

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



**Waterloo Region  
District School Board**

*Inspired Learners – Tomorrow's Leaders*

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**SUBJECT:**               **2013-14 Year-End Financial Report**

**ORIGINATOR:**       This report was prepared by Marilyn Allen, Executive Superintendent of Business and Financial Services and Treasurer, Karen Newland, Controller of Financial Services, Sharon Uttley, Manager of Accounting Services and Wendy Jocques, Manager of Budget Services, in consultation with Executive Committee.

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**PURPOSE/STRATEGIC PLAN:**

To provide the final Financial Report for the year ended August 31, 2014 and to detail the change in the "Total Accumulated Operating Surplus – Unappropriated" (Accumulated Operating Surplus).

This report relates to Engaging students, families, staff and communities, Championing Quality Public Education and Promote Forward thinking which are three of the six strategic directions used to guide the work of the Board.

**BACKGROUND:**

Annually, the Board's external auditors provide an audited report on the Financial Statements prepared by the Board. This is required under Section 252 and 253 of the Education Act. Administration provides an explanation of significant variations from budget which provides more detailed information to the board.

Surplus funds not otherwise designated by the board are added to the Accumulated Operating Surplus. This Accumulated Operating Surplus is a portion of the board's overall Accumulated Surplus reported on the Financial Statements and provides the board with a contingency amount that may be used to cushion any unexpected or unforeseen circumstances or changes in government funding which may pose fiscal difficulties for the board in the future.

**STATUS:**

A budget estimates the financial outcome of an approved plan at a future point in time. The Board approved the 2013-14 operating budget on June 24, 2013 and at that time due to the inability to balance expenditures with available revenue the Board approved an operating deficit of \$3,184,205. This was to be addressed with one time funding from accumulated surplus for one year only. The Board directed staff to continue the system fiscal review and set a minimum target of \$4.6M in long term ongoing savings. This target was based on the \$3.1M operating shortfall and an additional \$1.5M to fund the retirement gratuities liability over the remaining service life estimated by the Province. This measure was implemented to rectify the structural deficit which is not sustainable.

As circumstances change, variances to the original budget occur. The May 26, 2014 Interim Financial Report and Forecast projected a year end deficit of \$4.0M. This projection was based on April actual results with worst case estimates for the remaining fiscal year. In order to mitigate the predicted shortfall a number of measures were implemented earlier in the year. These included closely monitoring supply teachers and educational assistants' coverage, reducing discretionary spending, deferring major purchases if possible, discontinuing professional development not previously scheduled, and requiring Executive Council approval for replacement of all vacant non-teaching positions for the balance of the school year.

The Financial Statements indicate the actual expenses and revenue for the 2013-2014 period. The 2013-14 actual year-end financial position is an in-year surplus of \$2,182,210. This represents less than 0.5% of the board's operating allocation. The 2013-2014 Final Financial Report, comparing the budget to the actual year-end position is attached as Appendix A. Table 1 below highlights the key variances from budget that contributed to the 2013-14 surplus.

<b>Table 1</b> in (000's)	
<b>2013-14 Approved Operating Deficit</b>	<b>(3,184)</b>
<b>2013-14 Approved One Time Initiatives</b>	<b>(1,903)</b>
<b>2013-14 Approved Budget</b>	<b>(5,087)</b>
Net GSN Funding Impact (increased Teacher Q&E (1,548), decrease related to net decline in enrolment (-1,291) differential for enveloped grants (-856)	(599)
<b>Additional grants received after budget:</b>	
Labour enhancement funding for extending sick and maternity leave	975
Labour enhancement funding for unpaid day	1,350
Other Ministry grants (Early years lead)	537
Interest revenue (improved cashflow)	250
Other Revenues: Fees - Other Pupils	110
Other revenues: Recoverable costs - federations	220
Other revenues: Recoverable costs - miscellaneous	383
Costs: Supply teacher over-expenditure	(2,535)
Costs: supply principal/vice principal over-expenditure	(300)
Savings: Staff development under budget	156
Savings: Classroom support - fail to fill/replacement duration of DECE's and EA's	2,861
Savings: School operating funding spent on capitalized items	1,594
Savings: Board Admin unfilled positions	711
Savings: Board Admin fees and contracts savings in ITS, legal, HR	527
Savings: Transportation fees and contracts	172
Savings: School operations savings due to staff vacancies	215
Savings: Utilities under budget	480
Savings: Property and Liability Insurance	162
<b>Net Change in 13/14</b>	<b>7,269</b>
<b>Actual 13/14 In Year Operating Surplus</b>	<b>2,182</b>

#### Accumulated Operating Surplus:

The Accumulated Operating Surplus represents funds that are available on a one-time basis. It is prudent fiscal management to ensure that an organization has resources available to address potential financial issues. Without a balance in the Accumulated Operating Surplus, in the event of unforeseen or other extenuating circumstances the board may not have sufficient funds to meet its fiscal obligations.

Examples of circumstances where the board may need these funds include situations arising when an enrolment shortfall occurs; grant revenues are less than anticipated or when other emerging issues drive unforeseen costs. These funds also remain available to the board to fund one-time strategic initiatives.

The "Annual Unappropriated Operating Surplus" for the year is \$2,182,210. This amount has been added to the Accumulated Operating Surplus resulting in a balance of \$21,575,864 at August 31, 2014. Given the current economic climate and the enrolment volatility the accumulated operating surplus should be adequate to meet any unknown challenges in the future.

#### **COMMUNICATIONS:**

Information is provided to staff and members of the public as required.

**FINANCIAL IMPLICATIONS:**

No financial implications.

**RECOMMENDATION:**

No recommendation. For information only.

 **Director of Education**

## 2013-14 Final Financial Report

PSAB Expenses for the Period Ending August 31, 2014

### Summary of Financial Results

(000's)

	Budget	Actual	In-Year Change	
			\$	%
<b>Revenue</b>				
Provincial Grants-GSN	585,002	589,003	4,001	0.7%
Revenue transferred from/(to) deferred revenue	1,221	365	(856)	(70.1%)
Other Grants	35,522	36,501	980	2.8%
Other	11,817	15,390	3,573	30.2%
School Generated Funds	15,000	13,744	(1,256)	(8.4%)
Transferred from Deferred Capital Contribution	27,074	27,357	283	1.0%
Transferred to Deferred Capital Contribution	(15,168)	(16,386)	(1,218)	8.0%
<b>Total Revenue</b>	<b>660,469</b>	<b>665,975</b>	<b>5,506</b>	<b>0.8%</b>
<b>Expenses</b>				
Instruction	510,471	509,979	(492)	(0.1%)
Administration	18,688	17,577	(1,111)	(5.9%)
Transportation	15,924	15,752	(172)	(1.1%)
School Operations & Maintenance	58,350	57,762	(588)	(1.0%)
Pupil Accom/Renewal/Debt	35,688	35,274	(414)	(1.2%)
School Generated Funds	15,000	13,444	(1,556)	(10.4%)
<b>Total Expenses</b>	<b>654,121</b>	<b>649,788</b>	<b>(4,334)</b>	<b>(0.7%)</b>
<b>Surplus/(Deficit)</b>	<b>6,347</b>	<b>16,187</b>	<b>9,840</b>	<b>155.0%</b>

### DETERMINATION OF ANNUAL OPERATING SURPLUS

<b>PSAB Surplus/(Deficit) (from above)</b>	6,347	16,187
<b>LESS: Restricted Amounts</b>		
Revenues recognized for land	4,946	6,982
Transfer to/(from) Externally Appropriated	5,955	6,266
Transfer to/(from) Internally Appropriated	534	757
<b>Sub-Total to/(from) Appropriated Surplus</b>	<b>11,434</b>	<b>14,005</b>
<b>ANNUAL Unappropriated Operating Surplus/(Deficit)</b>	<b>(5,087)</b>	<b>2,182</b>

### Changes in Revenue

- Provincial grants are up due to additional funding received for unpaid days, enhanced sick leave entitlement and teacher Q&E, less impact of declining enrolment
- Deferred Revenue transfer changes are related to special education and Regional Internal Audit
- Other Grants are up due to additional EPO grant announcements
- Other revenue is up due to additional EDC's being received, additional extended day program fees, and an increase in fee paying foreign students

### Change in Expenditures

- Instruction related to savings in salaries and benefits due to "fail to fills" and timing of filling positions
- Administration staff vacancies and timing of filling positions, fees and contracts
- School operations and maintenance reduction in utility costs and insurance

## 2013-14 Final Financial Report

### Summary of Capital to be Financed

(000's)

	Budget	Actual
<b>Funding</b>		
New Building and Additions	13,495	6,063
Good Places to Learn		200
Retrofitting school space for child care		608
School Condition Improvement	3,395	3,395
Full Day Kindergarten	18,525	18,060
Renewal	5,686	6,284
Education Development Charge (EDC)	4,633	3,922
Proceeds of Disposition	4,986	3,632
Minor Tangible Capital Assets	6,087	6,099
Other	860	2,181
<b>Total Capital by Funding Source</b>	<b>57,667</b>	<b>50,445</b>
<b>Expenditure</b>		
Buildings (new, additions & renewal)	45,948	38,047
Land	5,000	4,302
Land Improvements	0	400
Moveable Assets	6,719	7,697
<b>Total Capital Expenditure</b>	<b>57,667</b>	<b>50,445</b>

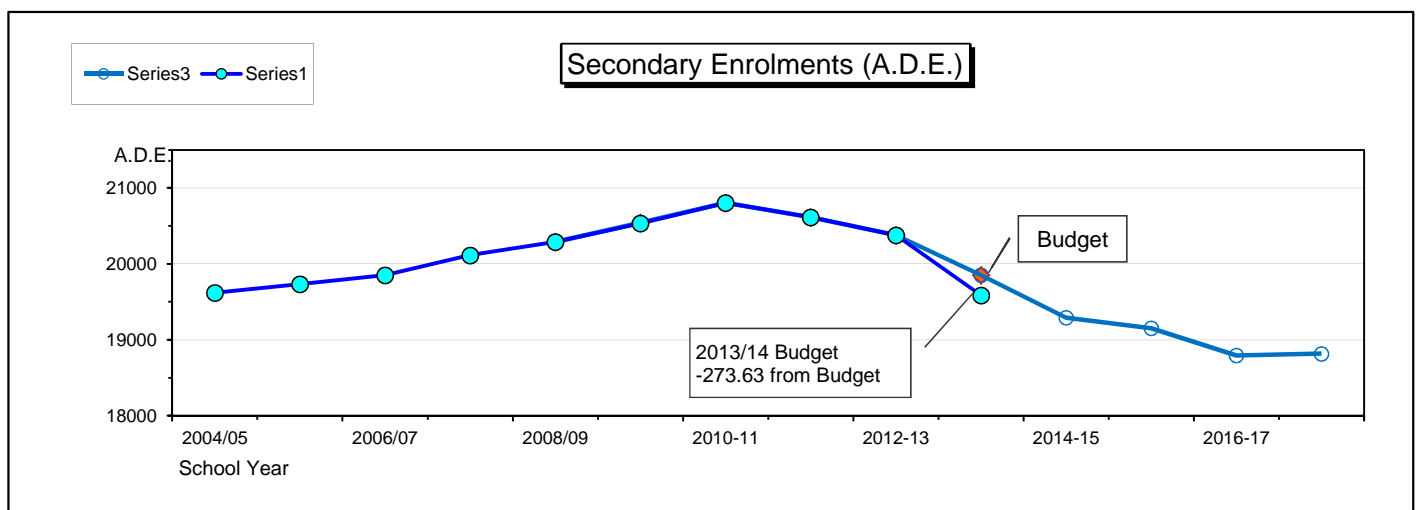
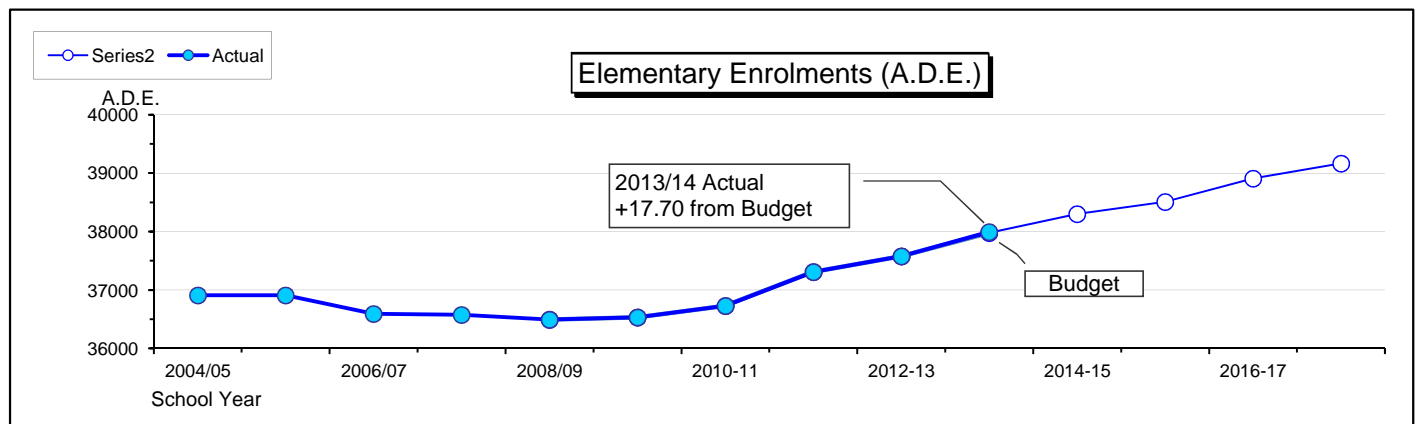
## 2013-14 Final Financial Report

### Summary of Enrolment

ADE	Budget	Actual	In-Year Change	
			#	%
Elementary				
JK	1,954.00	1,997.75	43.75	2.2%
SK	2,163.00	2,133.25	(29.75)	-1.4%
Grade 1-3	13,152.50	13,118.35	(34.15)	-0.3%
Grade 4-8	20,703.00	20,741.85	38.85	0.2%
Other Pupils	5.00	4.00	(1.00)	-20.0%
Total Elementary	37,977.50	37,995.20	17.70	0.0%
Secondary				
Pupils of the Board <21	19,555.08	19,392.94	(162.14)	-0.8%
Pupils of the Board >21	9.50	10.14	0.64	6.7%
Other Pupils	60.00	64.45	4.45	7.4%
High Credit	235.38	118.80	(116.58)	-49.5%
Total Secondary	19,859.96	19,586.33	(273.63)	-1.4%
Total	57,837.46	57,581.53	(255.93)	-0.4%

### Highlights of Changes in Enrolment:

- We continue to see an increase in our JK population as a result of Full-Day Kindergarten. Students which may have been held back historically are entering school in the JK year. To some extent, this explains both the increase in JK and the decrease in SK.
- The enrolment in grades 1 to 8 continues to be stable, balanced between smaller cohorts in the senior grades and larger cohorts in the primary grades. As illustrated in the graph below, we anticipate elementary enrolment to increase as these smaller cohorts enter the secondary panel.
- The decrease in the secondary panel is the result of a variety of factors, including a smaller cohort, lower Grade 8 to Grade 9 retention rate and changes to Ministry Policy. The High Credit ADE variance was identified shortly after the budget process and staff had previously adjusted for this amount.



2013-14 Final Financial Report

Summary of Staffing

FTE	Budget	October 31st	In-Year Change	
			#	%
Instruction			-	
Classroom Teachers	3,727.90	3,734.80	6.90	0.19%
Non-Classroom	1,783.71	1,792.40	8.69	0.49%
Total Instruction	5,511.61	5,527.20	15.59	0.28%
Non-Instruction	757.39	760.20	2.81	0.37%
Total	6,269.00	6,287.40	18.40	0.29%

**Waterloo District School Board  
2013-14 Year End Financial Report**

**Detail of Change in PSAB Accumulated Surplus/(Deficit)**

	Budgeted Change	2013-14 In Year Change	Increase/ (Decrease)
<b>Available for Compliance - Unappropriated</b>			
OPERATING SURPLUS/(DEFICIT)	(5,086,983)	<b>2,182,210</b>	7,269,193
<b>Available for Compliance - Internally Appropriated</b>			
One-time Initiatives	-	(637,182)	(637,182)
Carryover Accounts	-	(1,676)	(1,676)
CHIRP (Infrastructure Replacement)	-	10,467	10,467
WREPNET	-	81,207	81,207
Director's Emergency Fund	-	-	-
Committed Sinking Fund Interest	(24,045)	(24,045)	-
Committed Capital Projects	557,777	1,328,504	770,727
KCI Parking Lot Revenue	-	-	-
<b>TOTAL INTERNALLY APPROPRIATED</b>	<b>533,732</b>	<b>757,275</b>	<b>223,543</b>
<b>Unavailable for Compliance</b>			
School Generated Fund Balances	-	300,376	300,376
Employee Future Benefits - Retirement Gratuity Liability	5,407,950	5,344,794	(63,156)
Employee Future Benefits - Other	514,703	602,230	87,527
Employee Future Benefits - Workers Compensation Liability	-	(103,815)	(103,815)
Interest Accruals	31,932	121,954	90,022
Revenues recognized for land	4,945,892	6,982,000	2,036,108
<b>TOTAL EXTERNALLY APPROPRIATED</b>	<b>10,900,477</b>	<b>13,247,539</b>	<b>2,347,062</b>
<b>Total PSAB Accumulated Surplus/(Deficit)</b>	<b>6,347,227</b>	<b>16,187,024</b>	<b>9,839,798</b>



**Waterloo District School Board  
2013-14 Year End Financial Report**

**Detail of PSAB Accumulated Surplus/(Deficit)**

	Sept 1, 2013 Balance	2013-14 In Year Change	Aug. 31, 2014 Balance
<b>Available for Compliance - Unappropriated</b>			
OPERATING SURPLUS/(DEFICIT)	19,393,654	<b>2,182,210</b>	21,575,864
<b>Available for Compliance - Internally Appropriated</b>			
One-time Initiatives	1,170,783	(637,182)	533,601
Carryover Accounts	1,557,150	(1,676)	1,555,474
CHIRP (Infrastructure Replacement)	-	10,467	10,467
WREPNET	42,465	81,207	123,672
Director's Emergency Fund	300,000	-	300,000
Committed Sinking Fund Interest	(72,135)	(24,045)	(96,180)
Committed Capital Projects	4,167,513	1,328,504	5,496,017
Equity in Transportation Consortium	4,100	-	4,100
<b>TOTAL INTERNALLY APPROPRIATED</b>	<b>7,169,876</b>	<b>757,275</b>	<b>7,927,151</b>
<b>Unavailable for Compliance</b>			
School Generated Fund Balances	5,457,147	300,376	5,757,523
Employee Future Benefits - Retirement Gratuity Liability	(35,810,117)	5,344,794	(30,465,323)
Employee Future Benefits - Other	(4,215,607)	602,230	(3,613,377)
Employee Future Benefits - Workers Compensation Liability	(65,789)	(103,815)	(169,604)
Interest Accruals	(2,589,901)	121,954	(2,467,947)
Revenues recognized for land	32,199,538	6,982,000	39,181,538
<b>TOTAL EXTERNALLY APPROPRIATED</b>	<b>(5,024,729)</b>	<b>13,247,539</b>	<b>8,222,810</b>
<b>Total PSAB Accumulated Surplus/(Deficit)</b>	<b>21,538,801</b>	<b>16,187,024</b>	<b>37,725,825</b>

**Waterloo Region District School Board**  
**Final Financial Report**  
**PSAB Revenues for the Period Ending August 2014**

Budget Assessment					
a	e = (d-b) /b	b	c = b - a	d = c/a	
2013-14					
Budget (Estimates)	Budget % Change from Prior Year Actuals	Actual	Change		Material Variance Note
			\$ Increase (Decrease)	% Increase (Decrease)	
185,236,283	(0.4%)	185,301,882	65,599	0.04%	
111,050,366	(5.1%)	110,129,597	(920,769)	(0.83%)	
39,050,350	(1.2%)	39,198,932	148,582	0.38%	
73,624,787	0.4%	73,096,009	(528,778)	(0.72%)	
7,635,123	1.3%	7,576,706	(58,417)	(0.77%)	
5,506,012	(2.5%)	5,457,223	(48,789)	(0.89%)	
6,727,795	(6.3%)	6,705,323	(22,472)	(0.33%)	
2,065,054	5.9%	1,868,778	(196,276)	(9.50%)	1
778,166	0.0%	392,753	(385,413)	(49.53%)	2
42,846,510	2.3%	44,394,771	1,548,261	3.61%	3
439,123	16.1%	432,821	(6,302)	(1.44%)	
14,927,029	(0.2%)	15,222,196	295,167	1.98%	
15,244,007	(0.5%)	15,210,275	(33,732)	(0.22%)	
53,740,552	1.2%	53,790,445	49,893	0.09%	
774,396	0.1%	774,396	-	0.00%	
611,198	(66.5%)	863,197	251,999	41.23%	4
1,971,196	0.0%	1,971,196	-	0.00%	
693,785	(21.4%)	903,909	210,124	30.29%	5
1,179,913	(0.6%)	1,177,223	(2,690)	(0.23%)	
8,409,056	(0.2%)	8,414,790	5,734	0.07%	
3,394,804	(0.8%)	3,394,804	-	0.00%	
104,872	0.0%	104,872	-	0.00%	
9,121,043	7.2%	9,006,567	(114,476)	(1.26%)	
-		1,048,100	1,048,100	0.00%	6
-		370,000	370,000	0.00%	7
(129,030)		(129,030)	-	0.00%	
-		2,325,236	2,325,236	0.00%	8
-		-	-	0.00%	
585,002,390	(1.3%)	589,002,971	4,000,581	0.68%	
27,073,996	100.0%	27,357,024	283,028	1.05%	
1,221,176		365,416	(855,760)	(70.08%)	9
35,521,662	48.7%	36,501,222	979,560	2.76%	
1,098,000	(3.3%)	1,207,995	109,995	10.02%	10
-	0.0%	-	-	0.00%	
950,400	6.9%	1,045,585	95,185	10.02%	
5,761,966		6,747,090	985,124	17.10%	11
4,006,541	(7.8%)	6,388,865	2,382,324	59.46%	12
11,816,907	20.7%	15,389,535	3,572,628	30.23%	
15,000,000	27.9%	13,744,277	(1,255,723)	(8.37%)	
(15,167,577)	100.0%	(16,385,887)	(1,218,310)	8.03%	
660,468,554	2.8%	665,974,558	5,506,004	0.83%	

**EXPLANATIONS OF MATERIAL GRANT VARIANCES**

The net 142.80 ADE decrease (excluding high credit and other pupils) in enrolment impacts most of the grants for student needs, additional variances:

- 1 Utilization of secondary continuing education program is declining
- 2 Budgeted number of high credit students did not materialize
- 3 Teacher Q&E funding higher then projected based on actual qualifications
- 4 Reflects actual change in enrolment compared to previous year
- 5 More credits taken than planned during budget
- 6 Grant received for retrofitting school space for childcare that was not announced prior to budget approval
- 7 Grant received for land purchase after budget approved
- 8 Labour enhancement allocation for unpaid days for teachers and enhanced sick leave entitlement
- 9 Reflects the change in amounts transferred from deferred revenue based on actual results
- 10 Increase in number of fee paying foreign students
- 11 Additional Education Development Charges revenue received for increased development throughout the Region
- 12 Increased revenue for extended day care program as additional classes added above budgeted amount

**Waterloo Region District School Board**  
**Final Financial Report**  
**PSAB Expenses for the Period Ending August 31, 2014**

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A. Budget Assessment						
	a	e = (d-b) / b	b	c = b - a	d = c/a	
2013-14						
	Budget (Estimates)	% Change from Prior	Actual	Change		Material Variance Note
				\$ Increase (Decrease)	% Increase (Decrease)	
<b>OPERATING</b>						
<b>Classroom</b>						
1 Classroom Teachers	349,889,772	5.6%	349,808,626	(81,146)	(0.0%)	
2 Supply Teachers	10,438,200	-2.9%	12,973,357	2,535,157	24.3%	1
3 Teacher Assistants	42,003,440	23.4%	40,536,885	(1,466,555)	(3.5%)	2
4 Textbooks and Classroom Supplies	13,455,416	3.8%	12,216,490	(1,238,926)	(9.2%)	
5 Computers	5,299,300	-22.4%	6,150,722	851,422	16.1%	
6 Professionals & Paraprofessionals	23,196,348	14.5%	21,716,728	(1,479,620)	(6.4%)	3
7 Library & Guidance	11,308,639	1.1%	11,207,757	(100,882)	(0.9%)	
8 Staff Development	4,835,548	14.2%	5,054,860	219,312	4.5%	
9 Department Heads	1,383,300	6.5%	1,376,992	(6,308)	(0.5%)	
10 Principal and Vice-Principals	25,206,089	2.5%	25,706,276	500,187	2.0%	4
11 School Secretaries & Office Supplies	15,136,490	5.1%	14,830,844	(305,646)	(2.0%)	5
12 Teacher Consultants	6,044,602	6.2%	5,983,158	(61,444)	(1.0%)	
13 Continuing Education	2,441,608	1.0%	2,331,146	(110,462)	(4.5%)	
14 Instruction-Amortization	5,598,399	7.9%	5,859,680	261,281	4.7%	
15 Less: GSN Funded Tangible Capital Assets	(5,765,700)	-19.8%	(5,774,137)	(8,437)	0.1%	
16 <b>Sub-Total Instruction Expenses</b>	<b>510,471,451</b>	<b>6.8%</b>	<b>509,979,384</b>	<b>(492,067)</b>	<b>(0.1%)</b>	
<b>Other Expenses</b>						
17 Board Administration	18,687,666	33.7%	17,576,956	(1,110,710)	(5.9%)	6
18 School Operations	58,265,154	6.9%	57,692,883	(572,271)	(1.0%)	7
19 Transportation	15,923,856	2.0%	15,751,677	(172,179)	(1.1%)	
20 Amortization	405,879	19.9%	393,635	(12,244)	(3.0%)	
21 Less: GSN Funded Tangible Capital Assets	(321,000)	-34.8%	(324,739)	(3,739)	1.2%	
22 <b>Sub-Total Other Expenses</b>	<b>92,961,555</b>	<b>10.7%</b>	<b>91,090,412</b>	<b>(1,871,143)</b>	<b>(2.0%)</b>	
23 <b>TOTAL OPERATING EXPENSE</b>	<b>603,433,006</b>	<b>7.4%</b>	<b>601,069,796</b>	<b>(2,363,210)</b>	<b>(0.4%)</b>	
<b>NON-OPERATING</b>						
<b>Pupil Accommodation/Renewal/Debt</b>						
24 School Renewal	8,409,056	-0.6%	8,004,678	(404,378)	(4.8%)	
25 Debt Charges	8,771,258	3.8%	8,686,552	(84,706)	(1.0%)	
26 Extended Day Care	2,810,270	32.4%	3,368,201	557,931	19.9%	8
27 Other Non-Operating Expenses	104,872	0.0%	104,872	-	0.0%	
28 Amortization	21,278,938	8.2%	21,393,281	114,343	0.5%	
29 Less: GSN Funded Tangible Capital Assets	(5,686,073)	-1.6%	(6,283,747)	(597,674)	10.5%	
30 <b>Total Pupil Accommodation Expense</b>	<b>35,688,321</b>	<b>8.1%</b>	<b>35,273,837</b>	<b>(414,484)</b>	<b>(1.2%)</b>	
31 <b>School Generated Funds Expense</b>	<b>15,000,000</b>	<b>0.31</b>	<b>13,443,901</b>	<b>(1,556,099)</b>	<b>(10.4%)</b>	
32 <b>TOTAL EXPENSES</b>	<b>654,121,327</b>	<b>7.9%</b>	<b>649,787,534</b>	<b>(4,333,793)</b>	<b>(0.7%)</b>	

**Pressure** The variance between year-to-date spending as a % of forecast versus spending for the same period last year indicates cost pressure  
**Due to Timing** The variance between year-to-date spending as a % of forecast versus spending for the same period last year is due to the timing of expenditure only.

**A. EXPLANATIONS OF MATERIAL BUDGET VARIANCES**

- Increase in supply teacher costs due to increased sick leave (short and extended) utilization and enhanced paid maternity leave benefit
- DECE's and EA's fail to fill vacancies and estimated differential between budgeted average salary and actual paid salary for FDK DECE's and EA's
- Savings related to unallocated FDK funding, staff vacancies and reduction in contractual obligations
- Budget included 3 unpaid days, however, only required to take 1 unpaid day (\$257K) and additional supply costs
- Savings resulted from timing of filling staff vacancies
- Savings resulted from timing of filling staff vacancies as well as fees and contracts
- Savings resulting from utility costs, fees and contracts
- Increase in number of extended day care students offset in other revenue parent fees