

Waterloo Region District School Board

**Consolidated Financial Statements
August 31, 2018**

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.

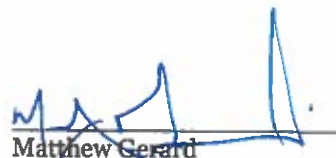
The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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 19, 2018



November 19, 2018

Independent Auditor's Report

To the Board of Trustees of Waterloo Region District School Board

We have audited the accompanying consolidated financial statements of Waterloo Region District School Board, which comprise the consolidated statement of financial position as at August 31, 2018 and the consolidated statements of operations, changes in net debt and cash flows for the year 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 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 Waterloo Region District School Board as at August 31, 2018 and the results of its operations, change in net debt and its cash flows for the year 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo Region District School Board
Consolidated Statement of Financial Position
As at August 31, 2018

| | 2018 \$ | 2017 \$ |
|---|----------------------|----------------------|
| Financial assets | | |
| Cash and short term investments | 51,707,710 | 45,418,951 |
| Accounts receivable - Other | 35,089,715 | 33,672,178 |
| Accounts receivable - Government of Ontario - Approved Capital (note 2) | 165,708,372 | 176,654,492 |
| Assets held for sale (note 3) | 3,933,000 | 3,933,000 |
| | <u>256,438,797</u> | <u>259,678,621</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 40,510,886 | 37,295,346 |
| Net debenture debt and capital loans (notes 7 and 8) | 143,903,028 | 153,598,254 |
| Deferred revenue (note 4) | 26,140,995 | 19,401,358 |
| Employee benefits payable (note 6) | 34,177,169 | 37,677,237 |
| Deferred capital contributions (note 5) | 561,821,280 | 540,679,566 |
| | <u>806,553,358</u> | <u>788,651,761</u> |
| Net debt | <u>(550,114,561)</u> | <u>(528,973,140)</u> |
| Non-financial assets | | |
| Prepaid expenses | 19,463,487 | 1,191,877 |
| Tangible capital assets (note 10) | 646,377,306 | 624,050,191 |
| | <u>665,840,793</u> | <u>625,242,068</u> |
| Accumulated surplus (note 11) | <u>115,726,232</u> | <u>96,268,928</u> |
| Contractual obligations and contingent liabilities (note 4) | | |

Waterloo Region District School Board

Consolidated Statement of Operations

For the year ended August 31, 2018

| | <u>2018</u> | <u>2017</u> | |
|--|--|--------------------|--------------------|
| | Budget \$ (Unaudited - note 15) | Actual \$ | Actual \$ |
| Revenues | | | |
| Local taxation | 189,401,999 | 191,255,609 | 187,989,923 |
| Provincial grants - Grants for Student Needs | 485,082,143 | 487,158,620 | 458,034,888 |
| Provincial grants - Other | 3,422,397 | 6,359,154 | 3,606,571 |
| Other fees and revenues | 25,311,289 | 24,187,217 | 25,929,434 |
| Investment income | 407,308 | 1,055,419 | 482,300 |
| School funds | 14,000,000 | 13,902,379 | 13,364,163 |
| Amortization of deferred capital contributions | 34,143,703 | 32,993,644 | 31,927,141 |
| | <u>751,768,839</u> | <u>756,912,042</u> | <u>721,334,420</u> |
| Expenses (note 9) | | | |
| Instruction | 582,639,160 | 581,690,324 | 553,360,582 |
| Administration | 16,988,195 | 16,735,180 | 15,463,848 |
| Transportation | 17,139,219 | 17,477,372 | 16,247,042 |
| School operations and maintenance | 61,071,290 | 60,954,009 | 57,078,835 |
| Pupil accommodation | 38,159,768 | 37,147,817 | 36,401,594 |
| Other | 10,345,372 | 10,264,442 | 9,859,122 |
| School funded activities | 14,000,000 | 13,185,594 | 13,359,602 |
| | <u>740,343,004</u> | <u>737,454,738</u> | <u>701,770,625</u> |
| Annual surplus (note 11) | 11,425,835 | 19,457,304 | 19,563,795 |
| Opening accumulated surplus | <u>96,268,928</u> | <u>96,268,928</u> | <u>76,705,133</u> |
| Closing accumulated surplus | <u>107,694,763</u> | <u>115,726,232</u> | <u>96,268,928</u> |

Waterloo Region District School Board

Consolidated Statement of Cash Flows

For the year ended August 31, 2018

| | 2018 | 2017 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Sources and uses of cash | | |
| Operating transactions | | |
| Annual surplus | 19,457,304 | 19,563,795 |
| Non-cash amortization of tangible capital assets | 33,410,259 | 32,321,896 |
| Non-cash amortization of deferred capital contributions | (32,993,644) | (31,927,141) |
| Non-cash gain on sale of tangible capital assets | (4,800,131) | - |
| Increase in accounts receivable | (1,417,537) | (961,314) |
| Increase in accounts payable and accrued liabilities | 3,215,540 | 875,785 |
| Increase in deferred revenue | 6,739,637 | 518,085 |
| Decrease in employee benefits payable | (3,500,068) | (3,848,523) |
| (Increase) decrease in prepaid expenses | (18,271,610) | 409,663 |
| Increase in deferred capital contributions | 54,135,358 | 56,320,046 |
| | <u>55,975,108</u> | <u>73,272,292</u> |
| Capital transactions | | |
| Proceeds on sale of tangible capital assets | 5,014,500 | - |
| Cash used to acquire tangible capital assets | (55,951,743) | (65,618,319) |
| | <u>(50,937,243)</u> | <u>(65,618,319)</u> |
| Financing transactions | | |
| Decrease in accounts receivable - Government of Ontario - Approved Capital | 10,946,120 | 12,909,092 |
| Debt repayments and sinking fund contributions | (9,695,226) | (9,283,966) |
| | <u>1,250,894</u> | <u>3,625,126</u> |
| Change in cash and short-term investments | 6,288,759 | 11,279,099 |
| Cash and short-term investments - Beginning of year | <u>45,418,951</u> | <u>34,139,852</u> |
| Cash and short-term investments - End of year | <u>51,707,710</u> | <u>45,418,951</u> |

Waterloo Region District School Board

Consolidated Statement of Changes in Net Debt

For the year ended August 31, 2018

| | 2018 \$ | 2017 \$ |
|--|----------------------|----------------------|
| Annual surplus | <u>19,457,304</u> | <u>19,563,795</u> |
| Tangible capital asset activities | | |
| Acquisition of tangible capital assets | (55,951,743) | (65,618,319) |
| Net proceeds on sale of tangible capital assets | 5,014,500 | - |
| Less: Gain on sale allocated to deferred revenue | (4,800,131) | - |
| Amortization of tangible capital assets | <u>33,410,259</u> | <u>32,321,896</u> |
| | <u>(22,327,115)</u> | <u>(33,296,423)</u> |
| Other non-financial asset activities | | |
| Acquisition of prepaid expenses | (19,463,487) | (1,191,877) |
| Use of prepaid expenses | <u>1,191,877</u> | <u>1,601,540</u> |
| | <u>(18,271,610)</u> | <u>409,663</u> |
| Increase in net debt during the year | (21,141,421) | (13,322,965) |
| Net debt - Beginning of year | <u>(528,973,140)</u> | <u>(515,650,175)</u> |
| Net debt - End of year | <u>(550,114,561)</u> | <u>(528,973,140)</u> |

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

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, 2018

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; and
- property taxation revenues which were historically used to fund capital assets.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

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: ETFO, OSSTF, ETFO-EW and OSSTF-EW. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting November 1, 2016, the Board is no longer responsible to provide certain benefits to ETFO, OSSTF, ETFO-EW and OSSTF-EW. Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and 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 have not yet transferred into an ELHT.

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.

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

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:

| Assets | 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.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

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.

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.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

Adoption of new accounting standards

The entity has adopted the following new Canadian Public-Sector Accounting Standards, which became effective for fiscal years beginning on or after April 1, 2017. Adoption of these standards has resulted in no retrospective adjustments.

PS 2200, Related Party Disclosures

This section defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel, Board members, and close family members. This new section defines a related party and establishes disclosure required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

PS 3420, Inter-entity Transactions

This section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

PS 3210, Assets

This section provides guidance for applying the definition for assets set out in PS 1000, financial statement concepts, and establishes general disclosure standards for assets.

PS 3320, Contingent Assets

This section defines and establishes disclosure standards for contingent assets when the occurrence of a confirming future event is likely. Contingent assets are not recorded in the consolidated financial statements.

PS 3380, Contractual Rights

This section defines and establishes disclosure standards for contractual rights when rights to economic resources will result in both an asset and revenue in the future.

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 \$165,708,372 (2017 - \$176,654,492) with respect to capital grants.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

3 Assets held for sale

As at August 31, 2018, \$3,933,000 (2017 - \$3,933,000) related to land is classified as assets held for sale.

4 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, 2018 is comprised of:

| | Balance at August 31 2017 \$ | Externally restricted revenue and investment income 2018 \$ | Revenue recognized in the period \$ | Transfers to deferred capital contributions \$ | Balance at August 31 2018 \$ |
|---|---------------------------------------|---|--|--|---------------------------------------|
| Pupil accommodation | 3,960,035 | 35,902,897 | 21,771,149 | 15,303,682 | 2,788,101 |
| Education development charges | - | 7,023,585 | 7,023,585 | - | - |
| Proceeds of disposition - Minister Exemptions and Other | 6,228,714 | - | - | 767,697 | 5,461,017 |
| Proceeds of disposition - Regular | 2,405,177 | 5,216,152 | - | 998,920 | 6,622,409 |
| Special education | 1,940,583 | 2,288,354 | 805,893 | - | 3,423,044 |
| Restricted grants | 3,029,672 | 93,082,158 | 89,835,459 | 488,832 | 5,787,539 |
| Other | 1,837,177 | 2,058,885 | 1,837,177 | - | 2,058,885 |
| Total deferred revenue | 19,401,358 | 145,572,031 | 121,273,263 | 17,559,131 | 26,140,995 |

5 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.

| | 2018 \$ | 2017 \$ |
|---|--------------------|--------------------|
| Opening balance | 540,679,566 | 516,286,661 |
| Additions to deferred capital contributions | 54,135,358 | 56,320,046 |
| Revenue recognized in the period | (32,993,644) | (31,927,141) |
| Closing balance | 561,821,280 | 540,679,566 |

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

6 Retirement and other future benefits

| | | | | | 2018 | 2017 |
|--|--------------------------------|------------------------|---------------------------------|-------------------------------------|---|---|
| | 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 | 31,203,030 | 4,182,569 | 356,659 | 1,934,979 | 37,677,237 | 41,525,760 |
| Current period benefit cost | - | 871,769 | 358,819 | - | 1,230,588 | 1,951,834 |
| Interest accrued | 813,393 | 105,237 | - | 47,673 | 966,303 | 883,828 |
| Less: Benefit payments | (4,642,208) | (982,989) | (361,762) | (119,247) | (6,106,206) | (7,102,654) |
| Amortization of actuarial loss (gain) | 472,502 | - | 5,172 | (68,427) | 409,247 | 418,469 |
| Employee future benefit liability at August 31 | 27,846,717 | 4,176,586 | 358,888 | 1,794,978 | 34,177,169 | 37,677,237 |

| | | | | | 2018 | 2017 |
|--|--------------------------------|------------------------|---------------------------------|-------------------------------------|---|---|
| | Retirement gratuities \$ | WSIB benefits \$ | Sick Leave benefits \$ | Life insurance benefits \$ | Total employee future benefits \$ | Total employee future benefits \$ |
| Current period benefit cost | - | 871,769 | 358,819 | - | 1,230,588 | 1,951,834 |
| Interest on accrued benefit obligation | 813,393 | 105,237 | - | 47,673 | 966,303 | 883,828 |
| Recognized actuarial loss (gain) | 472,502 | - | 5,172 | (68,427) | 409,247 | 418,469 |
| Employee future benefits expenses¹ | 1,285,895 | 977,006 | 363,991 | (20,574) | 2,606,138 | 3,254,131 |

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

August 31, 2018

Plan changes

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retirees' 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.

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, 2018, the Board contributed \$9,330,213 (2017 - \$8,898,452). 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.

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.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

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, 2018 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2018. 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:

| | 2018 % | 2017 % |
|---|-----------|-----------|
| Inflation | 1.5 | 1.5 |
| Discount on accrued benefit obligations | 2.90 | 2.55 |

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.

The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2018 are based on actuarial valuations for accounting purposes as at August 31, 2018. 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:

| | 2018 % | 2017 % |
|---|-----------|-----------|
| Inflation | 2.0 | 2.0 |
| Discount on accrued benefit obligations | 2.90 | 2.55 |

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

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 \$363,991 (2017- \$273,560).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2018. 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, 2018 are based on actuarial valuations for accounting purposes as at August 31, 2018. 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:

| | 2018 % | 2017 % |
|---|-----------|-----------|
| Inflation | 1.5 | 1.5 |
| Discount on accrued benefit obligations | 2.90 | 2.55 |

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, 2018

7 Net long-term debt

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

| | 2018 \$ | 2017 \$ |
|--|--------------------|--------------------|
| 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%. | 11,894,000 | 13,908,000 |
| Debenture #CDS 04-49 due on November 29, 2024. Interest payments semi-annually at 5.257%. | 12,441,050 | 14,015,110 |
| Debenture #CDS 06-53 due on October 30, 2026. Interest payments semi-annually at 4.841%. | 9,832,308 | 10,752,000 |
| Ontario Financing Authority Loan (OFA#1) due on November 17, 2031. Interest payments semi-annually at 4.56%. | 16,679,331 | 17,556,801 |
| Ontario Financing Authority Loan (OFA#2) due on March 3, 2033. Interest payments semi-annually at 4.90%. | 11,417,267 | 11,932,701 |
| Ontario Financing Authority Loan (OFA#3) due on November 15, 2033. Interest payments semi-annually at 5.347%. | 9,751,104 | 10,146,929 |
| Ontario Financing Authority Loan (OFA#4) due on March 13, 2034. Interest payments semi-annually at 5.062%. | 4,351,499 | 4,527,495 |
| Ontario Financing Authority Loan (OFA#5) due on November 15, 2034. Interest payments semi-annually at 5.047%. | 1,264,168 | 1,312,338 |
| Ontario Financing Authority Loan (OFA#6) due on April 13, 2035. Interest payments semi-annually at 5.232%. | 7,267,990 | 7,530,297 |
| Ontario Financing Authority Loan (OFA#7) due on April 13, 2036. Interest payments semi-annually at 4.833%. | 9,884,987 | 10,228,469 |
| Ontario Financing Authority Loan (OFA#8) due on November 15, 2036. Interest payments semi-annually at 3.97%. | 6,180,201 | 6,402,978 |
| Ontario Financing Authority Loan (OFA#9) due on March 9, 2037. Interest payments semi-annually at 3.564%. | 13,566,765 | 14,065,778 |
| Ontario Financing Authority Loan (OFA#10) due on March 19, 2038. Interest payments semi-annually at 3.799%. | 25,513,864 | 26,362,891 |
| Ontario Financing Authority Loan (OFA#11) due on November 11, 2039. Interest payments semi-annually at 4.003%. | 679,707 | 700,308 |
| | <u>145,855,451</u> | <u>154,573,305</u> |
| Less: Sinking funds accumulated | (1,952,423) | (975,051) |
| | <u>143,903,028</u> | <u>153,598,254</u> |

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

Principal and interest payments relating to net long-term debt of \$199,046,623 outstanding as at August 31, 2018 are due as follows:

| | Principal Payments \$ | Interest \$ | Total \$ |
|---------------------------|-----------------------------|----------------|-------------|
| 2018/19 | 9,147,246 | 6,728,575 | 15,875,821 |
| 2019/20 | 9,597,789 | 6,278,383 | 15,876,172 |
| 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 |
| Thereafter | 90,250,821 | 25,228,281 | 115,479,102 |
| Net long-term liabilities | 145,855,451 | 53,191,172 | 199,046,623 |

Interest on long-term debt amounted to \$7,164,551 (2017 - \$7,578,740).

8 Debt charges and capital loans interest

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

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Principal payments on long-term liabilities | 8,717,854 | 8,308,915 |
| Sinking fund contributions | 977,372 | 975,051 |
| Interest expense on long-term liabilities | 7,164,551 | 7,578,740 |
| | 16,859,777 | 16,862,706 |

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

9 Expenses by object

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

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|------------------------------|
| | Budget \$ (Unaudited) | Actual \$ Actual \$ |
| Expenses | | |
| Salary and wages | 529,326,112 | 529,841,287 |
| Employee benefits | 82,150,163 | 81,187,588 |
| Staff development | 2,094,397 | 2,080,866 |
| Supplies and services | 40,225,818 | 39,852,611 |
| Interest charges on capital | 7,027,474 | 7,041,914 |
| Rental expenses | 1,143,815 | 1,125,444 |
| Fees and contract services | 29,432,168 | 29,233,619 |
| Other | 370,004 | 495,556 |
| Amortization of tangible capital assets | 34,573,053 | 33,410,259 |
| School funded activities | 14,000,000 | 13,185,594 |
| | <u>740,343,004</u> | <u>737,454,738</u> |
| | | <u>701,770,625</u> |

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

10 Tangible capital assets

| | Cost | | | | Accumulated amortization | | | | |
|---------------------------------------|----------------------------|-------------------------|--------------|----------------------------|--------------------------|---------------------------------------|----------------------------|--------------------------------|--------------------------------|
| | Balance at August 31, 2017 | Additions and transfers | Disposals | Balance at August 31, 2018 | Amortization | Disposals, write-offs and adjustments | Balance at August 31, 2018 | Net book value August 31, 2018 | Net book value August 31, 2017 |
| Land | 75,487,341 | 742,631 | (190) | 76,229,782 | - | - | 76,229,782 | 75,487,341 | |
| Land improvements | 9,143,613 | 912,137 | - | 10,055,750 | 743,084 | - | 5,829,635 | 5,660,582 | |
| Buildings | 789,441,141 | 40,602,993 | (710,318) | 808,333,816 | 24,315,984 | (496,139) | 529,613,917 | 513,541,087 | |
| Portable structures | 15,822,225 | - | (3,951,697) | 11,870,528 | 703,343 | (3,951,697) | 2,867,928 | 3,571,271 | |
| Construction in progress | 1,959,934 | 3,838,113 | - | 5,798,047 | - | - | 5,798,047 | 1,959,934 | |
| Pre-acquisition and construction cost | 67,909 | 562,618 | - | 630,527 | - | - | 630,527 | 67,909 | |
| Furniture and equipment | 15,227,414 | 1,172,271 | (810,010) | 15,589,675 | 6,511,102 | (810,010) | 8,331,229 | 8,716,312 | |
| Computer hardware and software | 29,844,394 | 6,079,682 | (7,389,387) | 28,534,689 | 5,837,909 | (7,389,387) | 14,884,051 | 14,642,278 | |
| Vehicles | 1,749,936 | 120,555 | (104,592) | 1,765,899 | 156,403 | (104,592) | 366,249 | 402,097 | |
| Leasehold improvements | 1,898,641 | 1,920,743 | - | 3,819,384 | 96,182 | - | 1,825,941 | 1,380 | |
| | 919,642,548 | 55,951,743 | (12,966,184) | 962,628,097 | 33,410,259 | (12,751,825) | 646,377,306 | 624,050,191 | |

Asset under construction

Assets under construction (which include construction in progress and pre-acquisition and construction cost) having a value of \$6,428,571 (2017 - \$2,027,843) 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 (2017 - \$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 Statements

August 31, 2018

11 Accumulated surplus

Accumulated surplus consists of the following:

| | 2018 \$ | 2017 \$ |
|--|--------------------|-------------------|
| Accumulated surplus - unappropriated | 34,366,198 | 27,591,247 |
| Invested in non-depreciable tangible capital assets (land) | 65,889,322 | 59,071,923 |
| Amounts restricted for future use by Board motion | 10,330,589 | 10,016,900 |
| Employee benefits payable to be funded | - | (4,711,845) |
| Other | 5,140,123 | 4,300,703 |
| Total accumulated surplus | <u>115,726,232</u> | <u>96,268,928</u> |

The annual surplus of \$19,457,304 for 2018 (2017 - \$19,563,795) includes revenues recognized for land of \$6,817,399 (2017 - \$9,094,280), transfers to internally appropriated of \$313,689 (2017 - \$898,591), transfers to/ (from) externally appropriated of a \$5,960,512 (2017 - \$9,482,963) and recognized actuarial loss of \$409,247 (2017 - loss of \$418,469). The impact of these adjustments is summarized below:

| | 2018 \$ | 2017 \$ |
|---|-------------------|-------------------|
| Annual surplus before the following items | 6,774,951 | 506,430 |
| Revenues recognized for land | 6,817,399 | 9,094,280 |
| Transfer to internally appropriated | 313,689 | 898,591 |
| Transfer to externally appropriated | 5,960,512 | 9,482,963 |
| Recognized actuarial gain | (409,247) | (418,469) |
| Annual surplus | <u>19,457,304</u> | <u>19,563,795</u> |

12 Trust funds

Trust funds administered by the Board amounting to \$1,864,473 (2017 - \$1,863,451) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

13 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, 2018

14 Contractual obligations and contingent liabilities

Contractual obligations

The cost to complete construction contracts in progress at August 31, 2018 is estimated to be \$28,022,583 (2017 - \$24,150,069).

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, | |
| 2019 | 2,097,889 |
| 2020 | 2,162,925 |
| 2021 | 1,968,016 |
| 2022 | 1,968,016 |
| Thereafter | 1,706,030 |

15 Budget data

The unaudited budget data presented in these consolidated financial statements is based upon the 2018 budgets approved by the Board on June 26, 2017.

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, 2018

16 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.

| | 2018 | | 2017 | |
|----------------------|-------------|------------------------|-------------|------------------------|
| | Total \$ | Board portion \$ | Total \$ | Board portion \$ |
| Financial position | | | | |
| Financial assets | 450,744 | 270,208 | 1,099,442 | 746,496 |
| Liabilities | (479,376) | (283,653) | (1,103,827) | (743,963) |
| Non-financial assets | 28,632 | 17,545 | 4,385 | 1,567 |
| Accumulated deficit | - | 4,100 | - | 4,100 |
| Operations | | | | |
| Revenues | 22,252,106 | 14,664,137 | 20,669,151 | 15,553,748 |
| Expenses | 22,252,106 | 14,664,137 | 20,669,151 | 15,533,748 |
| Annual surplus | - | - | - | - |

Waterloo Region District School Board

Notes to Consolidated Financial Statements

August 31, 2018

17 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.

18 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

