

**Report to Committee of the Whole
November 17, 2014**



**Waterloo Region
District School Board**

Inspired Learners – Tomorrow's Leaders

SUBJECT: 2013-2014 Audited Financial Statements

ORIGINATOR: This report was prepared by Jayne Herring, Manager of Corporate Services, on behalf of Trustee Kathi Smith, Chair of the Board Audit Committee.

PURPOSE/STRATEGIC PLAN:

To provide draft audited Financial Statements for approval as recommended by the Board Audit Committee. This report relates to the Waterloo Region District School Board's strategic directions, particularly in the areas of engaging students, families, staff and communities and championing quality public education.

BACKGROUND:

Annually, the draft audited Financial Statements are reviewed by the Board Audit Committee before being presented to the board. The Board Audit Committee consists of three trustees and two external volunteers with financial expertise. Under Regulation 361/10, one of the duties of the Audit Committee after reviewing the Financial Statements is, *"To recommend, if the Audit Committee considers it appropriate to do so, that the Board approve the annual audited financial statements."*

The draft 2013-2014 audited Financial Statements were presented at the Board Audit Committee meeting on November 12, 2014. After reviewing the statements, a motion was passed by the Audit Committee recommending Board approval of the audited Financial Statements.

STATUS:

The draft 2013-2014 Waterloo Region District School Board Consolidated Financial Statements is attached (Appendix A) and Jacinda Reitsma from the auditing firm of PricewaterhouseCoopers LLP, Chartered Accountants, will be present during the meeting to present the audited statements.

COMMUNICATIONS:

After approval of the Financial Statements by the Board, they will be published as per Section 252(2) of the Education Act by posting on the Board's website and copies will be available for the public, upon request, at the Education Centre.

FINANCIAL IMPLICATIONS:

No financial implications.

RECOMMENDATION:

It is recommended:

That the Waterloo Region District School Board approve the Audited Financial Statements for the year ended August 31, 2014 as recommended by the Audit Committee.

Director of Education

Waterloo Region District School Board

**Consolidated Financial Statements
August 31, 2014**

DRAFT

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Waterloo Region District School Board are the responsibility of the 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 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

John Bryant
Director of Education

Marilyn Allen
Executive Superintendent of Business and Financial Services

November 24, 2014

November 24, 2014

Independent Auditor's Report

To the Board of Trustees of Waterloo Region District School Board

We have audited the accompanying consolidated financial statements of the Waterloo Region District School Board, which comprise the consolidated statement of financial position as at August 31, 2014 and the consolidated statements of operations, changes in net debt and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Waterloo Region District School Board as at August 31, 2014 and the results of its operations, and its cash flows for the years then ended in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of matter or other matter

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

Chartered Professional Accountants, Licensed Public Accountants

Waterloo Region District School Board

Consolidated Statement of Financial Position

For the year ended August 31, 2014

	2014 \$	2013 \$
Financial assets		
Cash and short term investments	33,261,508	2,789,123
Accounts receivable - Other	28,027,303	34,970,016
Accounts receivable - Government of Ontario - Approved Capital (note 2)	198,496,164	212,396,225
Assets held for sale (note 2)	3,933,000	3,933,000
	<u>263,717,975</u>	<u>254,088,364</u>
Financial liabilities		
Accounts payable and accrued liabilities	52,997,373	38,909,259
Net debenture debt and capital loans (notes 6 and 7)	180,014,018	187,190,518
Deferred revenue (note 3)	18,093,272	23,098,828
Employee benefits payable (note 5)	51,928,729	55,263,115
Deferred capital contributions (note 4)	493,567,621	476,342,709
	<u>796,601,013</u>	<u>780,804,429</u>
Net debt	<u>(532,883,038)</u>	<u>(526,716,065)</u>
Non-financial assets		
Prepaid expenses	14,855,182	15,287,333
Tangible capital assets (note 9)	555,753,681	532,967,533
	<u>570,608,863</u>	<u>548,254,866</u>
Accumulated surplus	<u>37,725,825</u>	<u>21,538,801</u>

Signed on Behalf of the Board

Director of Education

Date _____

Chair of the Board

Date _____

The accompanying notes are an integral part of these consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Operations

For the year ended August 31, 2014

	2014 Budget \$ (unaudited) (note 14)	2014 Actual \$	2013 Actual \$
Revenues			
Local taxation	169,614,616	185,398,074	167,824,899
Provincial grants - Grants for Student Needs	401,420,373	387,574,346	404,371,684
Provincial grants - Other	35,521,662	36,501,222	23,882,012
Other fees and revenues	11,734,932	15,047,045	9,670,995
Investment income	102,975	352,570	135,379
School funds	15,000,000	13,744,277	11,732,006
Amortization of deferred capital contributions	27,073,996	27,357,024	25,028,506
	<u>660,468,554</u>	<u>665,974,558</u>	<u>642,645,481</u>
Expenses (note 8)			
Instruction	513,162,021	509,979,384	479,764,811
Administration	19,041,986	17,816,918	14,304,392
Transportation	15,925,115	15,752,910	15,609,240
School operations and maintenance	58,114,154	57,520,584	54,440,320
Pupil accommodation	32,773,179	31,799,072	30,799,416
Other	104,872	3,474,765	104,872
School funded activities	15,000,000	13,443,901	11,458,196
	<u>654,121,327</u>	<u>649,787,534</u>	<u>606,481,247</u>
Annual surplus (note 10)	6,347,227	16,187,024	36,164,234
Opening accumulated surplus (deficit)	(9,442,379)	21,538,801	(14,625,433)
Closing accumulated surplus (deficit)	<u>(3,095,152)</u>	<u>37,725,825</u>	<u>21,538,801</u>

The accompanying notes are an integral part of these consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Cash Flows

For the year ended August 31, 2014

	2014 \$	2013 \$
Sources and uses of cash		
Operating transactions		
Annual surplus	16,187,024	36,164,234
Non-cash amortization of tangible capital assets	27,646,597	25,198,999
Non-cash amortization of deferred capital contributions	(27,357,024)	(25,028,506)
Non-cash loss (gain) on sale of tangible capital assets	(12,200)	-
Increase in accounts receivable	20,842,774	(6,312,995)
Increase (decrease) in accounts payable and accrued liabilities	14,088,114	(1,126,693)
Increase (decrease) in deferred revenue	(5,005,556)	5,861,965
Decrease in employee benefits payable	(3,334,386)	(27,805,301)
Decrease (increase) in prepaid expenses	432,151	(98,748)
Increase in deferred capital contributions	44,581,936	52,141,598
	<u>88,069,430</u>	<u>58,994,553</u>
Capital transactions		
Proceeds on sale of tangible capital assets	12,200	-
Cash used to acquire tangible capital assets	(50,432,745)	(62,585,574)
	<u>(50,420,545)</u>	<u>(62,585,574)</u>
Financing transactions		
Long-term liabilities issued	757,431	29,456,786
Debt repayments	(7,933,931)	(6,848,282)
	<u>(7,176,500)</u>	<u>22,608,504</u>
Change in cash, short-term investments, and bank indebtedness	30,472,385	19,017,483
Opening cash, short-term investments, and bank indebtedness	2,789,123	(16,228,360)
Closing cash and short-term investments	<u>33,261,508</u>	<u>2,789,123</u>

The accompanying notes are an integral part of these consolidated financial statements.

Waterloo Region District School Board

Consolidated Statement of Changes in Net Debt

For the year ended August 31, 2014

	2014 \$	2013 \$
Annual surplus	16,187,024	36,164,234
Tangible capital asset activities		
Acquisition of tangible capital assets	(50,432,744)	(62,585,574)
Amortization of tangible capital assets	27,646,596	25,198,999
	(22,786,148)	(37,386,575)
Other non-financial asset activities		
Acquisition of prepaid expenses	(14,855,182)	(15,287,333)
Use of prepaid expenses	15,287,333	15,188,585
	432,151	(98,748)
Increase in net debt	(6,166,973)	(1,321,089)
Net debt - Beginning of year	(526,716,065)	(525,394,976)
Net debt - End of year	(532,883,038)	(526,716,065)

The accompanying notes are an integral part of these consolidated financial statements.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

1 Significant accounting policies

The consolidated financial statements of the Waterloo Region District School Board (the “Board”) are prepared by management in accordance with the basis of accounting described below.

Basis of accounting

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

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring schools boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue is recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

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

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

As a result, revenue recognized in the statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

Waterloo Region District School Board**Notes to Consolidated Financial Statements****For the year ended August 31, 2014**

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues, and expenses of various organizations that exist at the school level, as well as including Waterloo Education Foundation Inc., that are controlled by the Board, are reflected in the consolidated financial statements.

The consolidated financial statements also reflect the Board's pro-rata share of assets, liabilities, revenues and expenses of the Student Transportation Services of Waterloo Region Inc. ("STSWR") which is a partnership that was formed with Waterloo Catholic District School Board. Inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.

Trust funds

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

Cash and short-term investments

Cash and short-term investments comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term. Short-term investments are recorded at the lower of cost or market value.

Deferred revenue

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

Deferred capital contributions

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

- government transfers received or receivable for capital purpose
- other restricted contributions received or receivable for capital purpose
- property taxation revenues which were historically used to fund capital assets.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, and health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits. In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains or losses are recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for work's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) Employer contributions to multi-employer defined pension plans, such as the Ontario Municipal Employees Retirement System pensions, are expensed in the period incurred.
- (iii) The cost of life insurance benefits is actuarially determined on the projected benefit method prorated on services for current employees who are eligible for this benefit upon retirement. For retirees, the liability is calculated as the present value of the expected future premium subsidy from the valuation date to the date that the retiree turns 65, or for the remaining lifetime, depending on the date of retirement.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

Asset	Estimated Useful Life in Year
Land improvements with finite lives	15
Building and building improvements	40
Portable structures	20
Other buildings	20
Furniture and equipment	5 - 15
Computer hardware and software	5
Vehicles	5 - 10
Leasehold improvements	Over the life of the lease

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Building permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

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

Government transfers

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the related asset.

Waterloo Region District School Board**Notes to Consolidated Financial Statements****For the year ended August 31, 2014**

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.

Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees of the Board. 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. Given differences between the funding model and the basis of accounting used by the school board in preparation of the financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

Use of estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

2 Accounts receivable - Government of Ontario

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. Waterloo Region District 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 Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in the account receivable balance.

The Board has an account receivable from the Province of Ontario of \$198,496,164 as at August 31, 2014 with respect to capital grants (2013 - \$212,396,225).

Assets held for sale

As at August 31, 2014, \$3,933,000 (2013 - \$3,933,000) related to land is classified as assets held for sale.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

3 Deferred revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2014 is comprised of:

	Balance at August 31 2013 \$	Externally restricted revenue and investment income 2014 \$	Revenue recognized in the period \$	Transfers to deferred capital contributions \$	Balance at August 31, 2014 \$
Pupil accommodation	1,705,600	37,955,222	20,719,583	16,385,887	2,555,352
Education development charges	-	6,747,090	6,747,090	-	-
Proceeds of disposition	10,328,376	213,848	9,771	3,622,560	6,909,893
Special education	5,093,572	77,484,844	77,680,162	-	4,898,254
Restricted grants	4,227,242	32,009,814	34,221,838	-	2,015,218
Other	1,744,038	1,964,933	1,744,038	250,378	1,714,555
Total deferred revenue	23,098,828	156,375,751	141,122,482	20,258,825	18,093,272

4 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.

	2014 \$	2013 \$
Opening balance	476,342,709	449,229,617
Additions to deferred capital contributions	44,581,936	52,141,598
Revenue recognized in the period	(27,357,024)	(25,028,506)
Closing balance	493,567,621	476,342,709

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

5 Retirement and other employee future benefits

					2014	2013
	Retirement	WSIB	Sick	Life	Total	Total
	Gratuities	Benefits	Leave	Insurance	Employee	Employee
	\$	\$	\$	\$	Future	Future
					Benefits	Benefits
					\$	\$
Opening balance accrued employee future benefit obligations at August 31	50,303,498	2,808,522	152,818	1,998,277	55,263,115	83,068,416
Current period benefit cost	-	315,502	436,294	-	751,796	(51,902)
Interest accrued	1,570,850	68,026	193,462	66,164	1,898,502	2,385,366
Less: Benefit payments	(4,871,554)	(506,112)	(346,092)	(117,353)	(5,841,111)	(5,825,460)
Curtailment (gain) loss	21,927	-	35,775	10,337	68,039	(21,712,379)
Amortization of actuarial (gain) loss	(183,320)	-	-	(28,292)	(211,612)	(2,600,926)
Employee future benefit liability at August 31	46,841,401	2,685,938	472,257	1,929,133	51,928,729	55,263,115

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

					2014	2013
	Retirement	WSIB	Sick	Life	Total	Total
	Gratuities	Benefits	Leave	Insurance	Employee	Employee
	\$	\$	\$	\$	Future	Future
					Benefits	Benefits
					\$	\$
Current period benefit cost	-	315,502	436,294	-	751,796	(51,902)
Interest on accrued benefit obligation	1,570,850	68,026	193,462	66,164	1,898,502	2,385,366
Recognized actuarial gains (losses)	(183,320)	-	-	(28,292)	(211,612)	(2,600,926)
Curtailment (gain) loss	21,927	-	35,775	10,337	68,039	(21,712,379)
Employee future benefits expenses ¹	1,409,457	383,528	665,531	48,209	2,506,725	(21,979,841)

Plan changes

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. As a result employees eligible for a retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days were eliminated as of September 1, 2012, and were replaced with a new short-term leave and disability plan. In 2013, further changes were made to the short-term leave and disability plan. Under the new short term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short-term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance and health care benefits have been grandfathered to qualifying existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, all new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

Retirement Benefits

(i) Ontario Teacher's Pension Plan

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

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2014, the Board contributed \$8,075,670 (2013 - \$7,418,896) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

Actuarial assumptions

The accrued benefit obligations for retirement gratuities as at August 31, 2014 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2014. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2014 %	2013 %
Inflation	2.0	2.0
Discount on accrued benefit obligations	2.85	3.4

Workplace Safety and Insurance Board (WSIB) Benefits

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision. This resulted in a one-time increase to the Board's obligation of \$487,539 as at August 31, 2012.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2014 are based on actuarial valuations for accounting purposes as at August 31, 2014. These actuarial valuations are based on assumptions about future events. For purposes of these calculations, the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2014 %	2013 %
Inflation	2.0	2.0
Discount on accrued benefit obligations	2.85	2.75

Sick leave top-up benefits

As a result of new changes made in 2013 to the short-term sick leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the financial statements are \$665,531 (2013 - \$350,467).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2014. This actuarial valuation is based on assumptions about future events.

Life insurance benefits

The Board sponsors a separate life insurance benefits plan for certain retirees. The premiums are based on the Board experience and employees are required to pay 100% of the premium costs. The benefit costs and liabilities related to the subsidization of these retirees under this group plan are included in the Board's consolidated financial statements.

The accrued benefit obligations for life insurance benefits as at August 31, 2014 are based on actuarial valuations for accounting purposes as at August 31, 2014. These actuarial valuations are based on assumptions about future events. For purposes of these calculations, the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2014 %	2013 %
Inflation	2.0	2.0
Discount on accrued benefit obligations	2.85	3.4

Health care and dental benefits

The Board sponsors a separate plan for retirees to provide group health care and dental benefits. The premiums are based on the experience or demographics of the group and retirees are required to pay 100% of the premium costs.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

6 Net long-term debt

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

	2014 \$	2013 \$
Debenture #CDS 00-42 due November 17, 2020. Interest payments semi-annually at 6.67%	6,794,499	7,549,731
Debenture #CDS 02-45 due November 21, 2022. Interest payments semi-annually at 5.642%	19,331,000	20,951,000
Debenture #CDS 04-49 due November 29, 2024. Interest payments semi-annually at 5.257%	18,283,450	19,567,266
Debenture #CDS 06-53 due October 30, 2026. Interest payments semi-annually at 4.841%	13,265,854	14,028,212
Ontario Financing Authority Loan (OFA#1) due November 17, 2031. Interest payments semi-annually at 4.56%	19,963,850	20,696,517
Ontario Financing Authority Loan (OFA#2) due March 3, 2033. Interest payments semi-annually at 4.90%	13,337,408	13,762,104
Ontario Financing Authority Loan due (OFA#3) November 15, 2033. Interest payments semi-annually at 5.347%	11,216,459	11,536,965
Ontario Financing Authority Loan (OFA#4) due March 13, 2034. Interest payments semi-annually at 5.062%	5,005,647	5,149,746
Ontario Financing Authority Loan (OFA#5) due November 15, 2034. Interest payments semi-annually at 5.047%	1,443,248	1,482,712
Ontario Financing Authority Loan (OFA#6) due April 13, 2035. Interest payments semi-annually at 5.232%	8,240,621	8,453,969
Ontario Financing Authority Loan (OFA#7) due April 13, 2036. Interest payments semi-annually at 4.833%	11,165,758	11,449,511
Ontario Financing Authority Loan (OFA#8) due November 15, 2036. Interest payments semi-annually at 3.97%	7,021,097	7,211,459
Ontario Financing Authority Loan (OFA#9) due March 9, 2037. Interest payments semi-annually at 3.564%	15,461,284	15,894,540
Ontario Financing Authority Loan (OFA#10) due March 19, 2038. Interest payments semi-annually at 3.799%	28,726,412	29,456,786
Ontario Financing Authority Loan (OFA#11) due November 11, 2039. Interest payments semi-annually at 4.003%	757,431	-
	<u>180,014,018</u>	<u>187,190,518</u>

Principal and interest payments relating to net long-term debt of \$264,377,316 outstanding as at August 31, 2014 are due as follows:

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2014

	Principal Payments \$	Interest \$	Total \$
2014/15	8,353,827	8,428,482	16,782,309
2015/16	8,777,971	8,000,351	16,778,322
2016/17	8,308,915	7,578,742	15,887,657
2017/18	8,717,855	7,164,551	15,882,406
2018/19	9,147,246	6,728,575	15,875,821
Thereafter	136,708,205	46,462,596	183,170,801
Net long-term liabilities	180,014,019	84,363,297	264,377,316

Interest on long-term debt amounted to \$8,808,506 (2013 - \$8,219,238).

7 Debt charges and capital loans interest

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

	2014 \$	2013 \$
Principal payments on long-term liabilities	7,333,931	6,848,282
Interest expense on long-term liabilities	8,808,506	8,219,238
	16,142,437	15,067,520

8 Expenses by object

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

	2014 Budget \$ (unaudited)	2014 Actual \$	2013 Actual \$
Expenses			
Salary and wages	468,816,647	469,086,197	460,944,398
Employee benefits	68,088,225	67,096,668	38,168,758
Staff development	1,566,615	1,936,018	1,690,337
Supplies and services	38,521,625	37,478,671	35,891,504
Interest charges on capital	8,771,258	8,686,552	8,447,630
Rental expenses	958,965	1,079,858	914,554
Fees and contract services	24,599,006	22,643,016	23,214,118
Other	515,770	690,057	552,753
Amortization of tangible capital assets	27,283,216	27,646,596	25,198,999
School funded activities	15,000,000	13,443,901	11,458,196
	654,121,327	649,787,534	606,481,247

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2014

9 Tangible capital assets

	Cost				Accumulated Amortization				Net Book Value August 31 2014	Net Book Value August 31 2013
	Balance at August 31 2013	Additions and (Transfers)	Disposals	Balance at August 31 2014	Balance at August 31 2013	Amortization	Disposals, Write offs and Adjustments	Balance at August 31 2014		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	51,426,720	4,305,174	(12,200)	55,719,694	-	-	-	-	55,719,694	51,426,720
Land improvements	6,054,426	399,504	-	6,453,930	1,260,077	449,297	-	1,709,374	4,744,556	4,794,349
Buildings	617,157,193	38,349,900	-	655,507,093	173,981,604	18,837,236	-	192,818,840	462,688,253	443,175,589
Portable structures	24,036,127	13,792	(3,426,490)	20,623,429	16,594,337	1,116,489	(3,426,490)	14,284,336	6,339,093	7,441,790
Construction in progress	1,961,646	(303,073)	-	1,658,573	-	-	-	-	1,658,573	1,961,646
Pre-acquisition and construction cost	44,560	(3,249)	-	41,311	-	-	-	-	41,311	44,560
Furniture and equipment	11,814,513	1,471,827	(360,887)	12,925,453	4,522,611	1,255,462	(360,887)	5,417,186	7,508,267	7,291,902
Computer hardware and software	27,149,146	6,060,740	(3,542,234)	29,667,652	11,792,099	5,681,680	(3,542,234)	13,931,545	15,736,107	15,357,047
Vehicles	1,824,307	150,330	(282,384)	1,692,253	1,367,413	161,735	(282,384)	1,246,764	445,489	456,894
Leasehold improvements	1,896,162	-	-	1,896,162	879,126	144,698	-	1,023,824	872,338	1,017,036
Total	743,364,800	50,444,945	(7,624,195)	786,185,550	210,397,267	27,646,597	(7,611,995)	230,431,869	555,753,681	532,967,533

Asset under construction

Assets under construction (which include construction in progress and pre-acquisition and construction cost) having a value of \$1,699,884 (2013 - \$2,006,205) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$nil (2013 - \$nil).

Asset inventories for resale (assets permanently removed from service)

The Board has identified no land and no building properties that qualify as “assets permanently removed from service.”

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2014

10 Accumulated surplus (deficit)

Accumulated surplus (deficit) consists of the following:

	2014 \$	2013 \$
Accumulated surplus - unappropriated	21,575,864	19,393,654
Invested in non-depreciable tangible capital assets (land)	39,181,538	32,199,538
Amounts restricted for future use by Board motion	7,927,151	7,169,876
Employee future benefits to be covered in the future	(34,248,304)	(40,091,513)
Other	3,289,576	2,867,246
Total accumulated surplus (deficit)	37,725,825	21,538,801

The annual surplus of \$16,187,024 for 2014 (2013 - \$36,164,234) includes revenues recognized for land of \$6,982,000 (2013 - \$3,508,791), transfers to internally appropriated of \$757,275 (2013 - \$3,965,895), transfers to/(from) externally appropriated of a \$6,121,966 (2013 - \$5,648,758), a curtailment loss of \$(68,039) (2013 - \$21,712,379) and recognized actuarial gains of \$211,612 (2013 - losses of \$2,600,926). The curtailment gain and recognized actuarial gain (loss) result in a one-time net reduction to the Board's employee future benefits liability as a result of Bill 115 as described in note 5. For purposes of classification, the curtailment gain is reflected as a reduction of benefits expense for instruction, administration, school operations and maintenance, and pupil accommodation. The impact of these adjustments is summarized below:

	2014 \$	2013 \$
Annual surplus (deficit) before the following items:	2,182,210	(1,272,515)
Revenues recognized for land	6,982,000	3,508,791
Transfer to internally appropriated	757,275	3,965,895
Transfer to (from) externally appropriated	6,121,966	5,648,758
Curtailment gain	(68,039)	21,712,379
Recognized actuarial gain (loss)	211,612	2,600,926
Annual surplus	16,187,024	36,164,234

11 Trust funds

Trust funds administered by the Board amounting to \$1,791,072 (2013 - \$1,636,004) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2014

12 Ontario School Board Insurance Exchange (OSBIE)

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

The premiums over a five year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the 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 expires January 1, 2017.

13 Contractual obligations and contingent liabilities

Contractual obligations

The cost to complete construction contracts in progress at August 31, 2014 is estimated to be \$16,448,860 (2013 - \$10,441,000).

Contingent liabilities

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

Operating lease commitments

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

	\$
Year ending August 31, 2015	1,696,707
2016	1,677,384
2017	1,570,281
2018	1,173,633
Thereafter	1,249,032

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2014

14 Budget data

The unaudited budget data presented in these consolidated financial statements is based upon the 2014 budgets approved by the Board on June 24, 2013.

As boards only budget the statement of operations, the budget figures in the consolidated statement of change in net debt have not been provided.

15 Partnership in the Student Transportation Services of Waterloo Region Inc.

Transportation Consortium

On September 1, 2007 the Student Transportation Services of Waterloo Region Inc. ("STSWR") was incorporated. On February 27, 2008, the Board entered into an agreement with Waterloo Catholic District School Board in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement created at the time STSWR was established, decisions related to the financial and operating activities of STSWR are shared. No partner is in a position to exercise unilateral control.

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

The following provides condensed financial information.

	Total	2014 Board Portion	Total	2013 Board Portion
	\$	\$	\$	\$
Financial position:				
Financial assets	232,668	144,585	213,179	117,522
Liabilities	242,550	145,754	224,883	119,912
Non-financial assets	9,882	5,269	11,704	6,490
Accumulated deficit	-	4,100	-	4,100
Operations:				
Revenues	19,377,666	14,757,693	19,190,962	14,578,000
Expenses	19,377,666	14,757,693	19,190,962	14,578,000
Annual surplus	-	-	-	-

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2014

16 Repayment of the “55 School Board Trust” funding

On June 1, 2003, the Board received \$1,407,664 from the 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

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