

Waterloo Region District School Board

**Consolidated Financial Statements
August 31, 2015**

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Waterloo Region District School Board are the responsibility of the Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in note 1 to the consolidated financial statements.

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

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

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

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



John Bryant
Director of Education



Matthew Gerard
Superintendent, Business Services & Treasurer of the Board

November 30, 2015



November 30, 2015

Independent Auditor's Report

To the Board of Trustees of Waterloo Region District School Board

We have audited the accompanying consolidated financial statements of the Waterloo Region District School Board, which comprise the consolidated statement of financial position as at August 31, 2015 and the consolidated statements of operations, changes in net debt and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Waterloo Region District School Board as at August 31, 2015 and the results of its operations, change in its net debt, and its cash flow 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

For the year ended August 31, 2015

	2015 \$	2014 \$
Financial assets		
Cash and short term investments	28,615,511	33,261,508
Accounts receivable - Other	27,431,991	28,027,303
Accounts receivable - Government of Ontario - Approved Capital (note 3)	176,005,565	198,496,164
Assets held for sale (note 3)	3,933,000	3,933,000
	<u>235,986,067</u>	<u>263,717,975</u>
Financial liabilities		
Accounts payable and accrued liabilities	31,018,137	52,997,373
Net debenture debt and capital loans (notes 7 and 8)	171,660,191	180,014,018
Deferred revenue (note 4)	12,599,202	18,093,272
Employee benefits payable (note 6)	47,900,160	51,928,729
Deferred capital contributions (note 5)	494,871,895	493,567,621
	<u>758,049,585</u>	<u>796,601,013</u>
Net debt	<u>(522,063,518)</u>	<u>(532,883,038)</u>
Non-financial assets		
Prepaid expenses	14,097,432	14,855,182
Tangible capital assets (note 10)	566,053,782	555,753,681
	<u>580,151,214</u>	<u>570,608,863</u>
Accumulated surplus	<u>58,087,696</u>	<u>37,725,825</u>

Signed on Behalf of the Board



Director of Education

Date Dec 14/15



Chair of the Board

Date December 14/15

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, 2015

	2015 Budget \$ (unaudited) (note 15)	2015 Actual \$	2014 Actual \$
Revenues			
Local taxation	193,501,551	186,035,177	185,398,074
Provincial grants - Grants for Student Needs	432,742,849	438,332,267	387,574,346
Provincial grants - Other	3,821,499	5,007,656	36,501,222
Other fees and revenues	11,678,161	15,725,148	15,047,045
Investment income	102,975	398,803	352,570
School funds	12,000,000	13,808,470	13,744,277
Amortization of deferred capital contributions	27,814,838	29,274,250	27,357,024
	<u>681,661,873</u>	<u>688,581,771</u>	<u>665,974,558</u>
Expenses (note 9)			
Instruction	532,872,687	529,370,522	509,979,384
Administration	14,647,368	14,148,289	17,816,918
Transportation	15,124,771	15,414,989	15,752,910
School operations and maintenance	58,855,257	56,910,373	57,520,584
Pupil accommodation	32,163,306	33,747,913	31,799,072
Other	4,581,272	5,335,823	3,474,765
School funded activities	12,000,000	13,291,991	13,443,901
	<u>670,244,661</u>	<u>668,219,900</u>	<u>649,787,534</u>
Annual surplus (note 11)	11,417,212	20,361,871	16,187,024
Opening accumulated surplus	<u>37,725,825</u>	<u>37,725,825</u>	<u>21,538,801</u>
Closing accumulated surplus	<u>49,143,037</u>	<u>58,087,696</u>	<u>37,725,825</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, 2015

	2015 \$	2014 \$
Sources and uses of cash		
Operating transactions		
Annual surplus	20,361,871	16,187,024
Non-cash amortization of tangible capital assets	28,917,714	27,646,597
Non-cash loss on disposal of tangible assets	691,997	
Non-cash amortization of deferred capital contributions	(29,274,250)	(27,357,024)
Non-cash gain on sale of tangible capital assets	(1,742,248)	(12,200)
Decrease in accounts receivable	23,085,911	20,842,774
Increase (decrease) in accounts payable and accrued liabilities	(21,979,236)	14,088,114
(Decrease) in deferred revenue	(5,494,070)	(5,005,556)
(Decrease) in employee benefits payable	(4,028,569)	(3,334,386)
Decrease in prepaid expenses	757,750	432,151
Increase in deferred capital contributions	30,578,524	44,581,936
	<u>41,875,394</u>	<u>88,069,430</u>
Capital transactions		
Proceeds on sale of tangible capital assets	1,757,700	12,200
Cash used to acquire tangible capital assets	(39,925,264)	(50,432,745)
	<u>(38,167,564)</u>	<u>(50,420,545)</u>
Financing transactions		
Long-term liabilities issued	-	757,431
Debt repayments	(8,353,827)	(7,933,931)
	<u>(8,353,827)</u>	<u>(7,176,500)</u>
Change in cash, short-term investments, and bank indebtedness	(4,645,997)	30,472,385
Opening cash, short-term investments	<u>33,261,508</u>	<u>2,789,123</u>
Closing cash and short-term investments	<u>28,615,511</u>	<u>33,261,508</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, 2015

	2015 \$	2014 \$
Annual surplus	20,361,871	16,187,024
Tangible capital asset activities		
Acquisition of tangible capital assets	(39,909,812)	(50,432,744)
Net loss on disposal of tangible assets	691,997	
Amortization of tangible capital assets	28,917,714	27,646,596
	<u>(10,300,101)</u>	<u>(22,786,148)</u>
Other non-financial asset activities		
Acquisition of prepaid expenses	(14,097,432)	(14,855,182)
Use of prepaid expenses	14,855,182	15,287,333
	<u>757,750</u>	<u>432,151</u>
Decrease (increase) in net debt	10,819,520	(6,166,973)
Net debt - Beginning of year	<u>(532,883,038)</u>	<u>(526,716,065)</u>
Net debt - End of year	<u>(522,063,518)</u>	<u>(532,883,038)</u>

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

1 Significant accounting policies

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

Basis of accounting

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

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

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

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

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

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

Reporting entity

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

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

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

Trust funds

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

Cash and short-term investments

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

Deferred revenue

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

Deferred capital contributions

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

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

Retirement and other employee future benefits

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

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

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

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

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

Tangible capital assets

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

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

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

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

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

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

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

Government transfers

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

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

2 Changes in accounting policies

The Board has implemented Public Sector Accounting Board ("PSAB") section 3260 Liability for contaminated sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Board's financial statements.

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

3 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 \$176,005,565 with respect to capital grants (2014 - \$198,496,164).

Assets held for sale

As at August 31, 2015, \$3,933,000 (2014 - \$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, 2015 is comprised of:

	Balance at August 31 2014 \$	Externally restricted revenue and investment income 2015 \$	Revenue recognized in the period \$	Transfers to deferred capital contributions \$	Balance at August 31 2015 \$
Pupil accommodation	2,555,352	40,090,553	23,789,161	16,402,255	2,454,489
Education development charges	-	3,956,101	3,956,101	-	-
Proceeds of disposition	6,909,893	1,966,848	7,296	6,787,579	2,081,866
Special education	4,898,254	80,803,196	80,996,332	-	4,705,118
Restricted grants	2,015,218	5,756,433	5,665,271	220,471	1,885,909
Other	1,714,555	1,471,820	1,714,555	-	1,471,820
Total deferred revenue	18,093,272	134,044,951	116,128,716	23,410,305	12,599,202

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

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.

	2015 \$	2014 \$
Opening balance	493,567,621	476,342,709
Additions to deferred capital contributions	30,578,524	44,581,936
Revenue recognized in the period	(29,274,250)	(27,357,024)
Closing balance	<u>494,871,895</u>	<u>493,567,621</u>

6 Retirement and other employee future benefits

	Retirement Gratuities \$	WSIB Benefits \$	Sick Leave Benefits \$	Life Insurance Benefits \$	2015 Total Employee Future Benefits \$	2014 Total Employee Future Benefits \$
Opening balance accrued employee future benefit obligations at August 31	46,841,401	2,685,938	472,257	1,929,133	51,928,729	55,263,115
Current period benefit cost	5,183	924,511	376,907	1,797	1,308,398	751,796
Interest accrued	1,299,863	77,943	1,136	53,694	1,432,636	1,898,502
Less: Benefit payments	(5,279,576)	(826,736)	(328,080)	(110,013)	(6,544,405)	(5,841,111)
Curtailment loss	-	-	-	-	-	68,039
Amortization of actuarial (gain) loss	154,148	-	(108,111)	(271,235)	(225,198)	(211,612)
Employee future benefit liability at August 31	<u>43,021,019</u>	<u>2,861,656</u>	<u>414,109</u>	<u>1,603,376</u>	<u>47,900,160</u>	<u>51,928,729</u>

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

					2015	2014
	Retirement	WSIB	Sick	Life	Total	Total
	Gratuities	Benefits	Leave	Insurance	Employee	Employee
	\$	\$	Benefits	Benefits	Future	Future
			\$	\$	Benefits	Benefits
					\$	\$
Current period benefit cost	5,183	924,511	376,907	1,797	1,308,398	751,796
Interest on accrued benefit obligation	1,299,863	77,943	1,136	53,694	1,432,636	1,898,502
Recognized actuarial (gains) losses	154,148	-	(108,111)	(271,235)	(225,198)	(211,612)
Curtailment (gain) loss	-	-	-	-	-	68,039
Employee future benefits expenses ¹	1,459,194	1,002,454	269,932	(215,744)	2,515,836	2,506,725

Plan changes

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

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

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

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, 2015, the Board contributed \$8,359,089 (2014 - \$8,075,670) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

Actuarial assumptions

The accrued benefit obligations for retirement gratuities as at August 31, 2015 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2015. 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:

	2015 %	2014 %
Inflation	1.5	2.0
Discount on accrued benefit obligations	2.45	2.85

Workplace Safety and Insurance Board (WSIB) Benefits

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2015 are based on actuarial valuations for accounting purposes as at August 31, 2015. 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:

	2015 %	2014 %
Inflation	2.0	2.0
Discount on accrued benefit obligations	2.45	2.85

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 \$269,931 (2014- \$665,531).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2015. 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, 2015 are based on actuarial valuations for accounting purposes as at August 31, 2015. 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:

	2015 %	2014 %
Inflation	1.5	2.0
Discount on accrued benefit obligations	2.45	2.85

Health care and dental benefits

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

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

7 Net long-term debt

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

	2015 \$	2014 \$
Debenture #CDS 00-42 due November 17, 2020. Interest payments semi-annually at 6.67%	5,989,421	6,794,499
Debenture #CDS 02-45 due November 21, 2022. Interest payments semi-annually at 5.642%	17,621,000	19,331,000
Debenture #CDS 04-49 due November 29, 2024. Interest payments semi-annually at 5.257%	16,932,522	18,283,450
Debenture #CDS 06-53 due October 30, 2026. Interest payments semi-annually at 4.841%	12,466,886	13,265,854
Ontario Financing Authority Loan (OFA#1) due November 17, 2031. Interest payments semi-annually at 4.56%.	19,197,393	19,963,850
Ontario Financing Authority Loan (OFA#2) due March 3, 2033. Interest payments semi-annually at 4.90%.	12,891,648	13,337,408
Ontario Financing Authority Loan due (OFA#3) November 15, 2033. Interest payments semi-annually at 5.347%.	10,878,587	11,216,459
Ontario Financing Authority Loan (OFA#4) due March 13, 2034. Interest payments semi-annually at 5.062%.	4,854,160	5,005,647
Ontario Financing Authority Loan (OFA#5) due November 15, 2034. Interest payments semi-annually at 5.047%	1,401,768	1,443,248
Ontario Financing Authority Loan (OFA#6) due April 13, 2035. Interest payments semi-annually at 5.232%.	8,015,964	8,240,621
Ontario Financing Authority Loan (OFA#7) due April 13, 2036. Interest payments semi-annually at 4.833%.	10,868,124	11,165,758
Ontario Financing Authority Loan (OFA#8) due November 15, 2036. Interest payments semi-annually at 3.97%.	6,823,102	7,021,097
Ontario Financing Authority Loan (OFA#9) due March 9, 2037. Interest payments semi-annually at 3.564%	15,012,448	15,461,284
Ontario Financing Authority Loan (OFA#10) due March 19, 2038. Interest payments semi-annually at 3.799%	27,968,028	28,726,412
Ontario Financing Authority Loan (OFA#11) due November 11, 2039. Interest payments semi-annually at 4.003%	739,140	757,431
	<u>171,660,191</u>	<u>180,014,018</u>

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

Principal and interest payments relating to net long-term debt of \$247,595,006 outstanding as at August 31, 2015 are due as follows:

	Principal Payments \$	Interest \$	Total \$
2015/16	8,777,970	8,000,351	16,778,321
2016/17	8,308,915	7,578,742	15,887,657
2017/18	8,717,855	7,164,551	15,882,406
2018/19	9,147,246	6,728,575	15,875,821
2019/20	9,597,789	6,278,383	15,876,172
Thereafter	127,110,416	40,184,213	167,294,629
Net long-term liabilities	171,660,191	75,934,815	247,595,006

Interest on long-term debt amounted to \$8,428,483 (2014 - \$8,808,506).

8 Debt charges and capital loans interest

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

	2015 \$	2014 \$
Principal payments on long-term liabilities	8,353,827	7,333,931
Interest expense on long-term liabilities	8,428,483	8,808,506
	16,782,310	16,142,437

Waterloo Region District School Board

Notes to Consolidated Financial Statements

For the year ended August 31, 2015

9 Expenses by object

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

	2015 Budget \$ (unaudited)	2015 Actual \$	2014 Actual \$
Expenses			
Salary and wages	484,669,119	480,793,460	469,086,197
Employee benefits	70,658,542	69,615,003	67,096,668
Staff development	1,772,014	1,661,117	1,936,018
Supplies and services	37,381,785	37,666,953	37,478,671
Interest charges on capital	8,330,662	8,388,619	8,686,552
Rental expenses	986,110	1,040,271	1,079,858
Fees and contract services	25,755,726	25,366,851	22,643,016
Other	514,428	785,925	690,057
Amortization of tangible capital assets and loss on disposal of assets	28,176,275	29,609,711	27,646,596
School funded activities	12,000,000	13,291,990	13,443,901
	<u>670,244,661</u>	<u>668,219,900</u>	<u>649,787,534</u>

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2015

10 Tangible capital assets

	Cost			Accumulated Amortization			Net Book Value		
	Balance at August 31 2014	Additions and (Transfers)	Disposals	Balance at August 31 2015	Balance at August 31 2014	Amortization	Write offs and Adjustments	Balance at August 31 2015	Net Book Value August 31 2014
Land	\$ 55,719,694	\$ 8,373,928	\$ (15,452)	\$ 64,078,170	\$ -	\$ -	\$ -	\$ 64,078,170	\$ 55,719,694
Land improvements	6,453,930	642,300	-	7,096,230	1,709,374	502,983	-	2,212,357	4,883,873
Buildings	655,507,093	22,762,285	(1,290,131)	676,979,247	192,818,840	19,846,638	(602,186)	212,063,292	464,915,955
Portable structures	20,623,429	-	(1,579,400)	19,044,029	14,284,336	991,686	(1,579,400)	13,696,622	5,347,407
Construction in progress	1,658,573	3,382,797	-	5,041,370	-	-	-	-	5,041,370
Pre-acquisition and construction cost	41,311	28,149	-	69,460	-	-	-	-	69,460
Furniture and equipment	12,925,453	727,225	(1,219,662)	12,433,016	5,417,186	1,292,635	(1,219,662)	5,490,159	6,942,857
Computer hardware and software	29,667,652	3,866,378	(4,972,858)	28,561,172	13,931,545	5,822,882	(4,972,858)	14,781,569	13,779,603
Vehicles	1,692,253	142,202	(173,677)	1,660,778	1,246,764	171,494	(169,625)	1,248,633	412,145
Leasehold improvements	1,896,162	-	-	1,896,162	1,023,824	289,396	-	1,313,220	582,942
Total	786,185,550	39,925,264	(9,251,180)	816,859,634	230,431,869	28,917,714	(8,543,731)	250,805,852	566,053,782

Asset under construction

Assets under construction (which include construction in progress and pre-acquisition and construction cost) having a value of \$5,110,830 (2014 - \$1,699,884) 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 (2014 - \$nil).

Asset inventories for resale (assets permanently removed from service)

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

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2015

11 Accumulated surplus (deficit)

Accumulated surplus (deficit) consists of the following:

	2015 \$	2014 \$
Accumulated surplus - unappropriated	23,686,389	21,575,864
Invested in non-depreciable tangible capital assets (land)	43,687,020	39,181,538
Amounts restricted for future use by Board motion	9,031,741	7,927,151
Employee benefits payable to be funded	(22,163,372)	(34,248,304)
Other	3,845,918	3,289,576
	<hr/>	<hr/>
Total accumulated surplus (deficit)	58,087,696	37,725,825

The annual surplus of \$20,361,871 (2014 - \$16,187,024) includes revenues recognized for land of \$4,505,482 (2014 - \$6,982,000), transfers to internally appropriated of \$1,104,590 (2014 - \$757,275) transfers to externally appropriated of a \$12,416,076 (2014 - \$6,121,966), a curtailment loss of \$nil (2014 - \$68,039) and recognized actuarial gains of \$225,198 (2014 - \$211,612). The impact of these adjustments is summarized below:

	2015 \$	2014 \$
Annual surplus (deficit) before the following items:	2,110,525	2,182,210
Revenues recognized for land	4,505,482	6,982,000
Transfer to internally appropriated	1,104,590	757,275
Transfer to externally appropriated	12,416,076	6,121,966
Curtailment loss	-	(68,039)
Recognized actuarial gain	225,198	211,612
	<hr/>	<hr/>
Annual surplus	20,361,871	16,187,024

12 Trust funds

Trust funds administered by the Board amounting to \$1,799,594 (2014 - \$1,791,072) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2015

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, 2017.

14 Contractual obligations and contingent liabilities

Contractual obligations

The cost to complete construction contracts in progress at August 31, 2015 is estimated to be \$27,280,576 (2014 - \$16,448,860).

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, 2016	1,602,691
2017	1,570,281
2018	1,173,633
2019	850,676
Thereafter	398,356

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2015

15 Budget data

The unaudited budget data presented in these consolidated financial statements is based upon the 2015 budgets approved by the Board on June 23, 2014.

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

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.

	Total	2015 Board Portion	Total	2014 Board Portion
	\$	\$	\$	\$
Financial position:				
Financial assets	367,443	228,049	232,668	144,585
Liabilities	375,500	227,975	242,550	145,754
Non-financial assets	8,057	4,026	9,882	5,269
Accumulated deficit	-	4,100	-	4,100
Operations:				
Revenues	19,616,890	14,803,468	19,377,666	14,757,693
Expenses	19,616,890	14,803,468	19,377,666	14,757,693
Annual surplus	-	-	-	-

Waterloo Region District School Board

Notes to Consolidated Financial Statement

For the year ended August 31, 2015

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 Subsequent events

Subsequent to August 31, 2015, Ontario Secondary School Teachers' Federation - Teacher's Bargaining Unit (“OSSTF TBU”) ratified agreements at the central level which include a voluntary retirement gratuity early payout provision. This provision may have a future impact on the Board's employee future benefit liability. There is no impact to the 2014-15 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification has occurred for OSSTF TBU.

Subsequent to August 31, 2015, Elementary Teachers' Federation of Ontario (“ETFO”) ratified agreements at a central level which include a voluntary retirement gratuity early payout provision. This provision may have a future impact on the Board's employee future benefit liability. There is no impact to the 2014-15 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification has not occurred for ETFO.

The voluntary retirement gratuity early payout provision provides OSSTF TBU and ETFO members the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the Board's 2015-16 year financial statements. At this time, the change in the liability cannot be estimated since members of OSSTF TBU and ETFO have until June 30, 2016 to declare their participation in the voluntary retirement gratuity early payout option.