction:

Assets under construction having a value of $3,680,950 (2022 - $959,733) 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 (2022 - $nil).

16. 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. 90% (2022 – 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:

	2023	2022
Provincial Legislative Grants	$ 346,407,355	$ 321,454,139
Education Property Tax	102,981,417	94,573,689
Grants for Student Needs	$ 449,388,772	$ 416,027,828

17. 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 (note 23)	2023 Actual	2022 Actual (note 2)
Expenses:			
Salary and wages	$ 315,794,965	$ 343,897,676	$ 317,344,326
Employee benefits	52,842,978	59,152,369	53,153,800
Staff development	1,984,768	1,229,805	1,084,675
Supplies and services	32,535,941	31,497,847	24,755,316
Interest charges on capital	5,843,325	5,741,425	6,054,432
Rental expenses	291,428	571,373	314,746
Fees and contract services	34,964,442	39,396,568	38,220,588
Other	1,149,875	2,559,407	3,380,010
Amortization of TCA and ARO	18,900,305	19,931,718	18,829,949
ARO accretion expense (note 10)	6,177	6,177	–
	$ 464,314,204	$ 503,984,365	$ 463,137,842

18. 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. The current five-year term expired December 31, 2026.

Premiums paid to OSBIE for the policy year ended December 31, 2022 total $566,866 (2021 - $554,834).

19. 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, 2023 totaling $3,573,875. 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, 2023, the School Board is committed to the following operating leases:

2024	$	354,091
2025		348,139
2026		346,239
2027		342,824
2028		332,097
Thereafter		67,882
	$	1,791,272

(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.

20. Trust funds:

Trust funds administered by the School Board amounting to $489,087 (2022 - $521,405) 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.

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21. Accumulated surplus:

Accumulated surplus consists of the following:

	2023	2022 (note 2)
Surplus:		
Invested in non-depreciable tangible capital assets	$ 51,054,782	$ 46,938,559
Amounts restricted for future use:		
Employee future benefits	(6,556,663)	(6,486,735)
Retirement gratuities	295,984	450,914
School renewal	7,160,248	7,160,248
Asset retirement obligations	(8,277,630)	(7,821,749)
Other	39,051,913	46,947,767
Total accumulated surplus	$ 82,728,634	$ 87,189,004

Available for compliance - internally appropriated	$ 40,025,887	$ 48,767,987
Unavailable for compliance - externally appropriated	42,702,747	38,421,017
	$ 82,728,634	$ 87,189,004

22. 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.

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23. 2023 Budget reconciliation:

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

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

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

As school boards only budget the Consolidated Statement of Operations, the budget figures in the Consolidated Statement of Changes in Net Debt have not been provided. The adjustments do not represent a formal amended budget as approved by the School Board. The amendment is as follows:

	2023 Budget Approved	Change	2023 Budget Restated
Revenue	$ 466,255,143	$ –	$ 466,255,143
Expenses	463,908,323	–	463,908,323
Pupil accommodation:			
Amortization of ARO	–	399,704	399,704
ARO accretion expense	–	6,177	6,177
	463,908,323	405,881	464,314,204
Annual surplus (deficit)	$ 2,346,820	$ (405,881)	$ 1,940,939

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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:

	2023 Total	2023 School Board Portion	2022 Total	2022 School Board Portion
Financial Position:				
Financial assets	$ 2,235,746	$ 1,751,239	$ 1,917,332	$ 1,414,991
Financial liabilities	2,299,813	1,801,422	1,981,966	1,465,596
Net debt	(64,067)	(50,183)	(64,634)	(50,605)
Accumulated deficit	$ (64,067)	$ (50,183)	$ (64,634)	$ (50,605)

	2023 Total	2023 School Board Portion	2022 Total	2022 School Board Portion
Operations:				
Revenue	$ 29,726,065	$ 22,117,932	$ 30,298,111	$ 22,372,345
Expenses	29,725,498	22,117,510	30,294,419	22,369,619
Annual surplus	567	422	3,692	2,726
Accumulated deficit, beginning of year	(64,634)	(50,605)	(68,326)	(53,331)
Accumulated deficit, end of year	$ (64,067)	$ (50,183)	$ (64,634)	$ (50,605)

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25. 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 $579,298 (2022 - $1,991,234) with expenses based on use of $579,298 (2022 - $1,991,234) 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. The PPE and CSE of $484,801 (2022 - $899,663) that will be used in 2023-2024 is included as inventories and deferred revenue for the year ended August 31, 2023.

26. 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.

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27. Future accounting standards adoption:

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, 2023 (in effect for the School Board as of September 1, 2023 for the year ending August 31, 2024):

(a) 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.

(b) 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.

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

28. Subsequent event:

Subsequent to year end, a 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 increases in salaries and wages for the 2019-20 through to the 2021-22 school year, which will be awarded through an arbitration process expected to be competed 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. Additionally, the Crown is in negotiations with other union groups for other education workers and teachers. The School Board estimates that the impact of the recent resolution for the applicable unions is $11,894,866.

29. Change in comparative information:

Certain comparative information in deferred revenue (note 8) has been reclassified from those previously presented to conform to the presentation of the August 31, 2023 consolidated financial statements. The change does not affect prior year total deferred revenue.

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Financial Statements of

UPPER GRAND DISTRICT SCHOOL BOARD TRUST FUNDS

And Independent Auditor’s Report thereon

Year ended August 31, 2023

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INDEPENDENT AUDITOR’S REPORT

To the Chair and Trustees of the Upper Grand District School Board Trust Funds

Opinion

We have audited the financial statements of Upper Grand District School Board Trust Funds (the “Trust”), which comprise:

- the statement of financial position as at August 31, 2023
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Trust as at August 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Trust 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.

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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 Canadian accounting standards for not-for-profit organizations, 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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust'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 Trust'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 Trust'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 Trust 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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
(date)

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UPPER GRAND DISTRICT SCHOOL BOARD TRUST FUNDS

Statement of Financial Position

August 31, 2023, with comparative information for 2022

		2023		2022
Assets				
Current asset:				
Cash	$	49,468	$	44,537
Investments (note 2)		472,026		476,868
	$	521,494	$	521,405
Liabilities				
Accounts payable to the Upper Grand District School Board (note 5)	$	32,407	$	–
Net Assets				
Net assets	$	489,087	$	521,405
	$	521,494	$	521,405

See accompanying notes to financial statements.

On behalf of the Board:

________________________ Director of Education

________________________ Chair of the Board

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UPPER GRAND DISTRICT SCHOOL BOARD TRUST FUNDS

Statement of Operations and Changes in Net Assets

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

	2023	2022
Revenue:		
Investment income (note 3)	$ 9,207	$ –
Expenses:		
Scholarships, bursaries and awards	37,477	59,570
Investment loss (note 3)	–	16,481
Management fees	4,048	4,519
	41,525	80,570
Deficiency of revenue over expenses	(32,318)	(80,570)
Net assets, beginning of year	521,405	601,975
Net assets, end of year	$ 489,087	$ 521,405

See accompanying notes to financial statements.

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UPPER GRAND DISTRICT SCHOOL BOARD TRUST FUNDS

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operation activities:		
Deficiency of revenue over expenses	$ (32,318)	$ (80,570)
Item not involving cash:		
Change in fair value of investments	6,316	35,067
Changes in working capital:		
Accounts payable to the Upper Grand District School Board	32,407	–
	6,405	(45,503)
Capital activities:		
Sale of investments	193,626	190,722
Purchase of investments	(195,100)	(135,253)
	(1,474)	55,469
Increase in cash	4,931	9,966
Cash, beginning of year	44,537	34,571
Cash, end of year	$ 49,468	$ 44,537

See accompanying notes to financial statements.

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1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations. The Trust Fund's significant accounting policies are as follows:

(a) Revenue recognition:

The Trust Fund follows the deferral method of accounting for contributions which include donations. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recognized as revenue when earned.

(b) Expenditures:

Scholarships, bursaries, awards and management fees are recognized as they are paid or payable.

(c) Use of estimates:

The preparation of financial statements 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 dates of the financial statements and the reported amounts of revenue and expenses during the years. Actual results could differ from those estimates.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Trust Funds have elected to carry bonds at fair value.

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.

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1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Trust Funds determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust Funds expect to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Investments:

	2023	2022
Measured at fair value:		
Canada Treasury Bills	$ 79,405	$ 25,627
Government of Canada bonds	251,819	139,217
Provincial bonds	102,414	270,485
Equities	38,388	41,539
	$ 472,026	$ 476,868

The Government of Canada bonds have effective interest rates of 1.00% to 2.50% (2022 - 1.00% to 2.50%) and mature between 2024 and 2030.

The Provincial Bonds have effective interest rates of 2.60% to 2.75% (2022 - 2.60% to 3.50%) and mature between 2025 and 2028.

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3. Investment income (loss):

		2023		2022
Interest income	$	10,452	$	13,347
Dividends		5,071		5,239
Change in fair value		(6,316)		(35,067)
	$	9,207	$	(16,481)

4. Financial risks:

Market price risk is the risk that a value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. To manage this risk, the Trust Funds has established a target mix by investment types designed to achieve optimal return with reasonable risk tolerances.

Interest rate risk refers to the adverse consequences of interest rate changes on the Trust Funds' cash flows, financial position and earnings. Interest rate changes have a direct impact on the market valuation of the Trust Funds' fixed income securities. To manage this risk, the Trust Funds has established a target mix by investment types designed to achieve optimal return with reasonable risk tolerances.

5. Related party transaction:

The Upper Grand District School Board (USDSB) administers some of the Trust Funds' transactions in the normal course of business. Under this arrangement, certain expenses are paid from the UGDSB bank accounts. At the year end, the Trust Fund has a payable of $32,407 (2022 – nil) to the UGDSB.

6. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the August 31, 2023 financial statements.

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