

# **Waterloo Region District School Board**

**Consolidated Financial Statements  
August 31, 2020**



## Management Report

### Management's Responsibility for the Consolidated Financial Statements

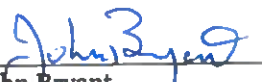
The accompanying consolidated financial statements of the Waterloo Region District School Board are the responsibility of the Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 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 Audit Committee of 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 Board's 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

  
Matthew Gerard  
Coordinating Superintendent, Business Services  
and Treasurer of the Board

November 17, 2020



## *Independent auditor's report*

To the Board of Trustees of  
Waterloo Region District School Board

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements of Waterloo Region District School Board and its organizations (together the Board) as at August 31, 2020 and for the year then ended are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

### **What we have audited**

The Board's consolidated financial statements comprise:

- the consolidated statement of financial position as at August 31, 2020;
  - the consolidated statement of operations for the year then ended;
  - the consolidated statement of cash flows for the year then ended;
  - the consolidated statement of changes in net debt for the year then ended; and
  - the notes to the consolidated financial statements, which include a summary of significant accounting policies.
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### *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 consolidated financial statements* section of our report.

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

### **Independence**

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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*Emphasis of matter – basis of accounting*

We draw attention to note 1 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the Board to comply with the financial reporting requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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*Other matter*

The budget financial information of the Board for the year ended August 31, 2020 is unaudited.

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*Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the 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 Board or to cease operations, or has no realistic alternative but to do so.

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

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*Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 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 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 consolidated 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 Board to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Board to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario  
November 17, 2020

# Waterloo Region District School Board

## Consolidated Statement of Financial Position

As at August 31, 2020

	2020 \$	2019 \$
<b>Financial assets</b>		
Cash and short-term investments	70,565,991	45,608,040
Accounts receivable – Other (notes 2 and 3)	120,482,010	53,506,327
Accounts receivable – Government of Ontario – approved capital (note 2)	136,052,110	150,679,256
Assets held for sale (note 4)	-	3,933,000
	<u>327,100,111</u>	<u>253,726,623</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 3)	115,212,781	44,544,102
Net debenture debt and capital loans (notes 8 and 9)	123,239,829	133,838,296
Deferred revenue (note 5)	19,696,072	20,239,374
Employee benefits payable (note 7)	29,048,491	31,419,000
Deferred capital contributions (note 6)	571,064,049	576,826,072
	<u>858,261,222</u>	<u>806,866,844</u>
<b>Net debt</b>	<u>(531,161,111)</u>	<u>(553,140,221)</u>
<b>Non-financial assets</b>		
Prepaid expenses	18,339,536	17,091,313
Tangible capital assets (note 11)	679,813,411	678,748,864
	<u>698,152,947</u>	<u>695,840,177</u>
<b>Accumulated surplus</b> (note 12)	<u>166,991,836</u>	<u>142,699,956</u>
<b>Contractual obligations and contingent liabilities</b> (note 15)		

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, 2020

	2020		2019
	Budget \$ (unaudited)	Actual \$	Actual \$
<b>Revenues</b>			
Local taxation	196,359,941	198,029,329	194,568,915
Provincial grants – Grants for Student Needs	499,370,758	495,383,985	506,393,922
Provincial grants – Other	625,334	4,317,996	6,604,427
Other fees and revenues	29,012,007	23,313,461	36,194,741
Investment income	589,360	1,067,201	1,206,556
School funds	14,000,000	7,150,252	13,401,747
Amortization of deferred capital contributions	35,617,847	37,819,973	34,086,052
	<u>775,575,247</u>	<u>767,082,197</u>	<u>792,456,360</u>
<b>Expenses (note 10)</b>			
Instruction	600,572,213	586,453,198	604,122,011
Administration	18,389,036	17,311,571	16,859,761
Transportation	18,637,932	17,675,865	18,297,274
School operations and maintenance	63,595,544	61,271,324	61,154,052
Pupil accommodation	37,227,974	41,584,348	38,422,078
Other	12,776,072	11,722,416	12,947,089
School funded activities	14,000,000	6,771,595	13,680,371
	<u>765,198,771</u>	<u>742,790,317</u>	<u>765,482,636</u>
<b>Annual surplus (note 12)</b>	10,376,476	24,291,880	26,973,724
<b>Opening accumulated surplus</b>	142,699,956	142,699,956	115,726,232
<b>Closing accumulated surplus</b>	<u>153,076,432</u>	<u>166,991,836</u>	<u>142,699,956</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, 2020

	2020 \$	2019 \$
<b>Sources and uses of cash</b>		
<b>Operating transactions</b>		
Annual surplus	24,291,880	26,973,724
Non-cash amortization of tangible capital assets	38,452,641	34,569,636
Non-cash amortization of deferred capital contributions	(37,819,973)	(34,086,052)
Non-cash gain on sale of tangible capital assets	-	(251,653)
Increase in accounts receivable	(66,975,684)	(18,416,612)
Increase in accounts payable and accrued liabilities	70,668,681	4,033,212
Decrease in deferred revenue	(543,302)	(5,901,621)
Decrease in employee benefits payable	(2,370,509)	(2,758,166)
(Increase) decrease in prepaid expenses	(1,248,223)	2,372,174
Increase in deferred capital contributions	32,057,950	49,090,844
	<u>56,513,461</u>	<u>55,625,486</u>
<b>Capital transactions</b>		
Proceeds on sale of tangible capital assets	-	257,913
Cash used to acquire tangible capital assets	(35,584,188)	(66,947,454)
	<u>(35,584,188)</u>	<u>(66,689,541)</u>
<b>Financing transactions</b>		
Decrease in accounts receivable – Gov't of Ontario – approved capital	14,627,146	15,029,116
Debt repayments and sinking fund contributions	(10,598,468)	(10,064,731)
	<u>4,028,678</u>	<u>4,964,385</u>
<b>Change in cash, short-term investments, and bank indebtedness</b>	24,957,951	(6,099,670)
<b>Opening cash and short-term investments</b>	<u>45,608,040</u>	<u>51,707,710</u>
<b>Closing cash and short-term investments</b>	<u>70,565,991</u>	<u>45,608,040</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, 2020

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	2020 \$	2019 \$
<b>Annual surplus</b>	<u>24,291,880</u>	<u>26,973,724</u>
<b>Tangible capital asset activities</b>		
Acquisition of tangible capital assets	(35,584,188)	(66,947,454)
Transfer to assets held for sale	(3,933,000)	-
Net proceeds on sale of tangible capital assets	-	257,913
Gains on sale allocated to deferred revenue	-	(251,653)
Amortization of tangible capital assets	38,452,641	34,569,636
	<u>(1,064,547)</u>	<u>(32,371,558)</u>
<b>Other non-financial asset activities</b>		
Acquisition of prepaid expenses	(18,339,536)	(17,091,313)
Use of prepaid expenses	17,091,313	19,463,487
	<u>(1,248,223)</u>	<u>2,372,174</u>
<b>Change in net debt</b>	21,979,110	(3,025,660)
<b>Net debt - Beginning of year</b>	<u>(553,140,221)</u>	<u>(550,114,561)</u>
<b>Net debt - End of year</b>	<u>(531,161,111)</u>	<u>(553,140,221)</u>

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

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

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### 1 Summary of significant accounting policies

The consolidated financial statements of 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 the 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

August 31, 2020

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### 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 less than 90 days. 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 contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

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

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

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### 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.

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 2016-17: Elementary Teachers' Federation of Ontario (ETFO), Ontario Secondary School Teachers' Federation (OSSTF), Elementary Teachers' Federation of Ontario – Education Workers (ETFO-EW) and Ontario Secondary School Teachers' Federation-Education Workers' (OSSTF-EW). The following ELHTs were established in 2017-2018: The Education Workers' Alliance of Ontario (EWAO) Ontario Non-union Education Trust (ONE-T) for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), and other school board staff. Currently ONE-T ELHT also provides benefits to individuals who retired prior to the school board's participation date in 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. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHT 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.

The Board continues to provide health, dental and life insurance benefits for retired individuals that were previously represented by the following unions/federations: ETFO, OSSTF, and OSSTF-EW.

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 benefit:

- 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.

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

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

### 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:

<b>Assets</b>	<b>Estimated useful life in years</b>
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.

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

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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.

### **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.

### **Long-term debt**

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

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

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### 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 the 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 those estimates.

### Property Tax Revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

## 2 Accounts receivable – Government of Ontario and other

### 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 \$136,052,110 (2019 – \$150,679,256) with respect to capital grants.

### Other

On September 1, 2018, the Ministry of Education implemented a cash management strategy to help reduce the Province's borrowing costs. Under the new policy, a school board's monthly cash flows are adjusted to reflect their immediate cash needs; this need is determined through a methodology that adjusts cash flows based on the adjusted accumulated surplus and deferred revenues reported by the Board in the prior year.

A school board's funding entitlement remains the same under the GSN regulation; however, boards are required to report a receivable from the Province for the difference between their funding entitlement and actual cash flow received. For the period ending August 31, 2020, the amount included in Accounts Receivable Other (related to this policy) is \$35,066,774 (2019 – \$24,281,370).

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

### 3 Accounts receivable – Municipalities

Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. To mitigate the financial impact of this deferral, the Province adjusted its cash flow through the School Board Operating Grant in July 2020 to pay an additional amount equal to about 25% of the annual education property tax amount as forecasted by the Board in the 2019-2020 Revised Estimates. This amount for the Board was \$48,801,963 (2019 – \$nil) and is included in accounts receivable - Other. This amount will be recovered by the Province in 2021 and is included in accounts payable and accrued liabilities.

### 4 Assets held for sale

The change in Assets Held for Sale reflects a transfer of a parcel of Land held by Board from financial assets to tangible capital assets, as per the criteria set out in PS1201.055. As at August 31, 2020, Assets Held for Sale total \$nil (2019 – \$3,933,000).

### 5 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, 2020 is comprised of:

	Balance at August 31 2019 \$	Externally restricted revenue and investment income 2020 \$	Revenue recognized in the period \$	Transfers to deferred capital contributions \$	Balance at August 31 2020 \$
Pupil accommodation	3,101,355	35,930,210	22,921,339	12,718,668	3,391,558
Education development charges	-	7,322,509	7,322,509	-	-
Proceeds of disposition – minister exemptions and other	1,117,223	-	-	1,117,223	-
Proceeds of disposition – regular	5,832,824	-	-	1,759,103	4,073,721
Special education	2,886,093	91,506,556	90,474,181	-	3,918,468
Restricted grants	5,098,832	7,635,925	5,697,119	271,734	6,765,904
Other	2,203,047	1,423,491	2,080,117	-	1,546,421
<b>Total deferred revenue</b>	<b>20,239,374</b>	<b>143,818,691</b>	<b>128,495,265</b>	<b>15,866,728</b>	<b>19,696,072</b>



# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

### 6 Deferred capital contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Regulation 395/11 that have been expended by year-end. The contributions are amortized into revenue over the life of the asset acquired.

	2020 \$	2019 \$
Opening balance	576,826,072	561,821,280
Additions to deferred capital contributions	32,057,950	49,090,844
Revenue recognized in the period	(37,819,973)	(34,086,052)
Closing balance	<u>571,064,049</u>	<u>576,826,072</u>

### 7 Retirement and other future benefits

					2020	2019
	Retirement gratuities \$	WSIB benefits \$	Sick leave benefits \$	Life insurance benefits \$	Total employee future benefits \$	Total employee future benefits \$
Opening balance accrued employee future benefit obligations at August 31	24,464,325	4,645,922	396,382	1,912,371	31,419,000	34,177,166
Current period benefit cost	-	823,728	438,040	-	1,261,768	1,665,098
Interest accrued	524,862	92,245	-	37,364	654,471	974,962
Less: Benefit payments	(3,689,540)	(891,054)	(284,343)	(100,417)	(4,965,354)	(6,016,619)
Amortization of actuarial loss	676,499	-	(111,970)	114,077	678,606	618,393
Employee future benefit liability at August 31	<u>21,976,146</u>	<u>4,670,841</u>	<u>438,109</u>	<u>1,963,395</u>	<u>29,048,491</u>	<u>31,419,000</u>

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

					2020	2019
	Retirement gratuities \$	WSIB benefits \$	Sick Leave benefits \$	Life insurance benefits \$	Total employee future benefits \$	Total employee future benefits \$
Current period benefit cost	-	823,728	438,040	-	1,261,768	1,665,098
Interest on accrued benefit obligation	524,862	92,245		37,364	654,471	974,963
Recognized actuarial losses (gains)	676,499	-	(111,970)	114,077	678,606	618,394
Employee future benefits expenses <sup>1</sup>	1,201,361	915,973	326,070	151,441	2,594,845	3,258,455

### 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, 2020, the Board contributed \$9,676,952 (2019 – \$9,740,578). 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.

<sup>1</sup> 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

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### iii) Retirement gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

### iv) Retirement life insurance and health care benefits

The Board provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age.

The premiums are based on the Board experience and retirees' premiums may be subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions.

### Actuarial assumptions

The accrued benefit obligations for retirement gratuities as at August 31, 2020 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2020. 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:

	2020 %	2019 %
Inflation	1.5	1.5
Discount on accrued benefit obligations	1.40	2.00

### 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

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The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2020 are based on actuarial valuations for accounting purposes as at August 31, 2020. 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:

	2020 %	2019 %
Inflation	2.0	2.0
Discount on accrued benefit obligations	1.40	2.00

### 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 \$438,040 (2019 – \$396,313).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2020. 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, 2020 are based on actuarial valuations for accounting purposes as at August 31, 2020. 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:

	2020 %	2019 %
Inflation	1.5	1.5
Discount on accrued benefit obligations	1.40	2.00

### 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

August 31, 2020

### 8 Net long-term debt

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

	2020 \$	2019 \$
Debenture #CDS 00-42 due on November 17, 2020. Interest payments semi-annually at 6.67%	5,131,210	5,131,210
Debenture #CDS 02-45 due on November 21, 2022. Interest payments semi-annually at 5.642%	7,521,000	9,767,000
Debenture #CDS 04-49 due on November 29, 2024. Interest payments semi-annually at 5.257%	9,041,772	10,784,704
Debenture #CDS 06-53 due on October 30, 2026. Interest payments semi-annually at 4.841%	7,858,305	8,868,451
Ontario Financing Authority Loan (OFA#1) due on November 17, 2031. Interest payments semi-annually at 4.56%	14,801,118	15,761,392
Ontario Financing Authority Loan (OFA#2) due on March 3, 2033. Interest payments semi-annually at 4.90%	10,308,432	10,876,267
Ontario Financing Authority Loan (OFA#3) due on November 15, 2033. Interest payments semi-annually at 5.347%	8,893,951	9,333,832
Ontario Financing Authority Loan (OFA#4) due on March 13, 2034. Interest payments semi-annually at 5.062%	3,971,978	4,166,481
Ontario Financing Authority Loan (OFA#5) due on November 15, 2034. Interest payments semi-annually at 5.047%	1,160,314	1,213,535
Ontario Financing Authority Loan (OFA#6) due on April 13, 2035. Interest payments semi-annually at 5.232%	6,700,929	6,991,780
Ontario Financing Authority Loan (OFA#7) due on April 13, 2036. Interest payments semi-annually at 4.833%	9,146,805	9,524,707
Ontario Financing Authority Loan (OFA#8) due on November 15, 2036. Interest payments semi-annually at 3.97%	5,707,491	5,948,491
Ontario Financing Authority Loan (OFA#9) due on March 9, 2037. Interest payments semi-annually at 3.564%	12,514,259	13,049,806
Ontario Financing Authority Loan (OFA#10) due on March 19, 2038. Interest payments semi-annually at 3.799%	23,716,879	24,632,276
Ontario Financing Authority Loan (OFA#11) due on November 11, 2039. Interest payments semi-annually at 4.003%	635,974	658,272
	<u>127,110,417</u>	<u>136,708,204</u>
Less: Sinking funds accumulated	(3,870,588)	(2,869,908)
	<u>123,239,829</u>	<u>133,838,296</u>

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

Principal and interest payments relating to net long-term debt of \$167,294,629 (2019 – \$183,170,802) outstanding as at August 31, 2020 are due as follows:

	Principal Payments \$	Interest \$	Total \$
2020/21	15,202,429	5,632,607	20,835,036
2021/22	10,567,306	4,930,649	15,497,955
2022/23	11,089,860	4,392,677	15,482,537
2023/24	8,844,728	3,912,136	12,756,864
2024/25	8,125,137	3,493,063	11,618,200
Thereafter	73,280,957	17,823,080	91,104,037
Net long-term liabilities	<u>127,110,417</u>	<u>40,184,212</u>	<u>167,294,629</u>

Interest on long-term debt amounted to \$6,278,383 (2019 – \$6,728,572).

### 9 Debt charges and capital loans interest

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

	2020 \$	2019 \$
Principal payments on long-term liabilities	9,597,787	9,147,246
Sinking fund contributions	1,000,680	917,485
Interest expense on long-term liabilities	6,278,383	6,728,572
	<u>16,876,850</u>	<u>16,793,303</u>

### 10 Expenses by object

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

	Budget \$ (Unaudited)	2020 Actual \$	2019 Actual \$
Expenses			
Salary and wages	547,110,992	536,769,513	546,136,183
Employee benefits	86,041,674	84,983,868	86,485,914
Staff development	2,174,204	1,390,373	1,984,770
Supplies and services	40,506,160	36,277,207	42,644,004
Interest charges on capital	6,042,983	5,961,075	6,599,520
Rental	1,603,821	1,854,701	1,323,191
Fees and contract services	30,938,456	29,794,164	30,243,966
Other	442,841	535,180	1,815,081
Amortization of tangible capital assets	36,337,640	38,452,641	34,569,636
School funded activities	14,000,000	6,771,595	13,680,371
	<u>765,198,771</u>	<u>742,790,317</u>	<u>765,482,636</u>

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

### 11 Tangible capital assets

	Balance at		Additions and transfers	Disposals	Cost		Amortization	Disposals, write-offs and adjustments	Accumulated amortization	
	August 31, 2019	August 31, 2020			Balance at August 31, 2020	Balance at August 31, 2019			Net book value August 31, 2020	Net book value August 31, 2019
Land	92,814,308	97,056,770	4,242,462	-	-	-	-	-	97,056,770	92,814,308
Land improvements	11,064,370	13,784,815	2,720,445	-	5,062,286	1,292,084	-	-	7,430,445	6,002,084
Buildings	845,095,871	880,084,154	34,986,263	-	304,090,888	28,454,223	-	-	547,539,033	541,004,973
Portable structures	8,214,976	7,393,476	-	(821,500)	5,633,902	390,211	(821,500)	-	2,190,863	2,581,074
Construction in progress	9,857,022	1,148,875	(8,708,147)	-	-	-	-	-	1,148,875	9,857,022
Pre-acquisition and construction cost	70,659	200,067	129,408	-	-	-	-	-	200,067	70,659
Furniture and equipment	16,114,949	15,646,335	777,888	(1,246,502)	8,290,106	1,589,358	(1,246,502)	-	7,013,373	7,824,843
Computer hardware and software	29,321,324	30,666,567	5,211,625	(3,866,362)	13,375,486	5,998,789	(3,866,362)	-	15,158,664	15,945,828
Vehicles	1,843,548	1,971,812	155,224	(26,960)	1,489,658	149,398	(26,960)	-	359,716	353,860
Leasehold improvements	4,059,084	4,059,084	-	-	1,764,901	578,578	-	-	1,715,605	2,294,163
	1,018,456,111	1,052,011,955	39,517,188	(5,961,344)	339,707,247	38,452,641	(5,961,344)	372,199,544	679,813,411	678,748,864

\*Note: reallocated portapack of \$220,470 from building to portapack and portables.

### Asset under construction

Assets under construction (which include construction in progress and pre-acquisition and construction cost) having a value of \$1,348,942 (2019 – \$9,927,681) 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 (2019 – \$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” in the current year. Assets that have previously qualified have been separately disclosed as “assets held for sale”.

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

### 12 Accumulated surplus

Accumulated surplus consists of the following:

	2020 \$	2019 \$
Accumulated surplus – unappropriated	50,235,651	36,333,725
Invested in non-depreciable tangible capital assets (land)	91,009,323	83,686,814
Amounts restricted for future use by Board motion	20,241,535	17,688,866
Other	5,505,327	4,990,551
Total accumulated surplus	<u>166,991,836</u>	<u>142,699,956</u>

The annual surplus of \$24,291,880 for 2020 (2019 – \$26,973,724) includes revenues recognized for land of \$7,322,509 (2019 – \$17,797,492), transfers to internally appropriated of \$2,522,669 (2019 – \$7,358,277), transfers to externally appropriated of \$1,193,382 (2019 – \$468,821) and recognized actuarial loss of \$678,606 (2019 – loss of \$618,393). The impact of these adjustments is summarized below:

	2020 \$	2019 \$
Annual surplus before the following items	13,901,926	1,967,527
Revenues recognized for land	7,322,509	17,797,492
Transfer to internally appropriated	2,552,669	7,358,277
Transfer to externally appropriated	1,193,382	468,821
Recognized actuarial loss	<u>(678,606)</u>	<u>(618,393)</u>
Annual surplus	<u>24,291,880</u>	<u>26,973,724</u>

### 13 Trust funds

Trust funds administered by the Board amounting to \$1,858,597 (2019 – \$1,887,351) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

### 14 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, 2022.



# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

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### 15 Contractual obligations and contingent liabilities

#### Contractual obligations

The cost to complete construction contracts in progress at August 31, 2020 is estimated to be \$8,253,623 (2019 – \$11,314,217).

#### 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, 2021	3,565,327
2022	3,464,239
2023	2,407,242
2024	1,259,217
Thereafter	513,982

### 16 Budget data

The unaudited budget data presented in these consolidated financial statements is based upon the 2020 budgets approved by the Board on June 13, 2019.

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

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

### 17 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.

	2020		2019	
	Total \$	Board portion \$	Total \$	Board portion \$
Financial position				
Financial assets	1,382,946	873,435	261,767	148,032
Liabilities	(1,438,063)	(903,936)	(277,035)	(152,751)
Non-financial assets	55,117	35,635	15,268	8,819
Accumulated deficit	-	5,134	-	4,100
Operations				
Revenues	22,918,170	15,912,364	23,504,866	15,489,707
Expenses	22,918,170	15,912,364	23,504,866	15,489,707
Annual surplus	-	-	-	-

# Waterloo Region District School Board

## Notes to Consolidated Financial Statements

August 31, 2020

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### **18 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.

### **19 Significant event**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19 outbreak”. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of the COVID-19 outbreak, in March 2020, all school boards were closed in the Waterloo Region and schools remained closed until September 2020. As the impacts of COVID-19 continue, there could be further impacts on the Board, its students, and its funding sources. Management is actively monitoring the effect on the Board's financial condition, liquidity, operation, suppliers, and workforce. Given the daily changes in the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to fully estimate the future effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

