

Consolidated Financial Statements of

**Waterloo Catholic
District School Board**

Year ended August 31, 2013

Independent auditor's report

Grant Thornton LLP
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To the Board of Trustees of the Waterloo Catholic District School Board

We have audited the accompanying consolidated financial statements of the Waterloo Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2013 and the consolidated statements of operations, changes in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation 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 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 of the Waterloo Catholic District School Board as at August 31, 2013, are prepared, in all material respects in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis of accounting

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.

Grant Thornton LLP

Burlington, Canada
November 11, 2013

Chartered Accountants
Licensed Public Accountants



November 11, 2013

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Waterloo Catholic District School Board (the "Board") are the responsibility of the Board's Management and have been prepared in compliance with legislation, and in accordance with the financial reporting provisions described in note 1(a) to the consolidated financial statements.

A summary of the significant accounting policies are 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.

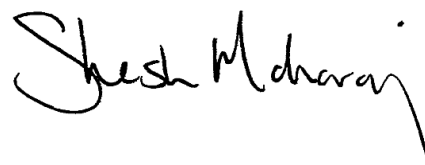
Board Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis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

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



Larry Clifford
Director of Education



Shesh Maharaj
Chief Financial Officer

Waterloo Catholic District School Board

Consolidated Statement of Financial Position

August 31, 2013, with comparative figures for 2012

	2013	2012
Financial assets		
Cash and cash equivalents	\$ 1,784,311	\$ -
Accounts receivable (note 2)	17,213,692	13,818,595
Assets held for sale (note 3)	2,357,904	197,007
Accounts receivable - Government of Ontario approved capital (note 4)	105,838,847	109,713,561
Total financial assets	127,194,754	123,729,163
Liabilities		
Bank indebtedness (note 11)	-	11,389,759
Accounts payable and accrued liabilities	10,415,841	8,675,827
Deferred revenue (note 5)	16,059,983	10,794,288
Deferred capital contributions (note 6)	225,297,022	222,884,340
Retirement and other employee future benefits payable (note 7)	6,538,721	7,905,563
Net debenture debt and capital leases (note 8)	102,105,223	99,593,346
Total liabilities	360,416,790	361,243,123
Net debt	(233,222,036)	(237,513,960)
Non-financial assets		
Prepaid expenses	902,201	857,246
Tangible capital assets (note 10)	251,563,784	252,539,262
Total non-financial assets	252,465,985	253,396,508
Contractual obligations and contingencies (notes 13 and 15)		
Accumulated surplus	\$ 19,243,949	\$ 15,882,548

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Larry Clifford, Director of Education



Wayne Buchholtz, Chair of the Board

Waterloo Catholic District School Board

Consolidated Statement of Operations

Year ended August 31, 2013, with comparative figures for 2012

	2013 Budget	2013 Actual	2012 Actual
Revenues			
Provincial grants - grants for student needs	\$ 225,939,826	\$ 225,257,690	\$ 230,477,755
Provincial grants - other	11,314,319	11,351,716	6,910,838
Provincial grant - Ontario Youth Apprenticeship Program	109,257	108,110	109,257
Federal grants and fees	1,311,076	1,350,646	1,447,770
Other fees and revenues	5,426,742	7,575,414	6,113,307
Investment income	50,000	26,526	311,345
School fundraising	4,571,722	5,135,872	5,134,549
Total revenues	248,722,942	250,805,974	250,504,821
Expenses			
Instruction	195,051,781	193,887,571	181,699,631
Administration	6,688,198	5,860,320	6,072,957
Transportation	5,916,508	6,123,340	5,989,520
Pupil accommodation	35,960,890	35,982,156	35,054,014
School funded activities	4,548,037	5,193,211	5,054,311
Other	397,975	397,975	397,975
Total expenses	248,563,389	247,444,573	234,268,408
Annual surplus	159,553	3,361,401	16,236,413
Accumulated surplus (deficit), beginning of year	20,603,437	15,882,548	(353,865)
Accumulated surplus, end of year	\$ 20,762,990	\$ 19,243,949	\$ 15,882,548

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Consolidated Statement of Cash Flows

Year ended August 31, 2013, with comparative figures for 2012

	2013	2012
Operating activities		
Annual surplus	\$ 3,361,401	\$ 16,236,413
Sources and (uses):		
Items not involving cash:		
Amortization of tangible capital assets	11,101,715	10,612,052
Grants recognized for deferred capital contributions	(10,940,905)	(10,029,427)
Assets held for sale	2,357,904	197,007
Gain on sale of tangible capital assets	(234,421)	(4,405)
Decrease in retirement and other employee future benefits payable	(1,366,842)	(14,780,008)
Transfer from deferred revenue to deferred capital contributions	1,225,982	11,760,953
	2,143,433	(2,243,828)
Changes in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable	479,617	(1,955,117)
Increase (decrease) in accounts payable and accrued liabilities	1,740,014	(5,440,224)
Increase in deferred revenue - operating	2,064,880	2,138,219
Decrease (increase) in assets held for sale	(2,160,897)	441,906
Increase in prepaid expenses	(44,955)	(20,840)
	2,078,659	(4,836,056)
Cash provided by operating activities	7,583,493	9,156,529
Capital activities		
Proceeds on sale of tangible capital assets	430,358	4,405
Cash used to acquire tangible capital assets	(12,680,078)	(24,341,043)
Cash applied to capital activities	(12,249,720)	(24,336,638)
Financing activities		
Disposal of funded tangible capital assets (DCC reduction)	(2,357,904)	(197,007)
Capital grants received	14,485,509	11,580,021
Debt and capital lease advances	9,762,507	13,298,788
Decrease (increase) in deferred revenue - capital	3,200,815	(8,401,278)
Debt repaid and sinking fund contributions	(7,250,630)	(16,760,691)
Cash provided by financing activities	17,840,297	(480,167)
Change in cash and cash equivalents	13,174,070	(15,660,276)
(Bank indebtedness) cash and cash equivalents, beginning of year	(11,389,759)	4,270,517
Cash and cash equivalents (bank indebtedness), end of year	\$ 1,784,311	\$ (11,389,759)

	2013	2012
The components of cash and cash equivalents are as follows:		
Cash (bank indebtedness)	\$ 1,192,000	\$ (12,055,764)
Cash equivalents	592,311	666,005
	\$ 1,784,311	\$ (11,389,759)

	2013	2012
Cash paid for interest	\$ 5,435,122	\$ 6,395,663
Cash received for interest	26,526	266,673

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Consolidated Statement of Changes in Net Debt

August 31, 2013, with comparative figures for 2012

	2013 Budget	2013 Actual	2012 Actual
Annual surplus	\$ 159,553	\$ 3,361,401	\$ 16,236,413
Tangible capital asset activity			
Acquisition of tangible capital assets	(24,803,117)	(12,680,078)	(24,341,043)
Amortization of tangible capital assets	11,973,686	11,101,715	10,612,052
Gain on sale of tangible capital assets	-	(234,421)	(4,405)
Transfer of assets held for sale	2,863,514	2,357,904	197,007
Proceeds on sale of tangible capital assets	-	430,358	4,405
Total tangible capital asset activity	(9,965,917)	975,478	(13,531,984)
Other non-financial asset activity			
Acquisition of prepaid expenses	(902,201)	(902,201)	(857,246)
Use of prepaid expenses	902,201	857,246	836,406
Total other non-financial asset activity	-	(44,955)	(20,840)
Decrease (increase) in net debt	(9,806,364)	4,291,924	2,683,589
Net debt, beginning of year	(237,513,960)	(237,513,960)	(240,197,549)
Net debt, end of year	\$ (247,320,324)	\$ (233,222,036)	\$ (237,513,960)

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

As disciples of Christ, the mission of the Waterloo Catholic District School Board (the Board) is to educate and to nurture hope in all learners to achieve their full potential to transform God's world.

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with the basis of accounting described below.

(a) Basis of accounting:

The consolidated financial statements 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.

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 school 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 be 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 different from the requirements of Canadian public sector accounting standards. Canadian public sector accounting standards require 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 standard 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 standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Accordingly, 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.

(b) 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 assets, liabilities, revenues and expenses of various organizations, that exist at the school level and which are controlled by the Board, are reflected in the consolidated financial statements.

Student Transportation Services of Waterloo Region (STSWR) is a transportation consortium operated through a partnership agreement between the Board and the Waterloo Region District School Board whereby certain costs are shared. As a result, a proportionate amount of STSWR's assets and liabilities have been consolidated with the Board's financial statements.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and demand deposits.

(d) 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.

(e) 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 (DCC) 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 purposes
- Other restricted contributions received or receivable for capital purposes
- Property taxation revenues which were historically used to fund capital assets

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

1. Significant accounting policies (continued):

(f) Retirement and other employee future benefits payable:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuities, workers' 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) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates, and discount rates. 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 and 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 accumulate over the periods of service provided by employees, such as retirement gratuities and 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. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee group;

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' 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) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period; and
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

1. Significant accounting policies (continued):

(g) 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 Years
Land improvements with finite lives	15
Buildings and building improvements	40
Portable structures	20
First-time equipping	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10
Leasehold improvements, leased buildings, leased computers	Over the lease term

Assets under construction and assets that related 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. Buildings permanently removed from service cease to be amortized and the carrying value is written down to the lower of carrying value and 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 Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

1. Significant accounting policies (continued):

(h) 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 DCC. Amounts are recognized into revenue as the liability is depreciated over the useful life of the tangible capital asset. DCC and tangible capital assets will differ by land, which is not depreciated, and items which are not directly supported by the Ministry, such as computer purchases. These unsupported tangible capital assets are funded through operating dollars.

(i) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government, investment income earned on externally restricted funds such as pupil accommodation, education development charges (EDC) and special education forms part of the respective deferred revenue balances.

(j) Net debenture debt and capital leases:

Net debenture debt and capital leases are recorded net of related sinking fund balances.

(k) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. 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.

(l) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting 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. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets, valuation allowances for receivables, estimating provisions for accrued liabilities and obligations related to employee future benefits.

Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

2. Accounts receivable:

Accounts receivable consists of the following:

	2013	2012
Local governments	\$ 5,675,972	\$ 7,241,821
Government of Ontario	5,390,460	736,052
Other	6,147,260	5,840,722
	\$ 17,213,692	\$ 13,818,595

3. Assets held for sale:

As of August 31, 2013, \$2,357,904 (2012 - \$197,007) related to land, land improvements and buildings were recorded as assets held for sale.

During the year, one school property was sold for proceeds of \$429,088 and the resulting gain recorded according to Ontario Regulation 193/10.

	Balance at August 31, 2012	Additions	Proceeds	Gain (loss) on sale transferred to deferred revenue	Balance at August 31, 2013
Land	\$ -	\$ 88,367	\$ -	\$ -	\$ 88,367
Land Improvement	-	242,234	-	-	242,234
Building	197,007	2,027,303	429,088	232,081	2,027,303
	\$ 197,007	\$ 2,357,904	\$ 429,088	\$ 232,081	\$ 2,357,904

4. Accounts receivable - Government of Ontario approved capital:

The Province of Ontario (the Province) replaced variable capital funding with a one-time debt support grant on August 31, 2010. The Board received a one-time grant that recognized 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. The Board may also receive yearly capital grants to support capital programs which would be reflected in this accounts receivable.

The Board has an accounts receivable from the Province of Ontario of \$105,838,847 as at August 31, 2013 (2012 - \$109,713,561) with respect to capital grants.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

5. Deferred revenue:

Revenues received which 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, 2013, is comprised of:

	Balance at August 31, 2012	Externally restricted revenue and interest	Revenue recognized	Transferred to DCC	Balance at August 31, 2013
Proceeds of disposition	\$ 5,456,528	\$ 429,089	\$ -	\$ 1,225,982	\$ 4,659,635
School renewal	-	2,978,357	608,826	1,547,576	821,955
School condition improvement	-	1,548,771	-	572,470	976,301
Child care retrofit	-	798,600	-	671,677	126,923
Special education accommodation	59,133	-	-	-	59,133
Special education equipment	99,892	-	99,892	-	-
Asset held for sale	197,007	2,269,537	197,007	-	2,269,537
Labour framework	-	1,169,220	-	-	1,169,220
Extra programming other grants	4,981,728	5,977,279	4,981,728	-	5,977,279
	\$ 10,794,288	\$ 15,170,853	\$ 5,887,453	\$ 4,017,705	\$ 16,059,983

6. Deferred capital contributions:

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

	2013	2012
Deferred capital contributions, beginning of year	\$ 222,884,340	\$ 209,769,800
Add:		
Capital contributions received	11,693,786	11,580,021
Transfers from deferred revenue	4,017,705	11,760,953
Less:		
Revenue recognized in the year	(10,940,905)	(10,029,427)
Disposal and reclassification of tangible capital assets	(2,357,904)	(197,007)
Deferred capital contributions, end of year	\$ 225,297,022	\$ 222,884,340

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

7. Retirement and other employee future benefits:

Retirement and other employee future benefits as of August 31, 2013 were as follows:

(a) Employee future benefits liabilities:

			2013	2012
Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee future benefit obligations at August 31	\$ 2,765,511	\$ 3,694,467	\$ 6,459,978	\$ 7,905,563
Unamortized actuarial gain	78,743	-	78,743	-
Employee future benefits liabilities	\$ 2,844,254	\$ 3,694,467	\$ 6,538,721	\$ 7,905,563

(b) Employee future benefits expenses:

			2013	2012
Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	\$ (316,000)	\$ 469,065	\$ 153,065	\$ 1,512,129
Curtailment change	1,080,962	86,635	1,167,597	(21,339,075)
Recognized actuarial loss	-	(1,866,373)	(1,866,373)	6,407,995
Interest on accrued benefit obligation	88,565	161,631	250,196	1,057,642
Employee future benefit expenses (recovery)	\$ 853,527	\$ (1,149,042)	\$ (295,515)	\$ (12,361,309)

Actuarial losses are due to the change in the discount rate used for the retirement gratuity benefits are being amortized over EARSLS of 9.34 years. During the year, benefit payments of \$1,088,324 (2012 - \$2,186,544) were made.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

Plan changes:

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plans. As a result employees eligible for retirement gratuity will receive a 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 grand-parented for existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any 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.

Pension plans:

(i) Ontario Teacher's Pension Plan:

Teachers and certain other employees are eligible to be members of the Ontario Teacher's Pension Plan (OTPP). Employer contributions for these employees are provided directly to OTPP by the Province. 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:

Most 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. Board contributions equal the employee contributions to the plan. During the year ended August 31, 2013, the Board contributed \$3,576,051 (2012 - \$3,071,718) 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.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

Retirement benefits:

(i) Retirement gratuities:

The retirement gratuity plan entitles employees to a cash payment upon retiring into an OMERS or OTPP pension with 10 years of service. The gratuity is the lesser of (i) \$4,000 and (ii) \$40/day up to a maximum of 50% of unused sick leave days as at August 31, 2012. 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 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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and a minimum of 15 years of service at retirement. In 2013, the Ministry reduced the required years of service to 10 years. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time increase to the Board's obligation of \$1,080,962 and a corresponding curtailment loss was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2013.

(ii) Post-employment insurance coverage:

The Board offers its permanent employees the opportunity to continue their life insurance, accidental death and dismemberment, dental and health care benefits upon retirement. Benefits can be continued until the retiree reaches the age of 65. 100% of the premiums are paid at the Board's group rate by the retiree. 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.

Other employee future benefits:

(i) Workplace Safety and Insurance Board Obligation:

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. Plan changes made in 2012 requires school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included no such provision. This resulted in a one-time increase to the Board's obligation of \$200,160 as at August 31, 2012.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

Other employee future benefits (continued):

(ii) Long-term disability benefits:

The Board provides long-term disability benefits including partial salary compensation and payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date. 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.

(iii) Sick leave benefits:

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated, resulting in a one-time reduction to the obligation of \$13,328,173 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

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 forward 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 \$88,258 (2012 – \$ nil).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2013. This actuarial valuation is based on assumptions about future events.

(iv) Life insurance benefits

The Board provides a separate life insurance benefits plan for certain retirees. The premiums are based on the Board experience and retirees' premiums are subsidized by the Board. 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 changes to the Board's retiree life insurance plans, along with health care and dental benefits resulted in a one-time reduction to the Board's obligation of \$7,401,516 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

Other employee future benefits (continued):

(v) 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 Board experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements. The changes to the Board's retiree health care and dental benefits, along with life insurance plans, resulted in a one-time reduction to the Board's obligation of \$7,401,516 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

Actuarial assumptions:

The accrued benefit obligations for retirement and other employee future benefit plans as at August 31, 2013 are based on actuarial valuations for accounting purposes as at August 31, 2012, extrapolated to August 31, 2013. The next actuarial valuation will be available for the year ended August 31, 2014. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2013	2012
Inflation	2%	2%
Wage escalation	0%	0%
Dental insurance premium escalation (thereafter down linearly by 0.25% per annum until 3.0% is reached)	4.5%	5.0%
Health insurance premium escalation (thereafter down linearly by 0.25% per annum until 4.0% is reached)	8.5%	9.0%
Discount on accrued benefit obligations	3.4%	3.0%

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

8. Net debenture debt and capital leases:

Net debenture and capital lease debt are reported on the Consolidated Statement of Financial Position is comprised of the following:

	2013	2012
CIBC Mellon, interest rate of 7.2%, matures June 9, 2025	\$ 2,640,396	\$ 2,775,274
CIBC Mellon, interest rate of 6.55%, matures October 19, 2026	27,783,046	29,033,239
Royal Trust, interest rate of 9.87%, matures March 15, 2015	1,889,000	2,693,000
Region of Waterloo, interest rate of 5.487%, matures November 5, 2023	16,062,611	17,168,407
Ontario Financing Authority, interest rate of 4.560%, matures November 15, 2031.	4,591,574	4,746,952
Ontario Financing Authority, interest rate of 4.850%, matures March 3, 2033.	1,480,276	1,523,799
Ontario Financing Authority, interest rate of 5.062%, matures March 13, 2034.	1,703,362	1,748,701
Ontario Financing Authority, interest rate of 4.762%, matures November 15, 2029.	6,931,142	7,202,576
Ontario Financing Authority, interest rate of 5.232%, matures April 13, 2035.	1,520,807	1,557,255
Ontario Financing Authority, interest rate of 3.942%, matures September 19, 2025.	2,699,457	2,866,323
Ontario Financing Authority, interest rate of 4.833%, matures March 11, 2036.	3,694,233	3,781,517
Ontario Financing Authority, interest rate of 2.425%, matures November 15, 2021.	8,587,674	9,487,137
Ontario Financing Authority, interest rate of 3.564%, matures March 9, 2037.	3,283,583	3,369,981
Ontario Financing Authority, interest rate of 3.799%, matures March 19, 2038	9,288,815	-
Capital lease obligation #1 (a)	6,351,109	7,651,470
Capital lease obligation #2 (b)	2,587,974	2,827,423
Capital lease obligation #3 (c)	1,010,164	1,160,292
Balance as at August 31	\$ 102,105,223	\$ 99,593,346

- (a) The Board leases a school under a 20 year lease bearing interest of 7.86%, with an option to purchase the property for \$1 at the end of the lease term. The term ends on August 1, 2017.
- (b) The Board leases a school under a 25 year lease bearing interest of 10.761%. The lease reverts to the owner at the end of the lease. The term ends on September 1, 2020.
- (c) Capital leases were issued for classroom computers bearing interest ranging from 2.65% to 6%. These leases contain bargain purchase options at the end of their terms. The leases mature between November 2013 and May 2017.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

8. Net debenture debt and capital leases (continued):

Principal and interest payments relating to net debenture debt and capital leases of \$102,105,223 are due as follows:

	Principal	Capital lease payments	Interest	Total
2013/14	\$ 5,618,559	\$ 2,221,333	\$ 5,499,561	\$ 13,339,453
2014/15	5,969,733	2,097,469	5,015,380	13,082,582
2015/16	5,220,055	2,096,344	4,501,365	11,817,764
2016/17	5,485,293	2,207,082	4,061,263	11,753,638
2017/18	5,765,264	409,115	3,662,483	9,836,862
Thereafter	64,097,072	917,904	20,161,382	85,176,358
	\$ 92,155,976	\$ 9,949,247	\$ 42,901,434	\$ 145,006,657

Interest on long-term debt amounted to \$5,644,749 (2012 - \$6,172,665).

9. Debt charges, capital loans and lease interest:

The principal and interest payments for net debentures, capital leases, operating leases, and sinking fund contributions are as follows:

	2013	2012
Principal payments on net debenture debt including contributions to sinking funds	\$ 5,087,000	\$ 14,547,343
Principal payments on capital leases	2,163,618	2,213,348
Payments on operating leases	252,111	418,574
Interest payments on net debenture debt	4,760,779	5,144,866
Interest payments on capital leases	883,970	1,027,799
	\$ 13,147,478	\$ 23,351,930

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

10. Tangible capital assets:

Cost	Balance at August 31, 2012	Additions and transfers	Disposals and transfers	Balance at August 31, 2013
Land	\$ 23,227,363	\$ -	\$ 87,300	\$ 23,140,063
Land improvements	2,192,425	95,577	290,988	1,997,014
Buildings	260,096,652	9,820,229	3,917,997	265,998,884
Portable structures	9,937,588	-	-	9,937,588
First-time equipping	2,697,298	515,253	-	3,212,551
Equipment – 5 years	381,884	16,728	-	398,612
Equipment – 10 years	5,954,447	277,703	-	6,232,150
Equipment – 15 years	11,264	10,115	-	21,379
Furniture	17,657	-	-	17,657
Computer hardware	1,586,817	430,220	-	2,017,037
Computer software	150,430	-	-	150,430
Vehicles	639,420	-	14,276	625,144
Leasehold improvements	9,653,311	18,994	-	9,672,305
Construction in progress	120,259	824,575	-	944,834
Leased buildings	28,436,520	-	-	28,436,520
Leased computers	3,341,754	473,680	-	3,815,434
Leased vehicles	204,487	-	-	204,487
	\$ 348,649,576	\$ 12,483,074	\$ 4,310,561	\$ 356,882,089

Accumulated Amortization	Balance at August 31, 2012	Additions and transfers	Disposals and transfers	Balance at August 31, 2013
Land improvements	\$ 397,466	\$ 132,894	\$ 48,753	\$ 481,607
Buildings	68,601,687	7,629,067	1,890,695	74,340,059
Portable structures	6,440,624	437,680	-	6,878,304
First-time equipping	2,084,459	171,214	-	2,255,673
Equipment – 5 years	191,511	71,301	-	262,812
Equipment – 10 years	1,324,443	603,167	-	1,927,610
Equipment – 15 years	1,877	1,088	-	2,965
Furniture	4,415	1,766	-	6,181
Computer hardware	1,109,871	247,676	-	1,357,547
Computer software	120,377	17,404	-	137,781
Vehicles	485,221	53,222	14,276	524,167
Leasehold improvements	2,356,733	349,941	-	2,706,674
Leased buildings	10,875,911	799,898	-	11,675,809
Leased computers	1,928,276	568,353	-	2,496,629
Leased vehicles	187,443	17,044	-	204,487
	\$ 96,110,314	\$ 11,101,715	\$1,953,724	\$ 105,258,305

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

10. Tangible capital assets (continued):

Net Book Value	Balance at August 31, 2012	Balance at August 31, 2013	Change
Land	\$ 23,227,363	\$ 23,140,063	\$ (87,300)
Land improvements	1,794,959	1,515,407	(279,552)
Buildings	191,494,965	191,658,825	163,860
Portable structures	3,496,964	3,059,284	(437,680)
First-time equipping	612,839	956,878	344,039
Equipment – 5 years	190,373	135,800	(54,573)
Equipment – 10 years	4,630,004	4,304,540	(325,464)
Equipment – 15 years	9,387	18,414	9,027
Furniture	13,242	11,476	(1,766)
Computer hardware	476,946	659,490	182,544
Computer software	30,053	12,649	(17,404)
Vehicles	154,199	100,977	(53,222)
Leasehold improvements	7,296,578	6,965,631	(330,947)
Construction in progress	120,259	944,834	824,575
Leased buildings	17,560,609	16,760,711	(799,898)
Leased computers	1,413,478	1,318,805	(94,673)
Leased vehicles	17,044	-	(17,044)
	\$ 252,539,262	\$ 251,563,784	\$ (975,478)

Assets under construction having a value of \$944,834 (2012 - \$120,259) have not been amortized. Amortization of these assets will commence when the asset is put into service.

The grants recognized for deferred capital contributions for the year ended August 31, 2013 were \$10,940,905 (2012 - \$10,029,427) and the amortization of tangible capital assets was \$11,101,715 (2012 - \$10,612,052). The difference between these amounts is reflective of tangible capital assets purchases funded by non-restricted revenues.

11. Temporary borrowing:

The Board has lines of credits available to the maximum of \$20 million to address operating requirements and/or to bridge capital expenditures.

Interest on the operating facilities are based on the bank's prime lending rate. All loans are unsecured, due on demand and are in the form of bank overdrafts.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

12. Expenses by object:

The following is a summary of certain current and capital expenditures reported on the Consolidated Statement of Operations by object:

	2013 Budget	2013 Actual	2012 Actual
Current expenditures:			
Salaries and wages	\$ 174,526,863	\$ 175,022,389	\$ 175,990,737
Employee benefits	23,328,342	22,107,330	8,866,393
Staff development	901,152	793,228	824,779
Supplies and services	14,299,633	14,236,590	13,558,393
Debt charges and interest	5,773,663	5,689,928	5,944,963
Rental expenditures	241,887	260,692	443,884
Fees and contract services	12,414,203	12,084,228	12,481,380
Other	555,923	758,258	491,517
School funded activities	4,548,037	5,193,211	5,054,311
Amortization and loss on disposals	11,973,686	11,298,719	10,612,052
	\$ 248,563,389	\$ 247,444,573	\$ 234,268,408

13. Contractual obligations:

At August 31, 2013, the Board is committed to the following contracts for construction:

St. Gabriel Catholic Elementary School	\$ 6,116,389
Blessed John Paul II Catholic Elementary School	1,028,259
Our Lady of Fatima Catholic Elementary School	716,904
Canadian Martyrs Catholic Elementary School	673,867
Other Contractual Obligations	345,480
St. Mary Catholic Secondary School	244,034
Resurrection Catholic Secondary School	222,264
St. Aloysius Catholic Elementary School	124,772
St. Agnes Catholic Elementary School	118,897
	\$ 9,590,866

At August 31, 2013, the Board is committed to contractual operating leases for portables of \$126,600 (2012 - \$203,810).

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

14. Ontario School Board Insurance Exchange (OSBIE):

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

The premiums over a five year period are based on the 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 rolling five year term is based on July 2008 to June 2013 claims history.

15. Contingencies:

The Board has an excess of loss (catastrophe) Workplace Safety and Insurance Board (WSIB) insurance policy of \$10,000,000 per accident, per employee, aggregate for disease, with a \$1,000,000 deductible per employee, per accident. The Board brings this deductible down to \$300,000 by participating in the School Boards' Cooperative Inc.'s Assistance Program. The Board has accrued \$ nil (2012 - \$ nil) for possible WSIB claims that are highly likely to occur based on an actuarially determined assessment and that are in excess of the Board's deductible on its excess of loss insurance policy.

The Board is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Board believes it has valid defenses. In Administration's judgment, no material exposure exists on the eventual settlement of such litigation, and accordingly, no provision has been made in the accompanying consolidated financial statements.

16. Accumulated surplus:

At August 31, accumulated surplus consists of the following:

	2013	2012
Surplus:		
Invested in land	\$ 21,150,240	\$ 20,026,040
Employee future benefits to be covered in the future	(6,188,524)	(7,905,563)
Interest and vacation to be covered in the future	(1,649,363)	(1,663,966)
Amounts restricted for future use:		
School generated funds	1,409,457	1,466,796
Committed capital	742,085	834,853
Other internally restricted reserves	3,780,054	3,124,388
	<hr/> \$ 19,243,949	<hr/> \$ 15,882,548

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

17. Student Transportation Services of Waterloo Region Inc.:

Student Transportation Services of Waterloo Region (STSWR) commenced operating activities in June 2008. As at August 31, 2013, the Board has proportionally consolidated 33.0% (2012 – 33.6%) of STSWR's assets and liabilities. The proportionate percentage incorporated into the consolidated financial statements is based on the ridership of each board. Inter-organizational transactions and balances have been eliminated. The consolidated financial statements include the Board's share of the following:

	2013	2012
Financial position:		
Financial assets	\$ 213,179	\$ 280,030
Financial liabilities	224,882	293,432
Non-financial assets	11,703	13,403
Accumulated surplus	\$ -	\$ -
Operations:		
Revenues	\$ 19,147,925	\$ 20,479,161
Expenses	19,147,925	20,479,161
Annual surplus	\$ -	\$ -

The Board has guaranteed the line of credit of Student Transportation Services of Waterloo Region Inc. up to a maximum of \$2,700,000. As at August 31, 2013 STSWR has incurred bank indebtedness of \$59,722 (2012 - \$112,155).

18. Repayment of "55 School Board Trust" funding:

On June 1, 2003, the Board received \$5,341,898 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.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2013

19. Budget reconciliation

The budget approved by the Board on June 25, 2012 was not prepared on a Public Sector Accounting Standards basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$Nil. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget approved by the Board with adjustments as follows:

	2013
Budgeted annual surplus	\$ (9,806,364)
Add:	
Acquisition of tangible capital assets	24,803,117
Less:	
Budgeted transfers of assets held for sale	2,863,514
Amortization of tangible capital assets	11,973,686
<hr/> Budgeted surplus per statement of operations	<hr/> \$ 159,553